

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)
)
THE CENTURLINK COMPANIES –) Docket No. UT-130477
QWEST CORPORATION;)
CENTURYTEL OF WASHINGTON;)
CENTURYTEL OF INTERISLAND;)
CENTURYTEL OF COWICHE; AND)
UNITED TELEPHONE COMPANY OF)
THE NORTHWEST)
)
To be Regulated Under an Alternative)
Form of Regulation Pursuant to RCW)
80.36.135.)
)

**TESTIMONY OF DOUGLAS DENNEY
ON BEHALF OF INTEGRA**

AUGUST 29, 2013

1 **I. INTRODUCTION**

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

3 A. My name is Douglas Denney. I work at 1201 Lloyd Blvd, Suite 500 in Portland, Oregon.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Integra Telecom, Inc., as Integra's Vice President of Costs and Policy.
6 I am responsible for Integra's policy positions and advocacy before state and federal
7 regulators. My job duties include negotiating interconnection agreements, monitoring,
8 reviewing and analyzing the wholesale costs Integra or its subsidiaries pay to carriers
9 such as CenturyLink, and representing Integra and its affiliates on regulatory issues.

10 Integra Telecom, Inc. has eight affiliated companies in Washington. These companies
11 are: Integra Telecom of Washington, Inc., Electric Lightwave, LLC., Eschelon Telecom
12 of Washington Inc., Advanced TelCom, Inc., OCG Telecomm Limited, Shared
13 Communications Services, Inc., Oregon Telecom Inc., and United Communications, Inc.
14 For convenience, I will generally refer to Integra Telecom, Inc. and its affiliates as
15 Integra.

16 **Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL**
17 **BACKGROUND.**

18 A. I received a B.S. degree in Business Management from Phillips University in 1988. I
19 spent three years doing graduate work at the University of Arizona in Economics, and
20 then I transferred to Oregon State University where I have completed all the requirements

1 for a Ph.D. except my dissertation. My field of study was Industrial Organization, and I
2 focused on cost models and the measurement of market power. I taught a variety of
3 economics courses at the University of Arizona and Oregon State University. I was hired
4 by AT&T in December 1996 and spent most of my time with AT&T analyzing cost
5 models. In December 2004, I was hired by Eschelon Telecom, Inc. (“Eschelon”).
6 Eschelon was purchased by Integra in August 2007. I am presently employed by Integra.

7 I have participated in over 50 proceedings in the Integra operating territory. Much of my
8 prior testimony involved cost models — including the HAI Model, BCPM, GTE’s ICM,
9 US WEST’s and Qwest’s UNE cost models, and the FCC’s Synthesis Model. I have also
10 testified about issues relating to the wholesale cost of local service — including universal
11 service funding, unbundled network element pricing, geographic de-averaging, and
12 competitive local exchange carrier access rates. I testified on a number of issues in the
13 Eschelon-Qwest arbitrations,¹ and have been involved in the “non-impaired” wire center
14 lists and related issues involving CenturyLink (previously Qwest) and Frontier
15 (previously Verizon). I have also been involved in the merger dockets associated with
16 both CenturyLink and Frontier.

¹ The docket numbers for the Qwest-Eschelon ICA arbitrations are, for Arizona, T-03406A-06-0572; T-01051B-06-0572 (“Arizona arbitration”); for Colorado, 06B-497T (“Colorado arbitration”); for Minnesota, P-5340, 421/IC-06-768 (“Minnesota arbitration”); for Oregon, ARB 775 (“Oregon arbitration”); for Utah, 07-2263-03 (“Utah arbitration”); and for Washington, UT-063061 (“Washington arbitration”).

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN WASHINGTON?**

2 A. Yes. I have been involved in numerous dockets in Washington over the years while
3 working for AT&T, Eschelon, and Integra. I've participated in multiple UNE cost
4 dockets in Washington including multiple phases of docket UT-960369 regarding shared
5 transport and geographic deaveraging. In addition, I was involved in all other aspects of
6 this docket providing witness support and reviewing compliance filings. I filed testimony
7 again on geographic deaveraging in docket UT-023003 and provided witness support in
8 that docket on other issues. I filed testimony in docket UT-033044, the original Triennial
9 Review Order ("TRO") docket, which was suspended in the middle of the hearings when
10 the D.C. Circuit Court remanded parts of the TRO to the FCC. I've also been involved in
11 the subsequent Triennial Review Remand Order ("TRRO") docket UT-053025 regarding
12 the impact of the TRO and TRRO on competition. As part of that docket, I was involved
13 in the "non-impaired" wire center list workshops and following investigations for both
14 Qwest and Verizon.² I've been involved in docket UT-100562 regarding the future of
15 state universal service and intrastate access rates. I also filed testimony in the Frontier-
16 Verizon and CenturyLink-Qwest acquisition in dockets (UT-090842 and UT-100820). I
17 testified in docket UT-063061 regarding the interconnection agreement arbitration
18 between Eschelon and Qwest. In addition, I was involved in all aspects of the 2007
19 stipulation regarding changes to Qwest's Performance Assurance Plan which was
20 approved by this Commission (docket UT-073024) and is the current performance
21 assurance plan in place in Washington today. I was also involved in Qwest's AFOR

² See dockets UT-073033, UT-073035, and UT-083060.

1 docket, UT-061625, and its subsequent impact on Qwest's wholesale performance. I
2 testified in docket UT-111254 regarding CenturyLink's compliance with certain merger
3 conditions associated with its operational support systems. Most recently I testified
4 docket UT-121994 regarding Frontier's request for competitive classification.

5 **Q. PLEASE DESCRIBE HOW YOUR TESTIMONY IS ORGANIZED.**

6 A. The first section of this testimony introduces this testimony, describes my background
7 and describes Integra. The second section of this testimony describes the purpose of this
8 testimony and asks that if the Commission decides to grant CenturyLink's AFOR
9 petition, that it include the wholesale provisions included by CenturyLink in its amended
10 petition³ and contained in the settlement agreement between CenturyLink and Staff /
11 Public Counsel.⁴ The third section provides my recommendation to the Commission and
12 concludes my testimony.

13 **Q. ARE THERE ANY EXHIBITS TO YOUR TESTIMONY?**

14 A. No.

15 **Q. PLEASE PROVIDE AN OVERVIEW OF INTEGRA AND ITS BUSINESS?**

16 A. Integra is a competitive local exchange carrier ("CLEC") providing communications
17 services across 33 metropolitan areas in 11 states of the Western United States. We own
18 (directly or under indefeasible rights to use) and operate backbone fiber networks. These

³ CenturyLink's Amended Proposal for an AFOR ("Amended Petition"), Docket No. UT-130477, May 8, 2013.

⁴ Settlement Agreement between Century Link and Staff / Public Counsel ("Staff / Public Counsel Settlement Agreement"), Docket No. UT-130477, August 22, 2013.

1 backbone networks connect to our intercity, interstate data network for a combined 5,000
2 fiber route-mile network in the Western U.S. We provide a comprehensive suite of high-
3 quality data, broadband and voice services to approximately 80,000 small-to-medium-
4 sized business customers and “enterprise” customers.

5 Our network is designed to deliver products such as Ethernet at speeds of up to 10 Gbps
6 over a variety of delivery technologies⁵ tailored to the unique applications of our small-
7 to-medium-sized business, enterprise and wholesale customers, including Ethernet over
8 direct fiber access, Ethernet over copper and Ethernet over next-generation bonded digital
9 subscriber lines, or DSL. We have 230 unique collocations, 42 in Washington, positioned
10 across our markets. Providing services to our customers primarily over our owned
11 switching and transport facilities allows us to control the quality and reliability of our
12 service offerings and efficiently innovate and provide advanced products and services.
13 At the same time, we cannot be successful without access to the last-mile, and
14 CenturyLink is virtually the only supplier of last-mile facilities within its territory.

15 While we continue to make large investments in expanding and upgrading our network,
16 we remain almost entirely dependent upon the incumbent local exchange carrier for last
17 mile connections to our customers. As a result, if incumbent local exchange carriers are
18 able to eliminate or hamper Integra through actions in its wholesale markets, Integra’s
19 ability to compete in retail markets at competitive rates, terms, and conditions would be
20 thwarted.

⁵ <http://www.integratelecom.com/enterprise/products/Pages/ethernet-services.aspx>

1 **II. PURPOSE OF THIS TESTIMONY**

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS DOCKET?**

3 A. The purpose of this testimony is to briefly explain why the wholesale provisions
4 contained in CenturyLink's *Amended Petition* and the *Staff / Public Counsel Settlement*
5 *Agreement* are important and to the extent the Commission grants CenturyLink's
6 *Amended Petition*, it includes these provisions.

7 **Q. DOES INTEGRA TAKE A POSITION ON WHETHER THE COMMISSION**
8 **SHOULD GRANT OR DENY CENTURYLINK'S AFOR PETITION?**

9 A. No, however, Integra does not oppose CenturyLink's *Amended Petition* and the
10 settlement agreements in this docket to the extent that the Commission's final order in
11 this docket includes the wholesale provisions described below. As described above,
12 Integra purchases wholesale services from CenturyLink, which Integra relies upon, along
13 with its own network investments, to provision final products to end user customers
14 within the CenturyLink service territory. Integra's concerns in this docket surround
15 CenturyLink's dual role as both Integra's largest wholesale provider and largest
16 competitor in the CenturyLink service territory. Integra is concerned that without proper
17 safeguards in place, such as those outlined in CenturyLink's AFOR petition, reduced
18 regulatory oversight would provide CenturyLink with a greater opportunity to exploit its
19 position as both a wholesale provider and retail competitor.

1 **Q. WHAT PROVISIONS IN CENTURLINK'S AFOR PETITION ARE**
2 **IMPORTANT TO INTEGRA?**

3 A. The following provisions are important to Integra and its ability to compete:

4 Exception 1: Wholesale Obligations

5 "This AFOR does not affect the Commission's authority to regulate
6 CenturyLink's wholesale obligations under the Telecommunications Act of 1996,
7 nor does it affect existing carrier-to-carrier service quality requirements, including
8 service quality standards or performance measures for interconnection and
9 appropriate enforcement or remedial provisions in the event CenturyLink fails to
10 meet service quality standards or performance measures contained in tariffs,
11 ICAs, commercial agreements, or otherwise."⁶
12

13 Exception 2: Service Quality Reporting

14 "CenturyLink will provide service quality reporting consistent with the 'Class A'
15 company reporting requirements in WAC 480-120-439(1). CenturyLink will no
16 longer be required to file customer service guarantee reports (either performance
17 reports or payment reports) in accordance with the Seventeenth Supplemental
18 Order in Docket No. UT-991358 and Order 14 in Docket No. UT-100820."⁷
19

20 Exception 3: Services Remaining in Tariff

- 21 e) Interconnection Services⁸
22 f) Resale Services⁹
23 g) Switched Access Services¹⁰
24 h) Wholesale Services¹¹
25

6 *Staff / Public Counsel Settlement Agreement, Attachment A, p. 2. and Amended Petition, p. 2.*
7 *Staff / Public Counsel Settlement Agreement, Attachment A, p. 2. and Amended Petition, p. 2.*
8 *Staff / Public Counsel Settlement Agreement, Attachment A, p. 2 and Amended Petition, p. .*
9 *Staff / Public Counsel Settlement Agreement, Attachment A, p. 2 and Amended Petition, p. 3.*
10 *Staff / Public Counsel Settlement Agreement, Attachment A, p. 2 and Amended Petition, p. 3.*
11 *Staff / Public Counsel Settlement Agreement, Attachment A, p. 2 and Amended Petition, p. 3.*

1 Exception 4: Pricing to Cover Costs

2 “CenturyLink agrees to be bound by the provisions of RCW 80.36.330(3), and the
3 Commission’s implementing regulations, in connection with below-cost
4 pricing.”¹²
5

6 Exception 6: Transfer of Property

7 “The waiver of the Transfer of Property provisions in Chapter 80.12 RCW and
8 Chapter 480-143 WAC does not apply to the sale of exchanges or access lines,
9 and does not apply to a transaction involving the merger or acquisition of the
10 parent company or any of the ILEC operating companies by an unaffiliated
11 entity.”¹³
12

13 **Q. ARE THESE PROVISIONS CONSISTENT WITH THE COMMISSION’S**
14 **RECENT ORDER IN THE FRONTIER COMPETITIVE CLASSIFICATION**
15 **DOCKET?**¹⁴

16 A. Yes. The provisions in the *Amended Petition* and *Staff / Public Counsel Settlement* are
17 consistent with the Conditions contained in the Settlement Agreement between Frontier
18 and the CLECs in the Frontier Competitive Classification case.¹⁵ In the Frontier
19 Competitive classification docket the Commission acknowledged that it was concerned
20 with an incumbent carrier’s ability, “to leverage wholesale market power into retail
21 markets.”¹⁶ The Commission explained, “Effective competition cannot exist if [the

12 *Staff / Public Counsel Settlement Agreement*, Attachment A, p. 2 and *Amended Petition*, p. 4.

13 *Staff / Public Counsel Settlement Agreement*, Attachment A, p. 3 and *Amended Petition*, p. 4.

14 *Order 06*, Final Order Approving Settlement Agreements With Conditions and Classifying Services as Competitive, Docket UT-121994, July 22, 2013.

15 *Order 06*, Appendix B – CLEC Settlement Agreement.

16 *Order 04*, Order Denying CLEC Intervenor Motion to Dismiss Petition, Docket UT-121994, March 29, 2013, ¶ 15.

1 incumbent carrier] has the ability to eliminate or substantially hamper its competitors'
2 ability to make functionally equivalent or substitute services readily available in the
3 relevant market at competitive rates, terms, and conditions.”¹⁷

4 CenturyLink’s *Amended Petition* mitigated Integra’s primary concerns by assuring the
5 existing wholesale relationship between competitive carriers and CenturyLink would not
6 be altered by the *Amended Petition*. Unlike Frontier, CenturyLink left in place the
7 existing wholesale relationship.

8
9 **III. CONCLUSION**

10 **Q. WHAT DOES INTEGRA RECOMMEND TO THIS COMMISSION?**

11 A. Integra recommends that if the Commission grants CenturyLink’s AFOR petition the
12 Commission include the wholesale provisions proposed by CenturyLink in its petition
13 and encompassed in the settlement agreements associated with this docket.

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

15 A. Yes.

¹⁷ Order 04, ¶ 14.