# BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

FRONTIER COMMUNICATIONS NORTHWEST INC.,

Complainant,

V.

PUGET SOUND ENERGY,

Respondent

**DOCKET UE-151344** 

FRONTIER COMMUNICATIONS NORTHWEST INC.'S MOTION FOR SUMMARY DETERMINATION

ORAL ARGUMENT REQUESTED

# TABLE OF CONTENTS

TABL	E OF C	ONTE	NTS	i	
TABL	E OF A	UTHO	RITIES	ii	
I.	INTRODUCTION1				
II.	RELIEF REQUESTED4				
III.	STATEMENT OF UNDISPUTED FACTS				
	A.	The Po	ole Attachment Agreement	5	
	B.	PSE F	iles Suit In Washington State Court	7	
	C.	This C	ommission Proceeding	8	
IV.	STAT	TEMENT OF ISSUES8			
V.	LEGAL STANDARDS8				
VI.	EVIDENCE RELIED UPON9				
VII.	ARGUMENT				
	A.	The Commission Has Jurisdiction Over this Rate Dispute, and the Authority to Determine a Just, Reasonable, and Sufficient Pole-Attachment Rate			
	B.	The Only Just and Reasonable Interpretation of the Agreement Requires that the Parties Account for Fractional Pole Ownership			
		1.	Common sense and basic math dictates that Frontier's pole attachment rate should account for its fractional ownership of utility poles	11	
		2.	The Commission's forthcoming rules explicitly require parties to pole-attachment agreements to calculate rental rates based on partial pole ownership.	12	
		3.	The FCC has also concluded that pole attachment rates must account for partial pole ownership	14	
VIII	CONCLUSION				

## TABLE OF AUTHORITIES

## Caselaw

In Re US W. Commc'ns, Inc., UT-003022, 2000 WL 1876446 (Wash. U.T.C. Sept. 27, 2000)	10
Nevada State Cable Television Ass'n, 17 F.C.C. Rcd. 15534 (2002)4, 1	4, 15
Vallandigham v. Clover Park Sch. Dist. No. 400, 154 Wash. 2d 16, 109 P.3d 805 (2005)	8, 9
Statutes & Administrative Code Sections	
RCW 80.01.040(3)	9
RCW 80.54	10
RCW 80.54.020	1, 10
RCW 80.54.030	1, 10
RCW 80.54.040	14
RCW. § 4.16.040	7
WAC 480-07-380(2)(a)	8
Commission Documents	
July 22, 2015 Proposed Rules, Docket U-140621	3
July 22, 2015 Small Business Economic Impact Statement (SBEIS), Docket U-140621	3, 4
Wash, U.T.C. Pole Attachment Rulemaking, Docket U-140621	13

#### I. INTRODUCTION

 Frontier Communications Northwest Inc. (Frontier) respectfully submits this motion for summary determination that a just and reasonable pole attachment rate calculation formula must account for fractionally owned utility poles. RCW 80.54.020; 80.54.030.

2.

3.

This matter involves a straightforward pole-attachment rate dispute that can and should be resolved as a matter of law. The relevant facts are undisputed. In 2002, Respondent Puget Sound Energy (PSE) entered into a Pole Attachment Agreement (the Agreement) with Verizon Northwest Inc. (Verizon), which allowed both parties to attach equipment to each others utility poles. The Agreement includes a formula to calculate the rate charged for such attachments. The first part of that formula requires each company to calculate its net investment per bare pole by dividing its total investment in poles (the numerator) by the total number of poles it owns (the denominator). The equation is expressed as follows:

<u>Total investment in bare poles (*i.e.*, total pole value)</u> = Net Investment Per Bare Pole Total number of distribution poles

The resulting "Net Investment Per Bare Pole" is then multiplied by the party's "Annual Carrying Charge," and "Use Ratio per Pole" to determine the pole attachment fee due per year. Thus, the greater a party's net investment per bare pole, the more the party can charge for attachments.

Frontier and PSE dispute the proper calculation of the "total number of distribution poles" – the denominator in the equation above. Frontier owns approximately 70,000 thousand distribution poles jointly with Snohomish County Public Utility District No. 1 (Snohomish PUD). But it owns only 45 percent of each of these jointly owned poles; Snohomish PUD owns

On July 1, 2010, Frontier Communications Corporation purchased all of Verizon's outstanding shares and then changed the name to Frontier Communications Northwest Inc. Compl. ¶ 21.

the remaining 55 percent. PSE contends that Frontier's joint ownership of these poles should be simply ignored when tallying the "total number of distribution poles" owned by Frontier. PSE believes that each of Frontier's fractionally owned poles should count as a wholly owned pole. PSE obviously prefers this calculation method because treating fractionally owned poles as wholly owned poles artificially increases the denominator in the equation,  $supra \ \ 2$ , which necessarily decreases Frontier's net investment per bare pole. That, of course, decreases the amount Frontier can charge PSE for attachments.

For example, assume that Frontier wholly owns 10 poles and owns 45 percent of 10 additional poles. It invests a total of \$1,000 into its ten wholly owned poles, and \$450 into its fractionally owned poles (the 55 percent joint owner pays the other \$550). The following chart illustrates how PSE's calculation method artificially decreases Frontier's net investment per bare pole by treating Frontier's fractionally owned poles as wholly owned.

*PSE's Interpretation:* 

4.

5.

\$1,450 (total investment in bare poles) = \$72.50 (net investment per bare pole) 20 poles (ignoring fractional ownership)

Frontier's Interpretation:

 $\frac{\$1,450 \text{ (total investment in bare poles)}}{14.5 \text{ poles (10 whole } + 45\% \text{ of 10)}} = \$100.00 \text{ (net investment per bare pole)}$ 

- PSE's calculation, which unfairly decreases Frontier's net investment per bare pole, is neither just nor reasonable, and the Commission can and should determine this as a matter of law.
- 6. *First*, PSE's interpretation accounts for Frontier's fractional ownership in the numerator (Frontier invests only 45 percent of the costs of those poles it owns jointly) while unfairly ignoring fractional ownership in the denominator. PSE, who apparently owns 100 percent of all

of its poles, sets aside reality and treats Frontier as wholly owning all of its poles. However, because Frontier's total investment in a given pole (the numerator) depends on the percentage of its ownership, so too should the "total number of distribution poles" (the denominator) account for Frontier's fractional ownership. Calculating Frontier's net investment per bare pole any other way creates an apples-to-oranges comparison that artificially reduces the pole attachment rate it can charge. This is unjust and unreasonable, and it unfairly discriminates against utilities like Frontier that partially own utility poles.

7.

Second, the Commission itself has already indicated its intention to adopt Frontier's interpretation, concluding in its recent proposed rules that a just and reasonable rate calculation must account for fractionally owned poles. During the past year the Commission has engaged in a comprehensive rulemaking process related to pole attachments. The current proposed rules, issued on July 22, 2015, confirm that a just and reasonable pole attachment formula must account for a utility's fractional pole ownership. The proposed rules explain explicitly: "When an owner owns poles jointly with another utility, the number of poles for purposes of calculating the net cost of a bare pole is the number of solely owned poles plus the product of the number of the jointly owned poles multiplied by the owner's ownership percentage in those poles." This is precisely the calculation method that Frontier advances here, and is the same method that PSE has repeatedly rejected. Furthermore, when reaching this conclusion, the Commission expressly considered and rejected PSE's concern that this calculation would "result in . . . higher rates than [PSE] pay[s] to attach to some other owners' poles." The Commission explained that its

<sup>&</sup>lt;sup>2</sup> July 22, 2015 Proposed Rules, Docket U-140621.

July 22, 2015 Small Business Economic Impact Statement (SBEIS), Docket U-140621.

calculation formula "results in appropriate cost recovery, and is consistent with the criteria for a just and reasonable rate the legislature established in RCW 80.54.040," and that "[r]ates calculated using this formula will be fair, just, reasonable, and sufficient, and any loss of revenue or increased payments that result from charging these rates are neither undue nor have a disproportionate impact." The Commission could not have been clearer.

Third, the Federal Communications Commission (FCC) also requires that pole attachment rate calculations account for a utility's fractional ownership of poles. In 2002, it explained that, "In determining the cost of a bare pole . . . . The total number of poles must be adjusted to the total number of equivalent poles if some of the utility's poles are jointly owned by another entity." Thus, "[t]he number of equivalent poles equals the number of solely owned poles plus the sum of the products of the numbers of jointly owned poles times their ownership percentages." The FCC provided the following example to illustrate this formula: "if a utility owns 100 percent of 10 poles and 50 percent of 20 poles, that utility owns 20 equivalent poles."

Common sense, the Commission's own thorough consideration of this issue, and the FCC's guidance all compel the conclusion that a fair attachment rate formula must account for Frontier's fractionally owned poles.

## II. RELIEF REQUESTED

Frontier respectfully requests the Commission's summary determination that (i) the just

8.

9.

<sup>&</sup>lt;sup>4</sup> *Id.* 

<sup>&</sup>lt;sup>5</sup> Nevada State Cable Television Ass'n, 17 F.C.C. Rcd. 15534, 15540 n.15 (2002).

<sup>&</sup>lt;sup>6</sup> Id.

<sup>&#</sup>x27; Id.

and reasonable interpretation of "Total number of distribution poles" in the Agreement's attachment rate calculation requires the parties to account for fractionally owned poles; (ii) that this was the just and reasonable interpretation throughout the course of the Agreement; (iii) that Frontier appropriately offset the amounts it under-billed for the five years between 2008 and 2012; (iv) that Frontier appropriately calculated the amounts due from PSE for the years 2013 and 2014 by accounting for fractionally owned poles; and (v) the fees and interest sought by PSE as a result of Frontier's offset and disputed billing for 2012–2014 are improper and unreasonable. Because the relevant facts are undisputed, summary determination in Frontier's favor is warranted.

#### III. STATEMENT OF UNDISPUTED FACTS

11. The following facts are not subject to reasonable dispute:

# A. The Pole Attachment Agreement

12. Frontier is a Washington telecommunications company that provides telephone and other communications services to customers throughout Washington.<sup>8</sup> It owns utility poles throughout its service territory.<sup>9</sup> PSE is a Washington electric utility company that provides retail electric service.<sup>10</sup> It also owns utility poles throughout its service territory that it uses to distribute electricity to customers.<sup>11</sup>

13. On August 1, 2002, PSE and Verizon entered into a Pole Attachment Agreement (the

<sup>8</sup> Compl. ¶ 17; Answer ¶ 25.

<sup>&</sup>lt;sup>9</sup> *Id.* 

<sup>10</sup> Compl. ¶ 16; Answer ¶ 24.

<sup>&</sup>lt;sup>11</sup> *Id.* 

Agreement) that allowed each party to attach equipment to the other party's utility poles.<sup>12</sup> In exchange, the parties charge each other a rental rate.<sup>13</sup> The formula for computing the annual rental rate for poles owned by Verizon (and now Frontier) is set forth in Appendix IV, Schedule 2.<sup>14</sup>

This dispute concerns the inputs to Part A of the formula. To determine Part A, Frontier calculates the investment or "value" of its poles, and divides that figure by the "[t]otal number of distribution poles." The resulting amount is Frontier's "Net Investment Per Bare Pole" (abbreviated "PV"). The larger the PV value, the greater the pole attachment rate. 17

15. Frontier, unlike PSE, jointly owns approximately 70,000 poles with Snohomish PUD. 18

For those roughly 70,000 poles, Frontier fractionally owns only 45 percent of each pole. 19

For several years, Frontier and PSE calculated Frontier's "[t]otal number of distribution poles" by treating its fractionally owned poles as wholly owned poles.<sup>20</sup> When Frontier discovered the error in 2013, it contacted PSE and requested that PSE offset Frontier's

<sup>&</sup>lt;sup>12</sup> Compl. ¶ 19; Answer ¶ 27.

<sup>13</sup> Id.

A copy of the Agreement is attached to the Complaint, and is also attached as Exhibit A to the Declaration of Gregory Brubaker In Support of Frontier's Motion for Summary Determination.

Agreement, Appx. IV, Sch. 2.

<sup>&</sup>lt;sup>16</sup> *Id*.

<sup>&</sup>lt;sup>17</sup> *Id*.

Compl. ¶ 25; Brubaker Decl. ¶ 3.

<sup>&</sup>lt;sup>19</sup> *Id.* 

<sup>&</sup>lt;sup>20</sup> Compl. ¶ 27; Answer ¶ 4.

outstanding bill by the amount Frontier had previously under-charged PSE as a result of including each fractionally owned pole as a "distribution pole" in the formula: \$624,472.39.<sup>21</sup> PSE refused. In 2014, after several discussions with PSE about this billing issue, Frontier offset approximately half of the total amount PSE had been under-charged (\$333,136.78) from subsequent payments that were due to PSE under the Agreement.<sup>22</sup> This amount represented the amount that Frontier under-billed PSE for the five years between 2008 and 2012.<sup>23</sup> To calculate its attachment rates for 2013 and 2014, Frontier accounted for its fractional pole ownership and billed PSE accordingly.<sup>24</sup>

## B. PSE Files Suit In Washington State Court

PSE filed a lawsuit on February 8, 2015, asserting two claims for breach of contract, one claim for anticipatory breach, and one claim for declaratory judgment.<sup>25</sup> It disagrees with Frontier's interpretation of the term "distribution poles."<sup>26</sup> PSE contends that the approximately 70,000 utility poles that Frontier fractionally owns should be treated as if they are wholly owned by Frontier.<sup>27</sup> Because PSE disagrees with Frontier's calculation method, it also believes that Frontier was not entitled to the \$333,136.78 that Frontier offset to true-up its prior under-billing.

<sup>&</sup>lt;sup>21</sup> Compl. ¶¶ 28–29; Answer ¶ 4.

Brubaker Decl. ¶ 6; see also Compl. ¶ 29

To comply with Washington's six-year statute of limitations for breach of contract claims, Frontier did not offset the amounts under-billed prior to 2008. RCW. § 4.16.040. Brubaker Decl.  $\P$  6; *id.*  $\P$  7, Ex. B (breaking down the amount under-billed each year from 2003 to 2012).

Brubaker Decl. ¶ 8.

<sup>&</sup>lt;sup>25</sup> Compl. ¶ 30; Answer ¶ 38.

<sup>&</sup>lt;sup>26</sup> *Id.* 

<sup>&</sup>lt;sup>27</sup> *Id*.

PSE contends further that Frontier owes various interest and fees that PSE asserts have accrued as a result of this billing dispute.

## C. This Commission Proceeding

18.

19.

After PSE filed its lawsuit and the parties engaged in informal settlement discussions in May and early June which did not result in a settlement, Frontier filed a formal Complaint with the Commission on June 29, 2015, and moved in state court to dismiss or stay PSE's claims on the basis of the Commission's primary jurisdiction over this dispute. That motion is still pending. Frontier alleges in the Complaint that the only just and reasonable way to calculate "distribution poles" under the Agreement is by accounting for fractional ownership of poles.<sup>28</sup>

#### IV. STATEMENT OF ISSUES

Whether the Commission should grant summary determination in Frontier's favor and find that a just and reasonable pole attachment rate formula must account for a party's fractional pole ownership.

### V. LEGAL STANDARDS

Under its procedural rules, the Commission may grant summary judgment when the pleadings, together with any properly admissible evidentiary support, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.<sup>29</sup> "The burden is on the moving party to show that there is no genuine issue as to any material fact."<sup>30</sup> "If the moving party satisfies its burden, the nonmoving party must present

<sup>&</sup>lt;sup>28</sup> See id. ¶¶ 25–28.

<sup>&</sup>lt;sup>29</sup> WAC 480-07-380(2)(a).

<sup>&</sup>lt;sup>30</sup> Vallandigham v. Clover Park Sch. Dist. No. 400, 154 Wash. 2d 16, 26, 109 P.3d 805 (2005).

evidence that demonstrates that material facts are in dispute."<sup>31</sup> "If the nonmoving party fails to do so, then summary judgment is proper."<sup>32</sup>

### VI. EVIDENCE RELIED UPON

Frontier relies upon the record in this action, this memorandum in support, and the attached Declaration of Gregory Brubaker.

#### VII. ARGUMENT

A. The Commission Has Jurisdiction Over this Rate Dispute, and the Authority to Determine a Just, Reasonable, and Sufficient Pole-Attachment Rate

The Commission has jurisdiction over both parties to this dispute. The Washington legislature gave the Commission general authority to regulate "the rates, services, facilities, and practices of all persons engaging within [Washington] in the business of supplying any utility service or commodity to the public for compensation." PSE is an electric utility company that provides retail electric service, and Frontier "provides telephone and other communications services to customers throughout Washington." Both entities thus supply utility services or commodities to the public for compensation, and the WUTC expressly regulates both. 35

<sup>31</sup> *Id.* (internal quotations omitted).

<sup>&</sup>lt;sup>32</sup> *Id*.

<sup>33</sup> RCW 80.01.040(3).

<sup>&</sup>lt;sup>34</sup> Compl. ¶¶ 16–17; Answer ¶¶ 24–25.

Washington U.T.C., Companies We Regulate, <a href="http://www.utc.wa.gov/regulatedIndustries/utilities/energy/Pages/companiesWeRegulate.aspx">http://www.utc.wa.gov/regulatedIndustries/utilities/energy/Pages/companiesWeRegulate.aspx</a> (listing PSE has a Commission-regulated entity); Washington U.T.C., All Regulated Telecommunications Companies, <a href="http://www.utc.wa.gov/regulatedIndustries/utilities/telcom/Pages/AllTelecoCompanies.aspx?Paged=TRUE&p\_Title=Fatbeam%2c%20LLC&p\_ID=84&PageFirstRow=121&&View={166D70CB-A993-487A-996A-511358599138} (listing Frontier as a Commission-regulated entity).

The Commission also has jurisdiction over this dispute.<sup>36</sup> Indeed, the legislature dedicated an entire chapter of the Revised Code to giving the Commission specific authority over pole attachment issues.<sup>37</sup> Under this Chapter, the WUTC has "the authority to regulate . . . the rates, terms, and conditions for attachments by licensees or utilities."<sup>38</sup> The Commission is empowered to hold hearings to determine whether "the rates, terms, or conditions demanded, exacted, charged, or collected by any utility in connection with attachments are unjust, unreasonable, or that the rates or charges are insufficient to yield a reasonable compensation for the attachment."<sup>39</sup> Furthermore, the Commission itself confirmed its jurisdiction and authority in the July 24, 2015, Notice of Prehearing Conference: "The Commission has jurisdiction over this matter under RCW Title 80, and has legal authority to regulate the rates, services, and practices of electrical utilities and telecommunications companies providing service within the state of Washington."<sup>40</sup>

# B. The Only Just and Reasonable Interpretation of the Agreement Requires that the Parties Account for Fractional Pole Ownership

Common sense, the Commission, and the FCC all agree that a just and reasonable pole attachment rate must account for Frontier's fractional pole ownership.

See In Re USW. Commc'ns, Inc., UT-003022, 2000 WL 1876446 (Wash. U.T.C. Sept. 27, 2000) ("The Commission has statutory authority to regulate in the public interest the rates, terms, and conditions of attachments to the poles, ducts, conduits, or rights-of-way of electric or telecommunications companies in the state of Washington.").

RCW 80.54 ("Attachments to Transmission Facilities").

<sup>&</sup>lt;sup>38</sup> RCW 80.54.020.

<sup>&</sup>lt;sup>39</sup> RCW 80.54.030.

Notice of Prehearing Conf. ¶ 2, Docket UE-151344.

1. Common sense and basic math dictates that Frontier's pole attachment rate should account for its fractional ownership of utility poles

Part A of the rate formula requires Frontier to calculate its net investment per bare pole by dividing its total pole investment by the "[t]otal number of distribution poles" it owns.<sup>41</sup> The equation is expressed as follows:

<u>Total investment in bare poles (i.e., total pole value)</u> = Net Investment Per Bare Pole Total number of distribution poles

As common sense suggests, Frontier's total investment for any given pole depends on how much of that pole it owns. While Frontier pays 100 percent of the costs associated with its wholly owned poles, it splits the costs associated with its fractionally owned poles based on its percentage of ownership. Because Frontier owns 45 percent of the poles that it owns jointly with Snohomish PUD, it pays only 45 percent of the costs associated with those poles. Thus, the numerator in the above equation *by definition* takes into account Frontier's fractional ownership.

Mathematical congruity requires that the denominator likewise account for fractionally owned poles. To conclude otherwise – as PSE urges – would produce an artificially lower net investment per bare pole, and thus a lower total attachment rate. An example based on hypothetical numbers illustrates this inequity. Assume that Frontier owns 100 percent of 5,000 poles, and 45 percent of an additional 5,000 poles. Assume also that it invests an average of \$100 into each whole pole and \$45 into each jointly owned pole, for a total investment of \$725,000. The following formula show how the parties' competing interpretations calculate

Agreement, Appx. IV, Sch. 2.

Brubaker Decl. ¶ 4.

<sup>&</sup>lt;sup>43</sup> *Id*.

Frontier's net investment per bare pole:

PSE's Interpretation:

\$725,000 (total investment in bare poles) = \$72.50 (net investment per bare pole) 10,000 poles (ignoring fractional ownership)

Frontier's Interpretation:

25.

26.

27.

 $\frac{$725,000 \text{ (total investment in bare poles)}}{7,250 \text{ poles } (5,000 \text{ whole } +45\% \text{ of } 5,000)} = \$100.00 \text{ (net investment per bare pole)}$ 

Under PSE's interpretation, the numerator accounts for fractional ownership because Frontier invests less in poles that it fractionally owns,  $see\ supra\ \P\ 23$ , but the denominator then treats Frontier's fractionally owned poles as wholly owned poles. This creates an apples-to-oranges underestimate of Frontier's net investment per pole. Frontier's interpretation, however, accounts for Frontier's fractional ownership in both the numerator and the denominator, producing a mathematically congruent calculation of its net investment.

The importance of accounting for fractional pole ownership becomes especially apparent under the facts here, where one party (Frontier) fractionally owns thousands of poles, and the other party (PSE) wholly owns its poles. Adopting PSE's interpretation unfairly punishes

Frontier by artificially reducing its attachment rates. There is simply no fair, just, or reasonable explanation to ignore fractional ownership when calculating the parties' *net* investment per bare pole.

- 2. The Commission's forthcoming rules explicitly require parties to poleattachment agreements to calculate rental rates based on partial pole ownership
- The Commission has also indicated its intent to conclude that a just and reasonable pole attachment rate must account for fractional ownership. In April 2014, the Commission initiated rulemaking under Docket U-140621 to consider rules to implement Chapter 80.54 of the Revised

Code of Washington.<sup>44</sup> During the past year, the Commission requested and received four sets of comments from stakeholders and held two workshops.<sup>45</sup> On July 22, 2015, the Commission published its proposed rules.

Pertinent to this dispute, the year-long commenting process resulted in proposed rules that *explicitly* clarify that poles should be counted by taking into account a party's fractional ownership. In proposed WAC 480-54-020, the Commission defines "Net cost of a bare pole," and explains:

When an owner owns poles jointly with another utility, the number of poles for purposes of calculating the net cost of a bare pole is the number of solely owned poles plus the product of the number of the jointly owned poles multiplied by the owner's ownership percentage in those poles.<sup>46</sup>

Thus, for example, a utility that solely owns 10 poles but owns 50 percent of 10 additional poles should be treated as owning 15 poles, not 20 as PSE contends. This is precisely the calculation method that Frontier seeks here.

The Commission understood PSE's concern with this attachment-rate calculation, and rejected it. In its July 22, 2015, Small Business Economic Impact Statement, the Commission acknowledged that "PSE . . . estimate[s] that the formula the Commission proposes to adopt for setting attachment rates will result in a reduction in the rates [PSE] currently charge[s] and in higher rates than [PSE] pay[s] to attach to some other owners' poles."<sup>47</sup> The Commission

28.

See Wash. U.T.C. Pole Attachment Rulemaking, Docket U-140621 (available at http://www.utc.wa.gov/docs/Pages/PoleAttachmentRulemakingU140621.aspx).

<sup>45</sup> See id.

<sup>&</sup>lt;sup>46</sup> *Id*.

July 22, 2015 SBEIS (*available at*: http://www.utc.wa.gov/docs/Pages/PoleAttachmentRulemakingU140621.aspx).

nonetheless concluded that this calculation method was required to produce a fair rate.<sup>48</sup> It explained that "[r]ates calculated using this formula will be fair, just, reasonable, and sufficient, and any loss of revenue or increased payments that result from charging these rates are neither undue nor have a disproportionate impact."<sup>49</sup>

The Commission dedicated more than a year to considering its proposed rules and the concerns of companies like PSE. It concluded that tallying poles based on a utility's fractional ownership created a fair, just, and reasonable result. What is just and reasonable now was just and reasonable throughout the life of the parties' Agreement. The proposed rules and the Commission's thorough consideration of this issue provide clear support for Frontier's proffered

# 3. The FCC has also concluded that pole attachment rates must account for partial pole ownership

The issue presented in this dispute is not new. In 2002 – the same year the parties entered the Agreement – the FCC stated conclusively that the total number of poles a utility owns "must be adjusted to the total number of equivalent poles if some of the utility's poles are jointly owned by another entity." The FCC explained that "[t]he number of equivalent poles

interpretation of the Agreement.

Id. ("The Commission finds that the formula is well-established, results in appropriate cost recovery, and is consistent with the criteria for a just and reasonable rate the legislature established in RCW 80.54.040."). RCW 80.54.040 defines a "just and reasonable" pole attachment rate as a rate that "assure[s] the utility the recovery of not less than all the additional costs of procuring and maintaining pole attachments, nor more than the actual capital and operating expenses, including just compensation, of the utility attributable to that portion of the pole, duct, or conduit used for the pole attachment, including a share of the required support and clearance space, in proportion to the space used for the pole attachment, as compared to all other uses made of the subject facilities, and uses which remain available to the owner or owners of the subject facilities."

<sup>&</sup>lt;sup>49</sup> *Id.* 

<sup>&</sup>lt;sup>50</sup> Nevada State Cable Television Ass'n, 17 F.C.C. Rcd. 15534, 15540 n.15 (2002).

equals the number of solely owned poles plus the sum of the products of the numbers of jointly owned poles times their ownership percentages."<sup>51</sup> It underscored its conclusion with an example: "if a utility owns 100 percent of 10 poles and 50 percent of 20 poles, that utility owns 20 equivalent poles."<sup>52</sup> The FCC and the Commission see eye-to-eye on this issue.

#### VIII. CONCLUSION

Both the Commission and the FCC have reached the commonsense conclusion that the

fair method of calculating an attachment rate accounts for equivalent, or fractionally owned poles. Because the relevant facts are undisputed, Frontier respectfully requests a summary determination that (i) the just and reasonable interpretation of "Total number of distribution poles" in the Agreement's attachment rate calculation requires the parties to account for

course of the Agreement; (iii) Frontier appropriately offset the amounts it under-billed for the five years between 2008 and 2012; (iv) Frontier properly calculated the amounts due from PSE

fractionally owned poles; (ii) this was the just and reasonable interpretation throughout the

for the years 2013 and 2014 by accounting for fractionally owned poles; and (v) the

///

32.

///

///

///

<sup>51</sup> *Id*.

<sup>52</sup> *Id*.

fees and interest charged by PSE as a result of Frontier's offset and disputed billing for 2012-2014 are improper and unreasonable.<sup>53</sup>

DATED this 7th day of August, 2015.

**K&L GATES LLP** 

By

Roman D. Hernández, WSBA #39939 Stephanie E. L. McCleery, WSBA #45089 Philip S. Van Der Weele, OSB #863650 One SW Columbia Street, Suite 1900 Portland, OR 97258

(503) 228-3200

Attorneys for Frontier Communications Northwest Inc.

See RCW 34.05.461(3); RCW 80.54.030.

### Docket UE-151344 CERTIFICATE OF SERVICE

I hereby certify that I have this day served the attached **Motion for Summary Determination** upon the persons and entities listed on the Service List below by depositing a copy of said document in the United States mail, addressed as shown on said Service List, with first class postage prepaid.

DATED at Portland, Oregon this 7th day of August, 2015.

Román D. Hernández Stephanie E. L. McCleery Philip S. Van Der Weele

## For Puget Sound Energy:

James F. Williams Karen Brunton Bloom Perkins Coie LLP 1201 Third Ave., Suite 4900 Seattle, WA 98101

Phone: 206-359-8000

Email: JWilliams@perkinscoie.com KBloom@perkinscoie.com

## Staff of the Washington Utilities and Transportation Commission

Jennifer Cameron-Rulkowski Office of the Attorney General Utilities and Transportation Division 1400 S. Evergreen Park Drive S.W. P.O. Box 40128 Olympia, WA 98504-0128

Phone: 360-664-1186 Fax: 360-586-5522

Email: jcamero@utc.wa.gov