

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of Frontier Communications)
Northwest Inc.'s Petition to be Regulated)
as a Competitive Telecommunications) Docket No. UT-121994
Company Pursuant to RCW 80.26.320)
_____)

DIRECT TESTIMONY

OF

JACK D. PHILLIPS

FRONTIER COMMUNICATIONS NORTHWEST INC.

FEBRUARY 28, 2013

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1 **I. WITNESS INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Jack D. Phillips. My business address is 14450 Burnhaven Drive,
4 Burnsville, Minnesota 55306.

5
6 **Q. ON WHAT COMPANY'S BEHALF IS THIS TESTIMONY SUBMITTED?**

7 A. This testimony is submitted on behalf of Frontier Communications Northwest Inc.
8 ("Frontier").

9
10 **Q. WHAT IS YOUR POSITION AND WHAT ARE YOUR AREAS OF**
11 **RESPONSIBILITY?**

12 A. I am the director of government and external affairs for the West and Central regions of
13 Frontier Communications Corporation. I have overall responsibility for state regulatory
14 and legislative matters including: local service tariffs; regulatory compliance; and
15 regulatory policy.

16
17 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.**

18 A. I received a B.A. in Business Administration and Economics from William Penn
19 University; an M.B.A. from Minnesota State University - Mankato; and an M.S. in
20 Telecommunications from Saint Mary's University of Minnesota.

21
22 **Q. PLEASE SUMMARIZE YOUR BACKGROUND IN THE**
23 **TELECOMMUNICATIONS INDUSTRY.**

1 A. I began in the industry with Centel in 1978 as a budget and forecasting coordinator.
2 Responsibilities included preparation of operating budgets and revenue forecasting. In
3 1980, I assumed the position of regulatory administrator with responsibilities in cost
4 development for local services, rate case preparation and various local service tariff
5 responsibilities. From 1983 through 1996, I was access planning manager with overall
6 responsibility for separations and access cost studies, state and federal access issues,
7 universal service, inter-company compensation issues and access tariff development for
8 Centel's Minnesota, Iowa and Missouri operations and subsequently all of Frontier
9 Communications' properties in the Midwest. In 1996, my responsibilities were expanded
10 to include local regulatory issues. In 2001, I assumed my current position of director of
11 government and external affairs for the Frontier/Citizens companies in the Central
12 Region. Since 2005, my responsibilities were expanded to include various states
13 throughout the central and western areas of the country. I am currently responsible for
14 Washington, Oregon, California, Montana, Idaho, Illinois, Indiana, Michigan, Wisconsin,
15 Minnesota, Iowa and Nebraska.

16

17 **II. SUMMARY OF TESTIMONY**

18 **Q. PLEASE SUMMARIZE YOUR TESTIMONY?**

19 A. My testimony provides an overview of Frontier's petition to be classified as a
20 competitive provider pursuant to RCW 80.36.320. The primary basis for Frontier
21 petition is the unprecedented level of competition Frontier now faces in Washington and
22 the differences in regulation between Frontier and its competitors. The Commission does
23 not regulate Frontier's intermodal competitors (wireless, cable, VoIP and other providers)

1 and CLECs are subject to only minimal regulation. As my testimony explains, the
2 market share of other competitive providers continues to expand at the expense of
3 Frontier as Frontier has lost more than sixty percent (60%) of its access lines in
4 Washington since 2000. These losses continue and will continue and will undermine
5 Frontier's viability in Washington unless the Commission takes action to relieve Frontier
6 of the regulatory constraints which create additional costs and burdens for Frontier and
7 impede Frontier's ability to offer its services in a similar manner as its competitors.

8
9 As further explained in my testimony the accompanying testimony of Billy Jack Gregg,
10 the reclassification of Frontier as a competitive provider in accordance with RCW
11 80.36.320 would not impact Frontier's wholesale obligations under the
12 Telecommunications Act of 1996, including interconnection agreements with CLECs. In
13 addition, Frontier would continue to comply with the applicable WTAP, Tribal Lifeline,
14 and Link-up, eligible telecommunications carrier and Emergency- 911 requirements.
15 Finally my testimony addresses how Frontier's petition satisfies the public policy goals in
16 RCW 80.36.320. This represents a critical milestone in the changing telecommunications
17 market and serves as a vehicle by which competitive forces are allowed to replace
18 regulatory mandates.

19
20 **III. REGULATORY AND POLICY ISSUES**

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 A. On December 23, 2012, Frontier filed a petition, declaration of Carl Gipson and
23 supporting exhibits with the Washington Utilities and Transportation Commission

1 (“Commission”) seeking to classify the company as a competitive telecommunications
2 company pursuant to RCW 80.36.320 and WAC 480-121-061. On January 24, 2013, at
3 the request of the Commission Staff, the petition filing was replaced with a replacement
4 petition, declaration of Carl Gipson and supporting exhibits (hereinafter “Petition”),
5 which is incorporated by reference with this testimony. The purpose of my testimony is
6 to support the Petition and demonstrate that Frontier and its services are subject to
7 effective competition and therefore classification of Frontier as a competitive
8 telecommunications provider in accordance with RCW 80.36.320 and WAC 480-121-061
9 is in the public interest.

10
11 **Q. WHAT IS THE BASIS FOR FRONTIER BEING RECLASSIFIED AS A**
12 **COMPETITIVE TELECOMMUNICATIONS COMPANY?**

13 A. Frontier now faces an intense level of multi-modal communications competition. Our
14 petition demonstrates that the number of competitive local exchange carriers (“CLECs”)
15 subject to the Commission’s regulation, as well as numerous alternative service providers
16 outside Commission regulation such as cable, wireless, Voice over Internet Protocol
17 (“VoIP”), and other providers and their provision of both business and residential
18 services have irreversibly created an environment across Frontier’s Washington service
19 area where customers have reasonable service alternatives and Frontier does not have a
20 significant captive customer base.

21
22 Frontier competitors, including CLECs and cable, wireless, VoIP and other providers are
23 not constrained by the same regulatory requirements imposed on Frontier and they

1 therefore have and are effectively utilizing this competitive advantage day after day to
2 “win” over Frontier’s customers and further erode Frontier’s already diminished
3 customer base. Allowing Frontier to be regulated largely by the competitive market like
4 its competitors would enhance the overall level of competition in the areas served by
5 Frontier and would create a level regulatory competitive environment that would be in
6 the public interest.

7
8 **Q. PLEASE SUMMARIZE THE DIFFERENT REGULATORY TREATMENT**
9 **BETWEEN FRONTIER AND ITS COMPETITORS?**

10 A. The Commission does not regulate Frontier’s inter-modal competitors – wireless
11 providers, cable companies VoIP, and other providers. This means these companies can
12 promote and set prices for their communications services without any regulatory
13 oversight by the Commission and based solely on the competitive marketplace. Although
14 the Commission does regulate CLECs, CLECs are subject to only minimal regulation.
15 Under the Commission’s rules, CLECs are classified as competitive companies for which
16 many of the Commission’s rules are waived. As competitively classified companies,
17 CLECs are not required to comply with the Commission rules associated with a number
18 of financial transactions and reporting requirements, including affiliated interests, cash
19 transfers and security obligations, and property transfers. CLECs do not have to keep
20 their accounting books in accordance with regulatory accounting standards and do not
21 have to file quarterly financial reports with the Commission. Finally, and most
22 significantly, CLECs are not subject to any type of regulatory pricing constraints, and all
23 of their services are treated as competitively classified services for which there is

1 minimal regulation. In order to compete effectively and survive in Washington's highly
2 competitive market and for consumers to realize the full benefits of competition, Frontier
3 needs regulatory parity with its competitors.

4
5 **Q. WHY IS THE RELATIVE LEVEL OF REGULATION BETWEEN FRONTIER**
6 **AND ITS COMPETITORS IMPORTANT?**

7 A. The regulatory disparity between Frontier and its competitors is important because
8 regulatory constraints impede Frontier's ability to offer its services in a similar manner
9 and at similar rates as its competitors. Frontier is required to comply with financial and
10 service quality regulations and reporting requirements. Such regulation forces Frontier to
11 incur monitoring and reporting costs that are not borne by its competitors. Further,
12 Frontier's pricing flexibility is limited by monopoly based constraints and rate of return
13 earnings requirements while its competitors face no such artificial conditions. In the
14 competitive market which Frontier now operates, economically efficient prices should be
15 driven by consumer demand, not the underlying product costs or a company's return on
16 investment. Reclassifying Frontier as a competitive carrier will allow the Company to be
17 more competitive in the market by enhancing its efficiency which increases its chances of
18 survival and the survival of its services which provide customers with more choices at
19 affordable rates. Efficiency gains directly attributable to the competitive regulatory
20 structure include streamlined reporting and more efficient accounting and product and
21 price listing processes. Frontier believes that the changes in technology and the structure
22 of the telecommunication industry with the emergence and now predominance of
23 wireless, cable and Internet providers offering telecommunications services supports a

1 fundamental and complete change in Frontier's regulation by the Commission and is
2 exactly the purpose of RCW 80.36.320.

3
4 **Q. PLEASE DESCRIBE WHAT IMPACT, IF ANY, FRONTIER'S**
5 **RECLASSIFICATION AS A COMPETITIVE TELECOMMUNICATIONS**
6 **COMPANY WOULD HAVE WITH RESPECT TO WHOLESALE SERVICES**
7 **PROVIDED TO CLECS?**

8 A. As explained in the accompanying testimony of Billy Jack Gregg, because federal law,
9 specifically the 1996 Telecommunications Act, ("1996 Act") and rules implemented by
10 the Federal Communications Commission, imposes federal requirements on Frontier that
11 the Washington Commission cannot eliminate, reduce or change by classifying Frontier
12 as a competitive carrier, Frontier's classification as a competitive carrier will not have
13 any adverse impact on competitive carriers in its provision of wholesale services in
14 Washington pursuant to the terms of the Interconnection Agreements with CLECs.

15
16 **Q. PLEASE DESCRIBE THE REGULATORY RELIEF FRONTIER IS**
17 **REQUESTING FROM THE COMMISSION.**

18 A. The essence of Frontier's proposal is that it be regulated as a competitively classified
19 company. The following statutes (and any associated rules and regulations) may be
20 waived for competitive telecommunications companies pursuant to RCW 80.36.320:
21 RCW 80.04.300 (Budgets to be filed by companies -- Supplementary budgets); RCW
22 80.04.310 (Commission's control over expenditures); RCW 80.04.320 (Budget rules);
23 RCW 80.04.330 (Effect of unauthorized expenditure -- Emergencies); RCW 80.04.360
24 (Earnings in excess of reasonable rate -- Consideration in fixing rates); RCW 80.04.460

1 (Investigation of accidents); RCW 80.04.520 (Approval of lease of utility facilities);
2 RCW 80.36.100 (Tariff schedules to be filed and open to public); RCW 80.36.110 (Tariff
3 changes -- Statutory notice -- Exception); Chapter 80.08 RCW (Securities) (except RCW
4 80.08.140, State not obligated); Chapter 80.12 RCW (Transfers of property); Chapter
5 80.16 RCW (Affiliated interests).

6
7 Accordingly, Frontier is specifically seeking to be exempted from the following
8 regulatory requirements:

- 9 1. RCW 80.04.30 (Budgets to be filed by companies—Supplementary budgets);
- 10 2. RCW 80.04.310 (Commission’s control over expenditures);
- 11 3. RCW 80.04.320 (Budget rules);
- 12 4. RCW 80.04.330 (Effect of unauthorized expenditure—Emergencies);
- 13 5. RCW 80.04.360 (Earnings in excess of reasonable rate—Consideration in
14 fixing rates);
- 15 6. RCW 80.04.460 (Investigation of accidents);
- 16 7. RCW 80.04.520 (Approval of lease of utility facilities);
- 17 8. RCW 80.36.100 (Tariff schedules to be filed and open to public);
- 18 9. RCW 80.36.110 (Tariff changes—Statutory notice—Exception);
- 19 10. Chapter 80.08 RCW (Securities) (except RCW 80.08.140, State not
20 obligated);
- 21 11. Chapter 80.12 RCW (Transfers of property);
- 22 12. Chapter 80.16 RCW (Affiliated interests);

- 1 13. WAC 480-80-101 Tariff requirements through WAC 480-80-143 Special
- 2 contracts for gas, electric, and water companies;
- 3 14. Chapter 480-140 WAC (Commission general—Budgets);
- 4 15. Chapter 480-143 WAC (Commission general—Transfers of property);
- 5 16. WAC 480-120-102 (Service Offered);
- 6 17. WAC 480-120-344 (Expenditures for political or legislative activities);
- 7 18. WAC 480-120-369 (Transferring cash or assuming obligation);
- 8 19. WAC 480-120-375 (Affiliated interests—Contracts or arrangements);
- 9 20. WAC 480-120-389 (Securities report); and
- 10 21. WAC 480-120-395 (Affiliated interest and subsidiary transactions report).

11

12 **Q. WHAT IS THE LEGAL AUTHORITY FOR GRANTING WAIVER OF THESE**

13 **REGULATORY REQUIREMENTS?**

14 A. WAC 480-121-063 permits these statutes and rules to be waived for competitively

15 classified companies.

16

17 **Q. WHAT IS THE RATIONALE FOR THE COMMISSION GRANTING WAIVERS**

18 **OF THESE STATUTES AND RULES?**

19 A. The 1996 Act and the laws, rules and policies of the State of Washington have created an

20 environment for non-incumbent telecommunications providers to thrive in the state.

21 Only seven other states have a higher percentage of access and VoIP lines served by a

1 non-ILEC competitor.¹ As an incumbent provider, Frontier has borne regulations and
2 obligations that have not encumbered its competitors. As a result, competitors are well-
3 established and consumers in areas served by Frontier have a wide range of alternative
4 service provider options. Yet consumers do not have the full benefit of competition as
5 Frontier bears the additional burdens of a legacy regulatory regime.

6 I have summarized below the rationale for the Commission to grant waivers of the
7 regulations for which Frontier seeks relief.

8
9 The following regulatory requirements provide for Commission oversight of Frontier's
10 budgets, expenditures, leases, transactions with affiliates, and financing arrangements:
11 RCW 80.04.300 (Budgets to be filed by companies-Supplementary budgets), RCW
12 80.04.310 (Commission's control over expenditures), RCW 80.04.320 (Budget rules),
13 RCW 80.04.330 (Effect of unauthorized expenditure-emergencies), RCW 80.04.520
14 (Approval of lease of utility facilities), Chapter 80.16 RCW (affiliated interests), Chapter
15 480-140 WAC (Commission general-budgets), WAC 480-120-344 (Expenditures for
16 political or legislative activities), WAC 480-120-369 (Transferring cash or assuming
17 obligation), WAC 480-120-375 (Affiliated interests- contracts or arrangements), WAC
18 480-120-389 (Securities report), and WAC480-120-395 (Affiliated interest and
19 subsidiary transaction reports). As a competitively classified telecommunications
20 company, Frontier's rates would no longer be set under the rate-of-return regulatory
21 regime for rate setting which relies heavily upon a company's level of capital and
22 expense expenditures. As a result, the need for Commission oversight of the company's

¹ Exhibit No. ___ JP-2 ("Local Telephone Competition: Status as of December 31, 2011" Industry and Technology Division, Wireline Competition Bureau, Federal Communications Commission, January 2013) at Table 12 (page 23).

1 budgets, expenditures, leases, transactions with affiliates, and financing arrangements
2 would no longer be necessary for rate setting or protecting consumer interests. Waiver of
3 these requirements would eliminate unnecessary regulatory and administrative burdens,
4 permitting Frontier to focus its resources on providing competitive telecommunications
5 services in Washington.

6
7 RCW 80.04.360 (Earnings in excess of reasonable rate-consideration in fixing rates)
8 provides for Commission investigation of excessive earnings. As a competitively
9 classified telecommunications company no longer under rate-of-return regulation, the
10 rule would not apply.

11
12 RCW 80.04.460 (Investigation of accidents) provides for Commission investigation of
13 accidents resulting in injury or death involving a public service company. The
14 Washington Department of Labor and Industries (DL&I), Division of Occupational
15 Safety and Health (DOSH) and other agencies have oversight of accident and injury
16 investigation. Waiver of this rule would eliminate an unnecessary duplication of
17 oversight.

18
19 RCW 80.36.100(5) provides that RCW 80.36.100 (Tariff schedules to be filed and open
20 to the public), which requires the filing of tariffs, does not apply to competitively
21 classified companies against who Frontier competes and should therefore not apply to
22 Frontier as a competitively classified company. RCW 80.36.110, WAC 480-80-1-1
23 THROUGH WAC 480-80-143 and WAC 480-120-102 should be waived as they relate to

1 tariffs and are directly tied to the obligation to file tariffs under RCW 80.36.110. Waiver
2 of these obligations will allow Frontier to be more competitive in the market by
3 enhancing its efficiency, timeliness, and ability to respond to offerings of competitors and
4 will provide customers with more choices at affordable rates.

5
6 Chapter 80.08 RCW (Securities) relates to commission oversight of securities issued by
7 public service companies. This regulatory obligation is unnecessary because Frontier, as
8 a competitively classified company, would no longer be subject to rate-of-return
9 regulation and there would no longer be a link between its cost of capital and rate setting.

10
11 Chapter 80.12 RCW (Transfers of property) relates to transfers of property. Frontier
12 should be granted a waiver of RCW 80.12.020, RCW 80.12.030, RCW 80.12.040, WAC
13 480-120-379, WAC 480-143-120, WAC 480-143-130, and WAC 480-143-180. As a
14 competitively classified company no longer subject to rate-of-return regulation, there is a
15 reduced need for Commission oversight as the financial implications of such transfers
16 would not be used for ratemaking purposes. Several other states in which Frontier
17 operates, including Michigan, Indiana, Wisconsin and others, do not require any kind of
18 state commission preapproval and review of property transfers. Additionally Frontier
19 seeks a full waiver of WAC 480-143-190 which relates to the annual filing of property
20 transferred without authorization.

1 **Q. IS FRONTIER SEEKING RELIEF FROM TARIFF FILING REQUIREMENTS?**

2 A. Yes. Frontier seeks to detariff and move services into a service catalog that Frontier will
3 make available on its website. The service rates, terms and conditions pursuant to which
4 Frontier will provide the previously tariffed services will be reflected in the publicly
5 available service catalog. This approach of moving tariffed services into a service catalog
6 is not new or extraordinary. In accordance with regulatory flexibility implemented in
7 several other states in which Frontier operates, including Indiana, Iowa and Illinois,
8 Frontier has moved previously tariffed services to a service catalog.

9

10 **Q. ARE THERE SERVICES WHICH FRONTIER OFFERS OR PROVIDES THAT**
11 **WOULD REMAIN UNCHANGED AND SUBJECT TO THE AUTHORITY OF**
12 **THE COMMISSION?**

13 A. Yes. This request does not impact Frontier's obligations with respect to: participation in
14 low-income, tribal and hearing impaired programs and public safety, including E-911.
15 As explained in the accompanying testimony of Billy Jack Gregg, Frontier would also
16 remain a competitive telecommunications company (ETC), eligible to receive federal
17 universal service support. As a result, Frontier is not seeking any change to its ETC
18 obligations under federal law and there would be no change to the ETC review process
19 delegated to the Commission.

20

21 **Q. DOES FRONTIER PROPOSE TO CHANGE, ALTER, OR FAIL TO COMPLETE**
22 **ANY OF THE AGREED-UPON COMMITMENTS OR OBLIGATIONS FROM**
23 **THE VERIZON/FRONTIER TRANSACTION (DOCKET NO. UT-090842)?**

1 A. No. Frontier is not proposing to alter, change or eliminate any of the merger
2 commitments it agreed to in the Verizon/Frontier transaction or included in the
3 Commission’s Order in Docket UT-090842. Frontier will fulfill and comply with all of
4 the conditions included in that Order.

5
6 **Q. WHAT IS THE STATUTORY AUTHORITY UNDER WHICH FRONTIER**
7 **SEEKS TO BE CLASSIFIED AS A COMPETITIVE TELECOMMUNICATIONS**
8 **COMPANY?**

9 A. The Commission’s statutory authority to grant Frontier’s Petition for Competitive
10 Classification is set forth in RCW 80.36.320(1):

11 *The commission shall classify a telecommunications company as a*
12 *competitive telecommunications company if the services it offers are*
13 *subject to effective competition. Effective competition means that the*
14 *company’s customers have reasonably available alternatives and that*
15 *the company does not have a significant captive customer base. In*
16 *determining whether a company is competitive, factors the commission*
17 *shall consider include but are not limited to:*

- 18 *(a) The number and sizes of alternative providers of service;*
- 19 *(b) The extent to which services are available from alternative*
20 *providers in the relevant market;*
- 21 *(c) The ability of alternative providers to make functionally*
22 *equivalent or substitute services readily available at*
23 *competitive rates, terms, and conditions; and*

1 (d) Other indicators of market power which may include

2 market share, growth in market share, ease of entry, and

3 the affiliation of providers of services.

4 The commission shall conduct the initial classification and

5 any subsequent review of the classification in accordance

6 with such procedures as the commission may establish by

7 rule.

8
9 **Q. WHAT ARE POLICY CONSIDERATIONS THE COMMISSION IN**
10 **CONSIDERING FRONTIER’S PETITION?**

11 A. In accordance with RCW 80.36.300, it is the policy of the state to “...(5) Promote
12 diversity in the supply of telecommunications services and products in
13 telecommunications markets throughout the state; and (6) Permit flexible regulation of
14 competitive telecommunications companies and services.”

15
16 **Q. WHAT ACTION SHOULD THE COMMISSION TAKE BASED ON THIS**
17 **POLICY?**

18 A. Consistent with this policy, and as supported by the facts in the Petition, Frontier urges
19 the Commission to approve this Petition for competitive classification of the company.
20 Frontier’s Petition demonstrates that the number of CLECs subject to the Commission’s
21 regulation, as well as numerous alternative service providers outside Commission
22 regulation such as cable, wireless, VoIP and other providers, and their provision of
23 residential, business and wholesale services, have irreversibly created an environment in

1 Frontier's service area where customers have reasonable service alternatives and Frontier
2 does not have a captive customer base. In the current market, competitive pressures
3 provide appropriate checks on telecommunication services pricing, quality of service and
4 the availability of service to meet market demand.

5
6 **IV. WIDESPREAD COMPETITION**

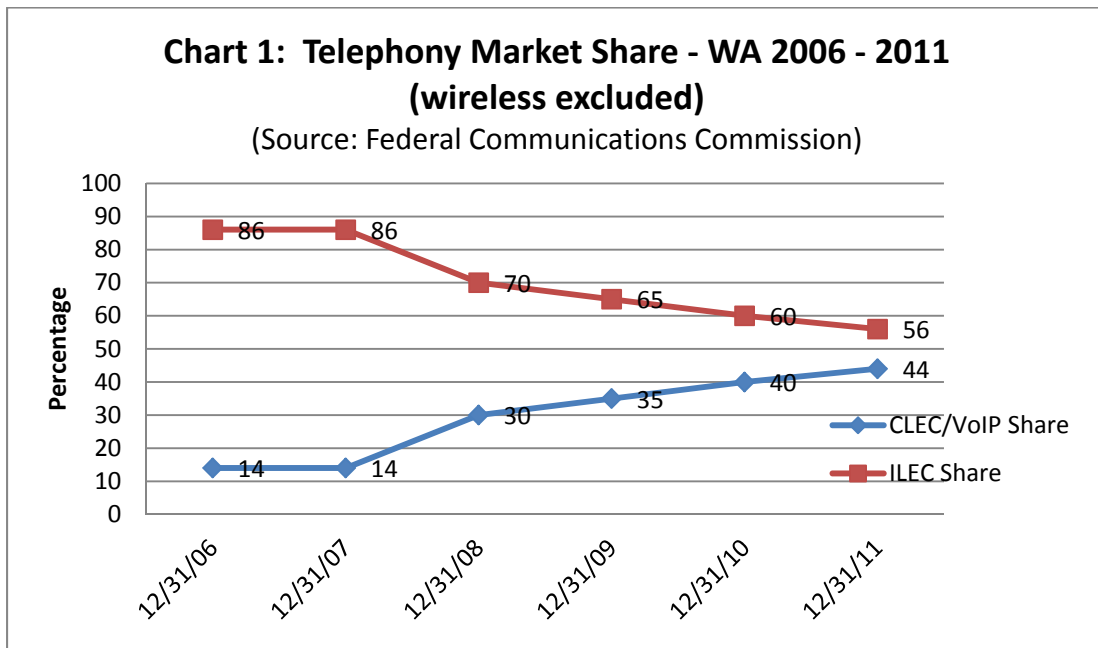
7 **Q. HAS THE FCC PROVIDED DATA SHOWING THE EFFECT OF**
8 **INTERMODAL COMPETITION IN WASHINGTON?**

9 A. Yes. The FCC releases information twice per year showing the number of landline
10 telephone lines, CLEC lines, mobile wireless subscribers and other competitive data for
11 each state. The FCC's most recent Local Telephone Competition Reports was released in
12 January 2013 (after Frontier filed its initial Petition in this docket) and reflects
13 competitive data through December 2011. The FCC's data clearly show the dramatic
14 growth of intermodal telecommunications services, the steep decline in ILEC access lines
15 and the growth in the competitive alternative service provider connections in
16 Washington. The traditional ILEC access line base now represents a fraction of the
17 overall number of communications connections in the Washington telecommunications
18 market.

19
20 **Q. DOES THE FCC DATA SHOW THAT EQUIVALENT OR SUBSTITUTE**
21 **SERVICES ARE AVAILABLE FROM OTHER PROVIDERS IN**
22 **WASHINGTON?**

23 A. Yes. Alternative service provider competitors offer equivalent or substitute services that

1 are comparable to Frontier’s service offerings on the basis of product design, price and
 2 availability. These alternative service providers have captured a significant share of the
 3 market for business and residential telecommunications services and additional features.
 4 Data released by the FCC in January 2013 and reflected below in Chart 1 shows that
 5 competitive providers have consistently expanded their market share of subscriber lines
 6 in Washington.²



7
 8 As of December 31, 2011 non-incumbent local exchange carriers had a 44% market share
 9 of the traditional landline telephony service in Washington as compared to 56% for
 10 incumbent carriers including Frontier.³ This non-incumbent market share has consistently

² To assemble the data in Chart 1 for the period back to 2006, Frontier reviewed multiple FCC Local Telephone Competition Reports available at <http://transition.fcc.gov/wcb/iatd/comp.html> and has included two FCC competition reports as exhibits with this testimony. For the periods 2008-2011 Frontier utilized Exhibit No. ____ (JP-2) (“Local Telephone Competition: Status as of December 31, 2011” Industry and Technology Division, Wireline Competition Bureau, Federal Communications Commission, January 2013,) at Table 12 (page 23). For the periods 2006 and 2007, Frontier utilized Exhibit No. ____ (JP-3) (“Local Telephone Competition: Status as of December 31, 2008” Industry and Technology Division, Wireline Competition Bureau, Federal Communications Commission, June 2013) at Table 12 (page 23).

³ Exhibit No. ____ (JP-2) (“Local Telephone Competition: Status as of December 31, 2011” Industry and Technology Division, Wireline Competition Bureau, Federal Communications Commission, January 2013) at Table 9 (page 20).

1 grown over the last three reported years from 30% to 32% to 35% to 37% to 40% to 42%
2 to 44% over the last six measured semiannual reporting cycles.⁴ It is important to note
3 that this data is 14 months old and the decline in incumbent market share has most
4 certainly continued. By the time the Commission issues a decision in this proceeding,
5 this data will be 18 months old.

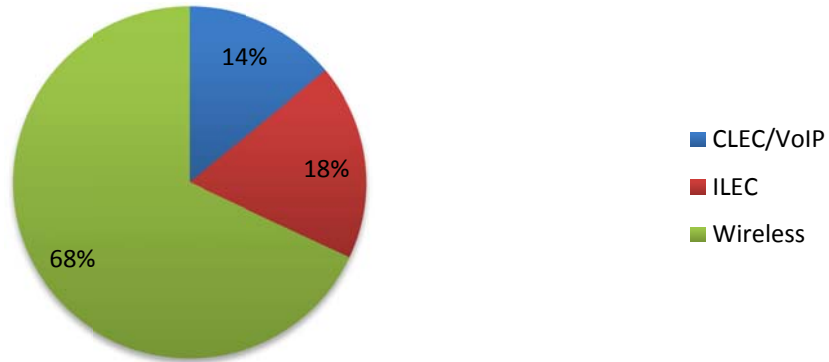
6
7 **Q. ARE WIRELESS ALTERNATIVE SERVICE PROVIDERS THE**
8 **PREDOMINATE VOICE SERVICE PROVIDER IN WASHINGTON?**

9 A. Yes. Wireless alternative service providers are now the predominant voice service
10 provider category in Washington and served 6.3 million subscribers in Washington as of
11 December 2011 as compared to a combined 2.9 million subscribers for ILEC and non-
12 ILEC access line providers of voice services.⁵ As a result, the number of access lines
13 served by ILECs as a percent share of consumers subscribing to voice service has
14 declined precipitously to 18% of the total voice service lines as of December 2011.
15 Again, this data is 14 months old and the ILEC percent share of total lines has most
16 certainly experienced further declines.

⁴ Exhibit No. ___ (JP-2) (“Local Telephone Competition: Status as of December 31, 2011” Industry and Technology Division, Wireline Competition Bureau, Federal Communications Commission, January 2013) at Table 12 (page 23).

⁵ Exhibit No. ___ (JP-2) (“Local Telephone Competition: Status as of December 31, 2011” Industry and Technology Division, Wireline Competition Bureau, Federal Communications Commission, January 2013) at Tables 9 and 18. As of December 31, 2011 in Washington, wireless providers served 6,259,000 subscribers (68%), ILECs served 1,621,000 subscribers (18%) and CLEC/VoIP providers served 1,257,000 subscribers (14%).

**Chart 2: 2011 Telephony
Switched Access Lines per ILEC, CLEC, Interconnected VoIP
& Mobile Subscribers
(source: Federal Communications Commission)**



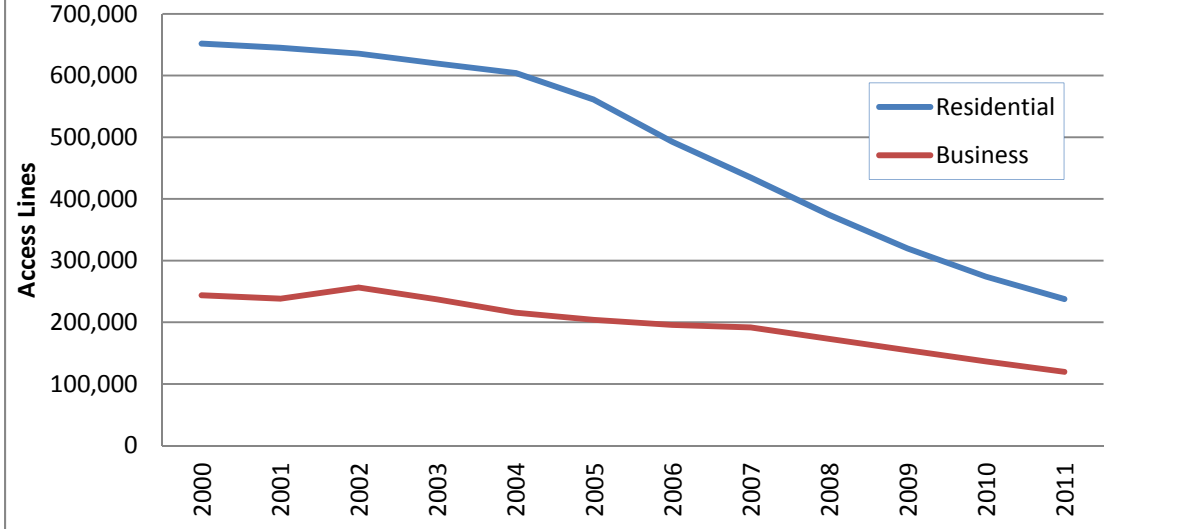
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11

Q. HAS FRONTIER EXPERIENCED SIGNIFICANT ACCESS LINE LOSS AS A RESULT OF COMPETITION?

A. Yes. The fact that Frontier has experienced and is confronting significant competition from CLEC, VoIP, cable, wireless and other alternative service providers is evidenced by the Company's dramatic loss of access lines in Washington in the last twelve years. Chart 3 below shows the downward trend in both the number of Frontier residential and business access lines between 2000 and 2011. During the period between 2000 and 2011, the number of access lines served by Frontier in Washington declined from 895,435 to 357,348.

Chart 3: Residential and Business Access Lines 2000-2011

(source: Company WUTC Reports)



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Q. HOW HAS COMPETITION IMPACTED THE QUANTITY OF FRONTIER RESIDENTIAL AND BUSINESS ACCESS LINES SERVED BY FRONTIER IN WASHINGTON?

A. Absolutely. Between 2000 and 2011, Frontier lost over four hundred thousand residential access lines (from 651,680 access lines to 237,744 access lines) in Washington. This represents a 64% reduction in residential retail access lines during a period of time where U.S. Census data shows the population in Washington has increased by almost 16%.⁶ Similarly, Frontier experienced a 51% decrease in the number of business access lines in the same period 2000 through 2011 (from 243,755 access lines to 119,604 access lines).

⁶ Frontier used Census Bureau statistics available for years 2011 (“Annual Population Estimates, <https://www.census.gov/popest/data/state/totals/2011/index.html>) and 2000 (“Time Series of State Population Estimates,” https://www.census.gov/popest/data/historical/2000s/vintage_2001/state.html) for census data.

1 **Q. WHAT IS THE FRONTIER AGGREGATE ACCESS LINE LOSSES THROUGH**
2 **DECEMBER 31, 2012?**

3 A. Since it filed its Petition, Frontier has quantified the aggregate number of access lines it
4 served in Washington as of December 31, 2012. The aggregate number of access lines
5 served by Frontier at the end of 2012 was 332,355 lines. Therefore, during the period
6 between 2000 and 2012, the aggregate number of access lines served by Frontier in
7 Washington declined from 895,435 to 332,355. This represents an approximately sixty-
8 three percent (63%) reduction in access lines over the period. In other words, Frontier is
9 only currently serving slightly more than one-third (1/3) of the access lines it served at
10 the end of 2000. For the calendar year 2012 alone, the number of access lines served by
11 Frontier in Washington decreased by approximately 25,000 lines or approximately 7%
12 from 357,348 to 332,355 access lines.

13
14 The continuing and dramatic access line decreases during a time of population growth
15 shows that consumers have options and are subscribing to competitive alternatives to
16 Frontier's services to fulfill their telecommunications needs in Washington. As the
17 preceding evidence makes clear, Frontier does not have a significant captive customer
18 base for its services.

19
20 **V. COMPETITIVE CLASSIFICATION FACTORS**

21 **Q. WHAT FACTORS IS THE COMMISSION TO CONSIDER IN DETERMINING**
22 **WHETHER TO CLASSIFY A TELECOMMUNICATIONS COMPANY AS A**
23 **COMPETITIVE TELECOMMUNICATIONS COMPANY?**

1 A. RCW 80.36.320 requires the Commission to consider, at a minimum, the following
2 factors in determining whether to classify a telecommunications company as a
3 competitive telecommunications company:

- 4 A. The number and size of alternative providers of services;
- 5 B. The extent to which services are available from alternate service providers
6 in the relevant market;
- 7 C. The ability of alternative providers to make functionally equivalent or
8 substitute services readily available at competitive rates, terms and
9 conditions; and
- 10 D. Other indicators of market power, which may include market share, growth
11 in market share, ease of entry, and the affiliation of providers of services.

12 WAC 480-121-061 also provides that the Company requesting competitive classification
13 show that it is subject to effective competition. Under the rules, effective competition
14 means that customers of the service(s) have reasonably available alternatives and that the
15 company does not have a significant captive customer base for the service(s).

16
17 **A. THE NUMBER AND SIZE OF THE ALTERNATIVE PROVIDERS OF**
18 **SERVICES**

19 **Q. WHAT TYPE OF ALTERNATIVE SERVICE PROVIDERS COMPETE WITH**
20 **FRONTIER?**

21 A. Frontier faces competition from four or five general categories of alternative service
22 providers: CLECs, traditional cable television companies, commercial mobile radio
23 service (wireless) providers and VoIP providers. In addition to these four categories of

1 alternative service providers, Frontier faces competition from wholesale service providers
2 that have constructed and maintain extensive fiber and data network facilities and offer
3 services to other communications companies in Washington.

4
5 **Q. PLEASE IDENTIFY SOME OF THE CLEC ALTERNATIVE SERVICE**
6 **PROVIDERS IN FRONTIER’S SERVICE AREA.**

7 A. CLECs are one category of the alternative providers of business and residential telephony
8 services in Frontier’s Washington service area. According to Commission records, 181
9 CLECs were registered with the Commission as service providers as of October 2, 2012.⁷
10 Frontier has entered into interconnection agreements with 101 of these CLECs to enable
11 the CLEC to provide telecommunication service in Frontier’s service territory in
12 Washington. The list of the 101 CLECs with interconnection agreements with Frontier is
13 included in Exhibit No. ____ (JP-4).

14
15 **Q. PLEASE IDENTIFY SOME OF THE CABLE TELEVISION COMPANIES THAT**
16 **ARE ALTERNATIVE SERVICE PROVIDERS COMPETING TO PROVIDE**
17 **TELECOMMUNICATIONS SERVICES IN FRONTIER’S SERVICE AREA.**

18 A. Another significant category of alternative service providers competing with Frontier
19 includes the traditional cable television companies and/or their affiliates. Companies
20 such as Comcast, Charter Communications and Wave Broadband compete with Frontier
21 and provide telephony service either on a stand-alone basis or as part of a bundle of
22 telephone/Internet/cable service using their cable television network infrastructure in

⁷ Information regarding CLECs registered with the Commission was found at www.wutc.wa.gov, from the web page, “Competitive Local Exchange Carriers”.

1 Washington. In 91 of the 102 wire centers Frontier operates in Washington, a cable
2 company provides service and competes with Frontier for customers.⁸ Exhibit No. ____
3 (JP-5) is a list of cable providers in Frontier's Washington wire centers. The 91
4 exchanges with a competitive cable provider represent over 98% of Frontier's access
5 lines.

6
7 **Q. PLEASE IDENTIFY COMMERCIAL MOBILE RADIO SERVICE (WIRELESS)**
8 **PROVIDERS THAT ARE ALTERNATIVE SERVICE PROVIDERS OFFERING**
9 **COMPETITIVE VOICE SERVICES IN FRONTIER'S SERVICE AREA.**

10 A. A third category of alternative service providers are the commercial mobile radio service
11 (wireless) providers. AT&T Wireless, Verizon Wireless, T-Mobile, Sprint and a host of
12 smaller wireless carriers in Washington offer services that are comparable or a substitute
13 service for the telephone service provided by Frontier. Frontier has entered into
14 interconnection agreements with fourteen of these wireless providers to exchange traffic
15 in Frontier's service territory in Washington. The list of the fourteen wireless carriers
16 with interconnection agreements with Frontier is included in Exhibit No. ____ (JP-6). In
17 addition, Exhibit No. ____ (JP-7) is a list of alternative service wireless providers providing
18 service in each Frontier exchange.⁹ According to this public information, there is at least

⁸ Using FCC data obtained at <http://transition.fcc.gov/mb/engineering/liststate.html> as well as industry-provided information located at <http://cablemover.com/Home>, Frontier reviewed FCC data as well as other public information to cross reference and identify the cable TV provider that operates in each Frontier exchange. The eleven Frontier exchanges where cable company presence could not be determined account for approximately 4,258 access lines or less than 2% of Frontier's access lines in Washington.

⁹ To gather this information, Frontier used public information available at the Emergency Management Division of the Washington Military Department (website: http://www.emd.wa.gov/e911/e911_wirelesscarriercontacts.shtml) provided by the wireless carriers and cross referenced counties with Frontier's 10Z wire centers.

1 one wireless service provider offering service and competing with Frontier for customers
2 in every Frontier exchange in this state.

3
4 **Q. PLEASE DESCRIBE THE VOIP SERVICE PROVIDERS THAT ARE**
5 **OFFERING COMPETITIVE SERVICES IN FRONTIER’S SERVICE AREA.**

6 A. A fourth category of alternative service providers competing with Frontier include VoIP
7 service providers. VoIP providers include Vonage, Magic Jack, as well as many others.
8 Services offered by these providers compete with Frontier’s traditional voice service
9 offering. As long as a customer has access to a broadband connection, he or she can
10 utilize the VoIP service to initiate and receive calls through the publicly-switched
11 telephone network. These VoIP providers are able to offer similar calling features as
12 Frontier and other ILECs and CLECs such as number portability, voicemail, call waiting,
13 3-way calling, caller ID block, caller ID, and others.

14
15 **Q. PLEASE IDENTIFY SOME OF THE WHOLESALE SERVICE PROVIDERS**
16 **THAT HAVE DEPLOYED THEIR OWN FIBER AND NETWORK FACILITIES**
17 **AND PROVIDE SERVICES TO OTHER COMMUNICATIONS COMPANIES.**

18 A. Another category of alternative service providers include wholesale service providers that
19 have deployed and maintain their own fiber networks and data facilities and offer
20 services to large enterprise business customers and other communications companies. In
21 some instances these companies are either CLECs or affiliates with CLECs, or cable
22 companies, Washington Public Utility Districts (“PUDs”) or local or national
23 telecommunications companies. These providers include, but are not limited to,

1 Comcast, Level 3 Communications, Integra, World Communications, Charter
2 Communications, AT&T and Verizon. These providers offer services ranging from dark
3 fiber, network bandwidth, Ethernet, IP/MPLS and other wholesale services.

4 Additionally, Frontier competes with PUDs which have deployed fiber networks and
5 provide wholesale telecommunications services and facilities to other communications
6 companies.

7
8 **Q. PLEASE DESCRIBE THE COMPETITION FRONTIER FACES FROM**
9 **WASHINGTON PUBLIC UTILITY DIVISIONS (PUDS).**

10 A. PUDs are municipal corporations authorized under RCW 54.04. RCW 54.16.330(1)
11 authorizes PUDs to own and operate telecommunications facilities for provision of both
12 PUDs' internal communication needs but to also offer wholesale services to other
13 communications companies, services that compete with those offered by Frontier.
14 Frontier competes with the Chelan PUD in its Wenatchee, Cashmere, Entiat, Chelan,
15 Lake Wenatchee, Leavenworth and Manson exchanges; the Douglas PUD in Waterville,
16 Mansfield, East Wenatchee, Bridgeport exchanges; and the Grant PUD in the Quincy,
17 George, and Soap Lake exchanges. In these markets, Frontier competes with the PUDs
18 for provision of wholesale telecommunications services thereby providing retail
19 telecommunications service providers an additional competing wholesale facility
20 provider.

1 **Q. DO PUDS PROVIDE RETAIL TELECOMMUNICATIONS SERVICES?**

2 A. Although I can find no authorization for PUDs to provide retail telecommunications
3 services, there is evidence that they do, indeed, compete either directly or indirectly with
4 Frontier in providing service. For example, the Chelan PUD offers services which
5 compete with Frontier. Exhibit No. ____ (JP-9) is a billboard advertisement for retail
6 telephone service and a screenshot of their webpage offering the availability of service.

7
8 **Q. PLEASE DESCRIBE THE SIZE OF THE ALTERNATIVE SERVICE**
9 **PROVIDERS OPERATING AND COMPETING IN FRONTIER'S SERVICE**
10 **TERRITORY.**

11 A. The alternative service providers operating and competing in Frontier's service territory
12 range from large companies such as AT&T, Comcast, Charter Communications, Level 3,
13 Sprint, Verizon and Verizon Wireless and Integra Telecom to small companies such as
14 Astound Broadband and YMax Communications. It is clear that AT&T, Comcast,
15 Verizon, Sprint, Charter and other companies offering competitive services in
16 Washington are multibillion dollar corporations, with vast resources and thousands of
17 employees across the country. Frontier does not have access to the confidential access
18 line count information and revenue data specific to its competitors operating in
19 Washington. Therefore, in Exhibit No. ____ (JP-8), Frontier has summarized publicly
20 available data for several of the alternative service providers operating in Frontier's
21 service area in Washington, including the companies' parent company annual revenues
22 and number of employees.

23

1 **B. THE EXTENT TO WHICH SERVICES ARE AVAILABLE**
2 **FROM ALTERNATIVE PROVIDERS IN THE RELEVANT MARKET**

3 **Q. HOW HAVE ALTERNATIVE SERVICE PROVIDERS IMPACTED THE**
4 **QUANTITY OF ACCESS LINES SERVED BY FRONTIER?**

5 A. The alternative service providers have clearly been successful in competing with Frontier
6 as evidenced by the persistent and continuing loss of access lines by Frontier. As noted
7 above, Frontier has experienced a 63% reduction in the number of access lines it serves in
8 Washington from 895,435 as of December 31, 2000 to 332,355 as of December 31, 2012.
9 This loss of access lines has been ubiquitous across Frontier’s exchanges in that all but
10 one of Frontier’s 102 exchanges has experienced line losses since 2009. Exhibit No. ____
11 (JP-10) identifies the access line loss, by year and by exchange between 2009 and 2011.¹⁰

13 **Q. IS THERE FCC DATA THAT DEMONSTRATE THE AVAILABILITY OF**
14 **COMPETITIVE SERVICES FROM ALTERNATIVE SERVICE PROVIDERS IN**
15 **FRONTIER’S SERVICE AREA?**

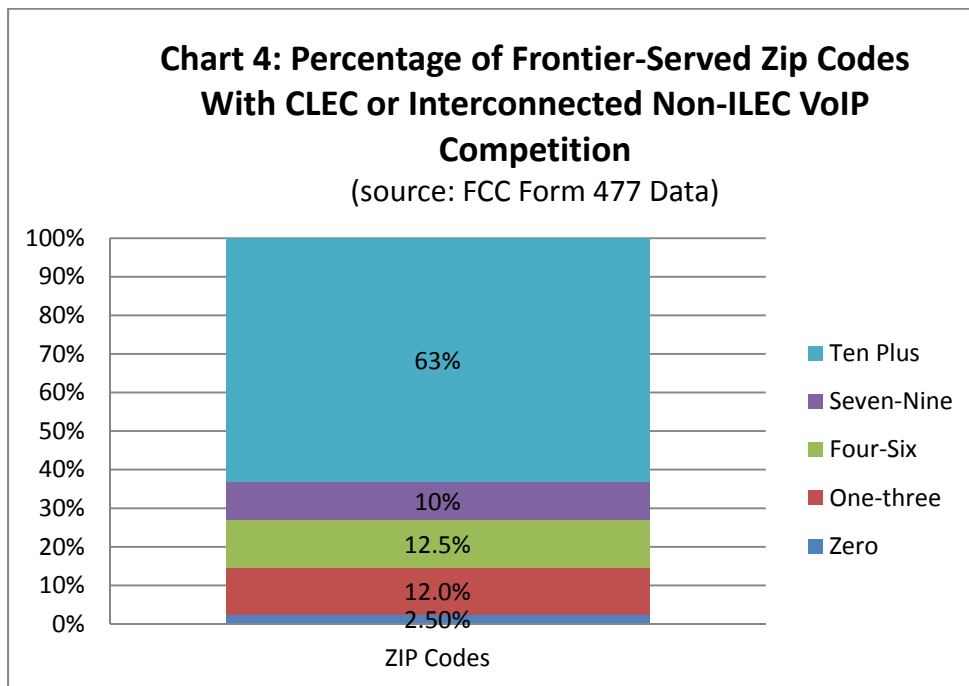
16 A. Yes. As further support to demonstrate the extent to which competitive services are
17 available in Frontier’s service area, Frontier has completed a ZIP code analysis using
18 FCC Form 477 information regarding the ZIP code location where CLECs and non-ILEC
19 interconnected VoIP providers provide service in Washington.¹¹ The FCC data shows

¹⁰ This data shows for the years 2009-2011 a decrease in access lines in every exchange but one in Washington over a three-year period, consistent with a decade long decrease in access lines. The Molson-Chesaw exchange experienced a net gain of seven access lines in that time period.

¹¹ Exhibit No. ____ (JP-11) is a summary breakdown of the number of alternative providers (CLEC and Interconnected Non-ILEC VoIP providers) in the 151 ZIP codes in which Frontier operates in Washington. Frontier used the source data to create the table, “Percentage of ZIP Codes with CLECs or Non-ILEC VoIP Providers by State as of June 30, 2011,” in the Local Telephone Competition report published by the FCC and cross referenced the data with Frontier-served ZIP codes. Frontier serves 152 ZIP codes in Washington, with one ZIP code qualifying

1 that 97.5% of the ZIP codes in Washington served by Frontier have at least one CLEC or
2 non-ILEC interconnected VoIP provider serving the Frontier service area. In fact, out of
3 the 151 Washington ZIP codes served by Frontier, 95 ZIP codes have more than ten
4 alternative providers (many with more than 30). The following chart and Exhibit No. ____
5 (JP-11) provide a summary breakdown of the number of alternative providers (CLEC and
6 Interconnected Non-ILEC VoIP providers) in the 151 ZIP codes in which Frontier
7 operates in Washington.

8



9

10

as a “unique” ZIP code – a ZIP Code with no residents and assigned to a major state university. Therefore, Frontier’s analysis uses 151 ZIP codes as its serving base and the source data, “Reporting Non-ILEC Interconnected VoIP Providers and CLECs by ZIP Code as of June 30, 2011,” available at http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/czip0611.pdf.

1 **Q. DOES FRONTIER HAVE ANY PORTING DATA THAT DEMONSTRATES THE**
2 **EFFECTIVENESS OF ALTERNATIVE SERVICE PROVIDERS IN ACQUIRING**
3 **CUSTOMERS FROM FRONTIER?**

4 A. Yes. The competitive effectiveness of the alternative service providers in Frontier's
5 service territory in Washington is further highlighted by the fact that in a ten month
6 period from March 1, 2012 through December, 2012, Frontier completed the outgoing
7 port of more than 26,000 access lines to a combination of more than 30 different
8 competitors (none of which are affiliates of Frontier) in Frontier's Washington service
9 territory.¹² Ninety-four (94) of Frontier's 102 exchanges ported out numbers in this ten
10 month period, which demonstrates the broad scope of competition and service availability
11 from alternative providers in Frontier's service area. A listing of exchanges and the
12 number of telephone port outs completed is included in Exhibit No. ____ (JP-12).

13
14 **Q. DO CONSUMERS HAVE THE ABILITY TO SUBSCRIBE TO TELEPHONY**
15 **SERVICE THROUGH CABLE COMPANIES IN FRONTIER'S SERVICE**
16 **AREA?**

17 A. Yes. Consumers also have the ability to subscribe to telephony service through the cable
18 company serving their area. Frontier has undertaken a review of each of the exchanges
19 in which it operates in Washington and as noted above, a cable company competes with
20 and provides service in 91 of the 102 exchanges in which Frontier operates. Exhibit No.
21 ____ (JP-5) identifies each Frontier exchange and the cable company that operates in that

¹² In its Petition, filed with the Commission in December 2012, Frontier had identified the number of ports that occurred between March and September 2012 as approximately 15,000. Updated data through December shows that in the last three months of 2012, an additional 11,000 access lines were ported out, which shows that the level of competition remains robust.

1 exchange. In these 91 Frontier wire centers, which represent over 98% of Frontier's
2 access lines, a cable company provides service and competes with Frontier for customers.

3
4 **Q. DOES FRONTIER HAVE PORTING INFORMATION THAT DEMONSTRATES**
5 **THAT ALTERNATIVE CABLE SERVICE PROVIDERS ARE ACQUIRING**
6 **CUSTOMERS FROM FRONTIER?**

7 A. Yes. As noted above, Frontier tracked the number of customer lines that were ported out
8 to competitive alternative service providers between March 1, 2012 and December 31,
9 2012. During the ten month period, approximately one-third of the more than 26, 000
10 port-out requests completed by Frontier were to cable providers or their affiliates.

11
12 **Q. HAS FRONTIER EXPERIENCED LOSS OF CUSTOMERS TO WIRELESS**
13 **SERVICE PROVIDERS?**

14 A. Yes. In addition to landline competition, Frontier has experienced substantial
15 competition from wireless service providers offering a voice service. This is no surprise
16 given that the wireless trade association CTIA reports that there are now 321 million
17 active wireless phones in the United States, more than one for every man, woman and
18 child.¹³ According to CTIA and the Centers for Disease Control, more than one-third of
19 American homes had only wireless telephones.¹⁴ Additionally, even with the subscribers
20 with landline telephone service, sixteen percent of American homes received all or

¹³ See http://www.ctia.org/consumer_info/service/index.cfm/AID/10323.

¹⁴ See Stephen J. Blumberg, Ph.D. and Julian V. Luke's article "Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, July-December 2011," released by the Centers of Disease Control and Prevention in June 2012, available at <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201206.pdf>.

1 almost all of their calls on wireless telephones despite also having a landline phone in
2 their house.

3
4 **Q. TO WHAT EXTENT IS WIRELESS VOICE SERVICE AVAILABLE WITHIN**
5 **FRONTIER'S SERVICE AREA?**

6 A. Exhibit No. ____ (JP-13) is a wireless coverage map from the Washington State
7 Department of Commerce Broadband Program with Frontier exchanges overlaid. The
8 state's Broadband Program (a division of the Department of Commerce) gathers wireless
9 coverage information and publishes the resulting coverage map at
10 <http://wabroadbandmapping.org/MapGallery.aspx>. Exhibit No. ____ (JP-13) also includes
11 maps from the state's four largest wireless service providers Verizon Wireless, AT&T
12 Wireless, T-Mobile, and Sprint. These maps demonstrate the ubiquity of wireless
13 alternative service in every Frontier exchange, thereby giving subscribers further choice
14 in telephonic service.

15
16 **Q. DOES FRONTIER HAVE PORTING INFORMATION THAT DEMONSTRATES**
17 **THAT WIRELESS CARRIERS ARE COMPETING FOR AND ACQUIRING**
18 **CUSTOMERS FROM FRONTIER?**

19 A. Yes. As noted above, Frontier tracked the number of customer lines that were ported out
20 to competitive alternative service providers between March 1, 2012 and December 31,
21 2012. During this short period, six wireless providers initiated more than 2,500 telephone
22 number port requests, demonstrating the viability and scope of wireless service
23 substitutability for Frontier's landline telephone service.

24

1 **Q. TO WHAT EXTENT ARE CLECS ACTING AS ALTERNATIVE SERVICE**
2 **PROVIDERS AND COMPETING WITH FRONTIER USING FRONTIER**
3 **FACILITIES?**

4 A. The quantity of resold lines unbundled network element (UNE) loop and wholesale
5 advantage (formerly UNE-P) services purchased by alternative providers to compete with
6 Frontier’s retail basic business and residential services provides further support for the
7 breadth and extent of competitive service offerings available to consumers in Frontier’s
8 Washington service territory. There are currently 50 CLECs purchasing approximately
9 4,500 resold lines and 16,500 UNE loops pursuant to interconnection agreements and
10 more than 10,000 UNE-P lines pursuant commercial agreements with Frontier in
11 Washington. It is important to note, however, that the quantities and information
12 regarding alternative providers purchasing resale lines, UNE loops and UNE-P does not
13 include any competitive activity in which the CLEC, cable company, VoIP provider or
14 wireless carrier is providing service utilizing its own network or another third party’s
15 network other than Frontier’s network to provide service.

16
17 **C. THE ABILITY OF ALTERNATIVE PROVIDERS TO MAKE**
18 **FUNCTIONALLY EQUIVALENT OR SUBSTITUTE SERVICES**
19 **READILY AVAILABLE AT COMPETITIVE RATES, TERMS AND**
20 **CONDITIONS**

21 **Q. DO ALTERNATIVE SERVICE PROVIDERS RESELL FRONTIER’S BASIC**
22 **EXCHANGE SERVICES?**

1 A. Yes. Frontier’s basic exchange services are available to resellers at a wholesale discount
2 of 10.1% off the retail rate. Notwithstanding the reclassification of Frontier as a
3 competitive provider, Frontier will continue to offer resale at this discount rate, unless the
4 rate change is approved by the Commission By reselling Frontier’s retail services,
5 CLECs have the ability to reach every single business and residential customer that
6 Frontier serves in Washington and to provide the same retail services Frontier currently
7 provides.

8

9 **Q. DO ALTERNATIVE SERVICE PROVIDERS USE FRONTIER’S UNBUNDLED**
10 **NETWORK ELEMENTS TO PROVISION SERVICE TO CUSTOMERS IN**
11 **FRONTIER’S SERVICE AREA?**

12 A. Yes. Alternative providers also provision services by utilizing collocation and combining
13 Frontier’s unbundled network elements (UNEs) (i.e. unbundled loops) with their own
14 elements or those of a third party. Frontier’s rates for UNEs have been established by the
15 Commission in various cost dockets and Frontier will continue to provide UNEs at the
16 rates set by the Commission in accordance with the 1996 Act.¹⁵

17

18 **Q. DO COMPETITIVE SERVICE PROVIDERS HAVE OTHER ALTERNATIVES**
19 **BEYOND RESALE AND UNES TO PURCHASE WHOLESALE SERVICES**
20 **FROM FRONTIER TO UTILIZE IN SERVING END USER CUSTOMERS.**

¹⁵ See, e.g., *In the Matter of the Review of Unbundled Loop and Switching Rates; the Deaveraged Zone Rate Structure; and Unbundled Network Elements, Transport, and Termination (Recurring Costs)*, Twenty-Fourth Supplemental Order, Docket UT-023003 (Feb. 9, 2005).

1 A. Yes. Competitive service providers are not limited to or dependent upon resale or UNEs
2 in terms of the wholesale services they may purchase from Frontier. Frontier offers and
3 has several commercially negotiated agreements with competitive providers pursuant to
4 which it offers wholesale services. For example, although it is not required to do so from
5 a legal or regulatory perspective, Frontier provides a UNE-P service to certain
6 competitive service providers in Washington. These competitive providers may
7 provision retail services utilizing UNE-P, which provides a complete retail service using
8 Frontier unbundled network elements. As with resale, using UNE-P, the competitive
9 provider can reach every location to which Frontier has facilities and provide a
10 functionally equivalent service to the retail service Frontier provides. Frontier offers and
11 competitive providers can utilize other commercially negotiated agreements to purchase
12 various wholesale services.

13
14 **Q. DO ALTERNATIVE SERVICE PROVIDERS USE THEIR OWN FACILITIES**
15 **TO PROVIDE SERVICES IN FRONTIER'S SERVICE AREA?**

16 A. Alternative providers have a variety of methods available to offer services to customers
17 including the use of their own facilities or using Frontier's facilities under wholesale
18 arrangements. However, as evidenced by the data included in the FCC's most recent
19 Local Telephone Competition report, alternative providers rely very little on resold LEC
20 services or UNEs. The FCC's data for Washington shows that of the 1,257,000 access
21 lines served by CLECs, cable and VoIP providers in Washington, only 24% of those lines
22 were provided using resold ILEC services or UNEs. Approximately 76% of the lines
23 were served using CLEC owned loops or VoIP subscriptions. It is important to

1 recognize, however, this data does not even account for the fact that wireless carriers
2 such as Verizon Wireless and AT&T Mobility have built their own wireless networks and
3 other facilities to provide competitive voice service in Washington.

4
5 **Q. TO WHAT EXTENT ARE ALTERNATIVE SERVICE PROVIDERS USING**
6 **THEIR OWN FIBER NETWORK AND FACILITIES TO OFFER WHOLESALE**
7 **SERVICES TO OTHER COMMUNICATIONS COMPANIES AND**
8 **CUSTOMERS?**

9 A. Several providers in Washington offer fiber and other wholesale services and solutions
10 which are available to other communications companies to enable them to provide
11 service to residential consumers, small businesses and large enterprise customers. Integra
12 for example offers a variety of wholesale products and solutions to other providers,
13 including CLECs, resellers and wireless providers. Integra’s website, for example,
14 explains:

15 *Our unique footprint, combined with our robust high-speed, long haul fiber-optic*
16 *backbone offer a foundation for expanding your reach or extending your services.*
17 *Integra Wholesale delivers high-quality, reliable, secure network solutions – with*
18 *award-winning service and support – to LECs/CLECs, wireless providers,*
19 *resellers, data centers and content providers nationwide.*

20 See Exhibit No. ____ (JP-14), which includes pages from the Integra website. Integra’s
21 website includes several pages dedicated to wholesale services, including “Wholesale
22 Solutions for Carriers”, “Data Networking and Internet for Wholesale”, “Wholesale
23 Solutions for Wireless Providers” and “Wholesale Solutions for Resellers”. Similarly,

1 Integra has deployed and offers dark fiber services “as a cost-effective and easy-to-
2 deploy option for carriers, wireless providers, data centers and content providers.” See
3 Exhibit No. ____ (JP-14) (Integra Press Release of November 13, 2012). Moreover, as
4 evidenced by the map on Integra website showing its fiber, IP/MPLS and points of
5 presence in Washington, Integra has facilities and seeks to provide these services in
6 Frontier’s service territory.

7
8 In addition to Integra, other local area companies such as World Communications Inc.
9 (WCI), based in Seattle, provide wholesale services to “domestic and international
10 carriers, cable companies, content providers and cellular providers.” See Exhibit No. ____
11 (JP-14) (page from WCI website for “Wholesale” services). WCI identifies Global
12 Crossing, ELI (Integra), Level 3, Verizon, AT&T, TW Telecom and other carriers with
13 whom it partners and resells service. “WCI also helps resellers develop a stronger
14 relationship with their own customers by delivering a network solution that consistently
15 delivers at a low cost.” Other national providers offer and target the provision of
16 wholesale services. Level 3’s website for example describes the “Wholesale/Carrier
17 Voice” and other services it offers and explains: “Level 3 serves 18 of the world’s top
18 Telecom Carriers and can provide you with the scale, knowledge and experience you
19 expect with a network you can trust.” See Exhibit No. ____ (JP-14). Other examples
20 include AT&T, Verizon, Comcast and Charter that have deployed expansive fiber
21 networks in Washington which they utilize to provide a wide variety of services to
22 wholesale and business customers. See Exhibit No. ____ (JP-14) (excerpts and maps from
23 Comcast and Charter websites).

1 **Q. PLEASE PROVIDE EXAMPLES OF SOME OF THE OTHER BUSINESS**
2 **SERVICES AVAILABLE FROM ALTERNATIVE PROVIDERS.**

3 A. CLECs, cable companies and other providers and vigorously compete with Frontier to
4 provide service to business customers in Frontier’s service territory. Frontier general
5 managers and sales teams in Washington have explained that they regularly confront
6 competitive challenges in responding to customer requests for new services, at the time
7 customers are looking to renew existing services and even when customers have been
8 purchasing specific services from Frontier for years. The breadth of competitive service
9 offerings is staggering and expanding as evidenced by even a cursory review of
10 information publicly available on competitive provider websites, For instance, one
11 example of a business offering is WCI offering local phone service, including integrated
12 voice and data, digital T1 services, digital PRI service, direct inward dialing and SIP
13 based local phone service to business customers. See Exhibit No. ____ (JP-15) (page from
14 WCI website). Another competitive example is Integra Telecom’s recent announcement
15 of the launch of their hosted-PBX integrated voice and data service, which competes
16 directly with Frontier’s traditionally-regulated Centrex (Versaline) and PBX services.
17 See Exhibit No. ____ (JP-15). This is only one example of a competitive new service as
18 residential and business subscribers are expected to spend approximately \$377 billion by
19 2016 on VoIP services.¹⁶

¹⁶A press release from Infonetics Research on October 4, 2012 at <http://www.infonetics.com> proclaimed “\$377 billion to be spent on VoIP and UC services over next 5 years”.

1 **Q. PLEASE PROVIDE EXAMPLES OF SOME OF THE RESIDENTIAL VOICE**
2 **SERVICES AVAILABLE FROM CABLE PROVIDERS IN FRONTIER’S**
3 **WASHINGTON SERVICE AREA?**

4 Without question, cable service providers are aggressively leveraging their cable
5 television and Internet network investments to provide competitive voice service. Cable
6 providers have shifted their telephony service delivery platform to utilizing VoIP
7 technology and have experienced spectacular growth in offering voice telephone service
8 at the expense of Frontier’s telephone access line base.

9
10 One example of a residential competitive voice service offering is provided by Comcast.
11 Comcast offers phone service for \$29.99 per month on a stand-alone basis. “This special
12 price is for customers who currently do not subscribe to other XFINITY services.” This
13 offer provides 3-way calling, anonymous call rejection, call forwarding, call forwarding
14 selective, call return, call screening, call waiting, caller ID, caller ID blocking per
15 call/line, caller ID with call waiting, repeat dialing, and speed dial. Additionally, the
16 “XFINITY Voice: Home Phone Service from Comcast” provides the following language
17 in its advertisement:

18 *XFINITY Voice from Comcast gives you more ways to connect and more ways to*
19 *save. Not only do you get reliable home phone service with the best call clarity,*
20 *but you also get unlimited nationwide talk and text – so you can save on your*
21 *wireless bill too. It’s easy to switch – you can even keep your current home phone*
22 *number. You’ll get the popular features you expect like Call Waiting, 3-Way*
23 *Calling and even voicemail, plus features you might not expect like Caller ID on*

1 *your TV, laptop, and smartphone. If you're looking to get a new home phone*
2 *service, switch to XFINITY Voice and make Comcast your home phone service*
3 *provider.*

4 See Exhibit No. ____ (JP-16).

5
6 In addition to stand-alone phone service, Comcast offers various TV/Internet/Phone
7 bundles, starting at \$99 per month. These packages combine cable, internet, and phone
8 service, with a variety of different features including premium channels, faster download
9 speeds, high definition, and DVR service. See Exhibit No. ____ (JP-17).

10 Similarly, Wave Broadband offers residential telephone service for as low as \$19.95 per
11 month, or \$9.95 per month with cable TV or Internet service. Wave Broadband phone
12 services include local and long-distance calling, voice mail including “online access to
13 your voice mail and settings” and “15 calling features, including Caller ID, Call Waiting,
14 Call Forwarding, and more.” Wave Broadband also offers packages including basic
15 cable, high speed internet, and phone service for as low as \$109 per month to customers.
16 See Exhibit No. ____ (JP-18).

17
18 Charter also provides phone service to Washington customers for \$29.99 per month.
19 Phone services can be bundled with cable and internet for a total of \$89.97 per month and
20 provide customers with unlimited local and long distance calling, voicemail and “13
21 popular calling features like call waiting and call forwarding,” and “free 411 calls.”
22 Bundling offers customers more features including faster internet, high definition,
23 premium channels, and On Demand. See Exhibit No. ____ (JP-19).

1 **Q. PLEASE PROVIDE EXAMPLES OF SOME OF THE RESIDENTIAL VOIP**
2 **SERVICES AVAILABLE IN FRONTIER’S WASHINGTON SERVICE AREA?**

3 A. VoIP service, which typically provides unlimited local and long distance service plus an
4 array of calling features, is now readily available to any residence or business customer
5 with broadband internet access and a range of providers are now actively offering this
6 service to customers in Washington. As a preliminary matter, while a broadband
7 connection is needed to enable VoIP service, when customers purchase broadband
8 services for internet access, entertainment or other purposes, there is no incremental cost
9 for broadband when they elect to add VoIP service. As a result, the absence of an
10 incremental cost of broadband may provide an incentive for a customer already
11 subscribing to broadband to migrate to a VoIP service currently available from a variety
12 of alternative providers.

13
14 Vonage provides customers with a VoIP based service to make voice phone calls using a
15 broadband connection. All it requires is a subscription to the service, and then an “Easy
16 3-Step Vonage Setup: 1. Plug your Vonage Box into your existing high-speed Internet
17 connection. 2. Plug any home phone into the Vonage Box. 3. Pick up your phone and
18 start dialing.” Vonage phone service is available at a low introductory rate of \$9.99 per
19 month and “rates exclude internet service, surcharges, fees and taxes.” Most customers
20 can transfer their current phone numbers to Vonage and customers can check the
21 availability of the transfer through the Vonage website. See Exhibit No. ____ (JP-20).
22 MagicJack also provides customers with a VoIP based service to make phone calls using
23 a broadband connection. The MagicJack PLUS device can be used with or without a

1 computer. By “either plugging it into your modem/router or by plugging it into a USB
2 port on your computer,” phone calls can be made over “an active Internet connection.”
3 “MagicJack requires one of the following internet connections: Broadband, High-Speed
4 Internet, Cable Internet, DSL, WiFi, Wireless, WiMax” with a required “minimum
5 bandwidth upload speed of 128 kb/s.” MagicJack also allows customers to transfer their
6 phone number to the service for an initial fee, as well as an annual fee. See Exhibit No.
7 ____ (JP-21).

8
9 In addition to Vonage, MagicJack and similar consumer VoIP based services, Skype
10 provides free voice and video services to users who download the free Skype software.
11 Users need a webcam, internet connection, and “a computer or mobile device with a
12 microphone and speakers” to access the free services, which include “video and voice
13 calls to anyone else on Skype” and “instant messaging and file sharing.” Additional
14 services available for a fee include “calls to mobiles and landlines worldwide at low
15 rates,” text messages, and group video calls. Skype can even be used from a customer’s
16 current landline by using an adapter and internet connection, which allows customers “to
17 make free Skype to Skype calls and great value calls to mobiles and landlines.”
18 Unlimited calling to landlines in the US and Canada is available for \$2.99 per month and
19 unlimited worldwide calling for landlines for only \$13.99 per month. See Exhibit No. ____
20 (JP-22).

21

1 **Q. ARE THERE OTHER COMPETITIVE SERVICE OFFERINGS AVAILABLE TO**
2 **CONSUMERS FROM ALTERNATIVE SERVICE PROVIDERS IN FRONTIER’S**
3 **WASHINGTON SERVICE AREA?**

4 A. Yes. There are a multitude of competitive service offerings available to consumers from
5 alternative service providers in Frontier’s service area. The list and options is extensive
6 and is consistently expanding as new competitors enter to market and service options
7 continue to proliferate. Exhibit No. ____ (JP-23) is a summary of some other residential
8 and small business competitive offerings compiled by Frontier in Frontier’s service
9 area, including Comcast, Charter, LocalTel, and Wave Broadband for residential
10 services and Comcast, Charter, LocalTel, Wave Broadband, and Integra for business
11 services.

12
13 **Q. DO WIRELESS PROVIDERS OFFER ANOTHER SERVICE OPTION THAT**
14 **COMPETES WITH FRONTIER?**

15 A. Yes. As noted above, wireless voice service has become the predominant method of
16 voice communications. Wireless services now provide functionality nearly identical to
17 wireline service, from the perspective that both provide switched voice communication
18 capability, access to popular calling features (such as call waiting, three-way calling,
19 caller I.D., voice messaging, etc.), number portability (e.g.: customers may now port a
20 wireline telephone number to a wireless carrier and vice versa) and access to E911
21 service. In addition, many wireless services now feature Internet-access capabilities that
22 were previously available only via broadband internet connections. Moreover, wireless
23 service providers offer “text messages” as a communications tool which has exploded in

1 popularity and use, especially for younger generations. Beyond these similarities,
2 wireless services provide other tangible benefits not available Frontier's wireline service
3 including the fact that wireless service is highly portable and the wireless service device
4 such as an Apple iPhone or Samsung Galaxy combine numerous other applications
5 including camera, mapping/GPS applications, etc.

6
7 From a price perspective, various options are available from the Washington wireless
8 carriers designed to meet the diverse needs of customers. In some instances, the
9 customer may have a need for only standard telephone service, without any features, for
10 use in occasionally contacting family members or for emergencies. Even for the
11 customer who wants only basic telephone access without associated features, these
12 examples show that reasonably-priced wireless alternatives to Frontier's traditional
13 landline services exist in Washington.

14
15 **Q. PLEASE SUMMARIZE SOME OF THE ALTERNATIVE WIRELESS**
16 **TELEPHONE PLANS THAT COMPETE WITH FRONTIER IN WASHINGTON?**

17 A. Wireless providers offer various plans that include unlimited voice minutes for both local
18 and long distance calls. Even just considering the "major" wireless providers, the
19 availability of competitive alternatives is obvious.

20
21 AT&T Wireless provides unlimited voice calling for as low as \$69.99 per month, which
22 includes voicemail, call forwarding, call waiting, caller ID, long distance calls, and
23 conference calling. Additionally, for a fee, AT&T wireless customers have access to out

1 of the country calls, data and internet services, and text, picture, and video messaging.

2 AT&T also offers wireless “home phone” option with unlimited minutes for \$19.99 per
3 month. See Exhibit No. ____ (JP-24).

4
5 T-Mobile provides unlimited nationwide voice calling and unlimited domestic messages
6 (text, picture, and video), including call forwarding, call hold, call waiting, caller ID,
7 conference calling, Customer Care, directory assistance (for an additional charge), and
8 voicemail, at a rate of \$59.99 per month. Data plans and additional storage can be added
9 for higher rates. T-Mobile also provides group plans. See Exhibit No. ____ (JP-25).

10 Verizon Wireless provides wireless services with unlimited voice calling and texting for
11 \$70 per month, which includes some data as well. Increased data services are available
12 for higher rates, as well as group plans. See Exhibit No. ____ (JP-26).

13
14 Sprint provides a “Simply Everything” plan that has unlimited voice minutes, roaming,
15 domestic long distance, unlimited text, pictures, and video messaging, and unlimited data
16 including email and music. Lower rates are available, but with decreasing numbers of
17 minutes. Group plans are also available, at different prices. See Exhibit No. ____ (JP-27).

18
19 **Q. ARE THERE OTHER SERVICE ALTERNATIVES THAT COMPETE WITH**
20 **AND PROVIDE CONSUMERS WITH AN ALTERNATIVE TO SUBSCRIBING**
21 **TO TELEPHONE SERVICES WITH FRONTIER IN WASHINGTON?**

22 A. Yes. Today there are more communication methods available through the Internet and
23 other sources than I could have even imagined ten years ago. Internet applications like

1 Facebook have proliferated and Facebook now has more than 1 billion users worldwide.
2 Twitter is another example of a widely available and popular communications tool
3 available over the Internet and wireless networks. These and other similar services are
4 generally free both in terms of initial start-up costs and ongoing use. Similarly, growth in
5 the number of Wi-Fi hotspots provides additional voice options for consumers. Wireless
6 subscribers can also subscribe to nomadic VoIP providers such as Skype so that even if
7 subscribers lack a cellular signal, voice calls can still be made using VoIP over Wi-Fi. As
8 an example, Starbucks offers AT&T Wi-Fi for free in all its company-owned stores in the
9 U.S. Customers, including mobile phone and tablet users, have unlimited access to a Wi-
10 Fi signal with no purchase or subscription required, no password is required and there are
11 no session time limits. There are over 400 Starbucks locations in Washington alone.
12 Other Washington venues ranging from restaurants to bookstores similarly offer Wi-Fi
13 access that consumers can access and utilize to communicate via the Internet in lieu of
14 using a Frontier telephone line.

15
16 **F. OTHER INDICATORS OF MARKET POWER, WHICH MAY INCLUDE**
17 **MARKET SHARE, GROWTH IN MARKET SHARE, EASE OF ENTRY, AND**
18 **AFFILIATION OF PROVIDERS OF SERVICES**

19 **Q. HAVE ALTERNATIVE PROVIDERS ATTAINED SIGNIFICANT MARKET**
20 **SHARE IN FRONTIER'S SERVICE AREA?**

21 A. Yes. As noted above, between 2000 and 2011, Frontier lost over four hundred thousand
22 of its residential retail access lines or 64% (from 651,680 access lines to 237,744 access
23 lines) and 51% of its business access lines (from 243,755 access lines to 119,604 access

1 lines). See Chart 3 above. Moreover, between January 1, 2012 and December, 2012,
2 Frontier lost an additional 7% or approximately 25,000 lines dropping from 357,348 to
3 332,355 access lines. This data makes it clear that Frontier does not have a captive
4 customer base for residential or business services and that Frontier is continuing to
5 confront competition and a decreasing market share.

6
7 Exhibit No. ____ (JP-12) also highlights the downward trend in Frontier’s access lines by
8 wire center, further demonstrating the ubiquitous loss of market share throughout
9 Frontier’s service territory in Washington.

10
11 **Q. RCW 80.36.320 IDENTIFIES GROWTH IN MARKET SHARE AS AN**
12 **INDICATOR OF EFFECTIVE COMPETITION. DO ALTERNATIVE**
13 **PROVIDERS HAVE A GROWING MARKET SHARE?**

14 A. Yes. RCW 80.36.320 identifies growth in market share as an indicator of effective
15 competition. Chart 1 above shows the upward trend of market share for CLEC and
16 interconnected VoIP providers over the last six years. The FCC’s recent analysis, “Local
17 Telephone Competition: Status as of December 31, 2011,” published by its Wireline
18 Competition Bureau in January 2013, shows that Washington residents and businesses
19 are adopting VoIP/CLEC offerings at a faster rate than the national average – 44 percent
20 for Washington versus 38 percent national average.¹⁷ These data do not include wireless
21 substitution into determining market share, so the 44 percent non-ILEC and VoIP
22 subscribership is the *minimum* amount of market share served by alternative service

¹⁷ Exhibit No. ____ JP-2 (“Local Telephone Competition: Status as of December 31, 2011” Industry and Technology Division, Wireline Competition Bureau, Federal Communications Commission, January 2013) at , Table 9 (page 20).

1 providers. When wireless is taken into account, as Chart 2 illustrates, the ILEC share of
2 subscribers is decidedly less at 18%.

3
4 **Q. DO ALTERNATIVE PROVIDERS HAVE EASE OF MARKET ENTRY IN**
5 **FRONTIER'S SERVICE AREA?**

6 A. Yes. As noted above, by using Frontier's network and facilities, CLECs will be able to
7 continue to serve any and all residential and business customers served by Frontier either
8 through resale or UNEs. CLECs may also maintain or enter into commercial agreements
9 with Frontier. Also as noted above, several wholesale service providers such as PUDs,
10 Integra, Level 3 and WCI have constructed and maintain fiber networks and facilities that
11 they use to offer and provide services to other communications companies.

12
13 **Q. WOULD RECLASSIFICATION OF FRONTIER AS A COMPETITIVE SERVICE**
14 **PROVIDER IMPACT THE ABILITY OF WIRELESS PROVIDERS OR CABLE**
15 **PROVIDERS TO ENTER THE MARKETPLACE?**

16 A. No. Wireless voice service is ubiquitous and available to both residential and business
17 customers across Frontier's service territory. Exhibit No. ____ (JP-13) shows that wireless
18 service providers have entered the market and have facilities in place across the state to
19 provide service to compete with Frontier and to provide consumers with choices in terms
20 of services.

21
22 In addition, cable companies have successfully deployed extensive facilities and
23 infrastructure which they utilize to provide not only video programming services but

1 voice communication service and Internet access. As noted, Exhibit No. ____ (JP-5) shows
2 that a cable company competes with and provides service in 91 of the 102 exchanges in
3 which Frontier operates in Washington.

4
5 Other third party and VoIP providers have also entered the market relying on broadband
6 and other facilities to provide competitive voice services. Companies such as Vonage,
7 MagicJack and Skype provide new low cost choices for subscribers that were not
8 available or even envisioned a short time ago further evidencing the ability of small and
9 previously unknown providers to enter the market now and in the future.

10
11 **E. OTHER CONSIDERATIONS**

12 **Q. PLEASE EXPLAIN WHY FRONTIER'S PETITION TO BE CLASSIFIED AS A**
13 **COMPETITIVE TELECOMMUNICATIONS COMPANY IS IN THE PUBLIC**
14 **INTEREST.**

15 A. According to RCW 80.36.300 it is the policy of the state to "...(5) promote diversity in
16 the supply of telecommunications services and products in telecommunications markets
17 throughout the state; and (6) Permit flexible regulation of competitive
18 telecommunications companies and services." Frontier has invested heavily into the
19 highly competitive Washington market since the transaction with Verizon. Frontier has
20 invested more than \$190 million in facilities and infrastructure in Washington between
21 July 2010 (when the transaction occurred) and December 2012. Yet despite the
22 magnitude of this investment Frontier is continuing to confront dramatic customer losses,
23 due to the fact that Frontier, unlike the competitors with which it competes, remains

1 constrained and subject to legacy regulation. This Petition would grant Frontier greater
2 pricing flexibility, among other benefits, which would move the telecommunications
3 industry closer to achieving the goals in RCW 80.36.300.

4
5 **Q. DO MARKET CONDITIONS SUPPORT RECLASSIFYING FRONTIER AS A**
6 **COMPETITIVE SERVICE PROVIDER?**

7 A. Yes. The competitive telecommunications market has undergone a paradigm shift, and
8 Frontier is now facing broad competition in Washington not only from traditional
9 wireline CLEC competitors but also from “intermodal” competitors such as wireless,
10 cable, VoIP and other providers. These competitors are driving continuing erosion in
11 Frontier’s access line base. The variety and expanding market share of alternative service
12 providers providing voice and other substitute services today, combined with loss of
13 more than sixty percent of its access lines in Washington since 2000, demonstrates that
14 Frontier no longer has the market power or captive customer base to warrant the
15 continuation of the existing regulatory requirements that contemplated a monopoly
16 service provider. The composition of the competitive Washington telecommunications
17 market is dynamic, and customer preferences are clearly shifting away from traditional
18 landline services toward wireless and internet-based services that have attractive and
19 ever-evolving telecommunications applications. In a continuing trend, Frontier’s
20 competitors are decreasingly reliant upon Frontier’s network to deliver local exchange
21 services, and are increasingly able to deliver telecommunications services to customers
22 via non-traditional means. Other state Commissions have observed this same competitive
23 evolution and have found that all of these forms of competition represent substitutes for

1 the incumbent telephone companies' retail residential and business services. Frontier
2 should be classified as a competitive company.

3
4 **Q. HAVE OTHER STATES EXAMINED THE STATUS OF**
5 **TELECOMMUNICATIONS COMPETITION AS IT RELATES TO THE NEED**
6 **FOR RELAXED REGULATION OF THE RETAIL SERVICES OF INCUMBENT**
7 **TELEPHONE COMPANIES?**

8 A. Yes. Other state commissions and legislatures in which Frontier affiliates operate have
9 examined the price-constraining effects of competition in the retail telecommunications
10 markets and have concluded that competition for local retail telecommunications services
11 has evolved to the point at which it is now fully appropriate to relax regulation of the
12 incumbent telephone companies to ensure that the incumbents and their competitors have
13 an equal opportunity to compete. For example, Idaho, Iowa, Indiana, Michigan, and
14 Wisconsin have, through change of law deregulated retail rates for telecommunications
15 carriers, including incumbent carriers.

16
17 Additionally, Illinois' law permits carriers to elect market regulation by providing the
18 Illinois Commerce Commission notice of election. Market regulation permits carriers to
19 detariff all existing retail services with the creation of two "safe harbor" retail service
20 offerings.

21
22 California has also permitted deregulation of all retail rates, with a limited exception, for
23 the four largest companies in the state, including Frontier's affiliate, Citizens

1 Telecommunications of California Inc. The only cap the California Public Service
2 Commission has imposed on retail rates is a cap on stand-alone residential basic local
3 service in block groups which receive state USF support. The cap is limited to those
4 service areas that have the lowest density and highest cost. The cap is set at
5 \$36.00/month less the federal end user charge of \$6.50. For Frontier, this equates to a
6 cap of \$29.50 for stand-alone basic local service- yet Frontier prices its stand-alone basic
7 service rates in these areas at \$19.00 per month, well below the cap and at a level
8 consistent with its most competitive market areas.

9
10 **VI. CONCLUSION**

11 **Q. DO MARKET CONDITIONS EXIST TO SATISFY THE STATUTORY**
12 **REQUIREMENTS FOR FRONTIER TO BE RECLASSIFIED AS A**
13 **COMPETITIVE TELECOMMUNICATIONS COMPANY?**

14 A. Yes. As this testimony demonstrates, effective competition for services clearly exist in
15 Frontier's service territory throughout Washington. The variety and expanding market
16 share of alternative service providers providing voice and other substitute services in
17 Frontier services today, combined with loss of more than sixty percent (60%) of its
18 access lines in Washington since 2000, demonstrates that Frontier does not have market
19 power or captive customer base to warrant the continuation of the existing regulatory
20 requirements that contemplated a monopoly service provider. Competitive alternative
21 service providers offer a vast array of services at competitive rates which consumers have
22 subscribed to and can continue to purchase in lieu of retaining or subscribing to service
23 with Frontier. This Petition is in the public interest because it would allow for the

1 Commission to regulate the Company in a manner akin to a competitive local exchange
2 carrier, which would allow Frontier to be more competitive in the marketplace. Prices
3 and rates, along with the quality of service, would be effectively constrained by the
4 market. This will help ensure the survival of the Company and its services, thereby
5 providing more choice in the marketplace for customers. Frontier will be allowed to
6 become more efficient due to streamlined reporting, more efficient accounting and
7 product and price listing processes. Granting Frontier status as a competitive
8 telecommunications carrier will promote diversity in the supply of telecommunications
9 services by allowing for faster, more efficient pricing and promoting of existing services
10 and any new services that may emerge. Therefore, Frontier respectfully requests that the
11 Commission classify it as a competitive telecommunications company pursuant to RCW
12 80.36.320 and WAC 480-121-061.

13
14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 **A.** Yes, it does.

16