

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	)	
	)	
THE CENTURYLINK 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**

**AUGUST H. ANKUM, Ph.D.**

**IN SUPPORT OF SETTLEMENT AGREEMENT BETWEEN**

**CENTURYLINK**

**AND**

**THE U.S. DEPARTMENT OF DEFENSE**

**AND**

**ALL OTHER FEDERAL EXECUTIVE AGENCIES**

**SEPTEMBER 19, 2013**

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**EXHIBIT**

Exhibit AHA-2: CenturyLink/DoD-FEA Settlement Agreement

1 **I. INTRODUCTION**

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

3 A. My name is August H. Ankum. I currently serve as Senior Vice President and Chief  
4 Economist of QSI Consulting, Inc. My business address is 429 North 13th Street, Apt.  
5 2D, Philadelphia, Pennsylvania 19123.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK  
7 EXPERIENCE.**

8 A. I have been employed as an expert consultant on telecommunications issues for the past  
9 17 years, and have a total of 26 years of experience in the telecommunications industry. I  
10 co-founded QSI Consulting, Inc. (“QSI”) in 1999. QSI is a consulting firm specializing  
11 in regulatory and litigation support in regulated network industries, with a special  
12 emphasis in the telecommunications sector. QSI’s primary areas of expertise include  
13 economic and financial analysis, cost of service modeling, regulatory compliance, and  
14 public policy development. Prior to practicing as a telecommunications consultant, I  
15 worked for MCI Telecommunications Corporation (“MCI”) as a senior economist. At  
16 MCI, I provided expert witness testimony and conducted economic analyses for corporate  
17 decision making purposes. Before I joined MCI in early 1995, I worked for Teleport  
18 Communications Group, Inc. (“TCG”), as a Manager in the Regulatory and External  
19 Affairs Division. In this capacity, I testified on behalf of TCG in proceedings concerning  
20 local exchange competition issues. From 1987 until 1994, I was employed as an  
21 economist by the Public Utility Commission of Texas (“PUCT”) where I worked on a

1 variety of electric power and telecommunications issues and testified as an expert witness  
2 in litigated proceedings. During my last year at the PUCT, I held the position of Chief  
3 Economist. Prior to joining the PUCT, I taught undergraduate courses in economics as  
4 an Assistant Instructor at the University of Texas from 1984 to 1986. I received a Ph.D.  
5 in Economics from the University of Texas at Austin in 1992, an M.A. in Economics  
6 from the University of Texas at Austin in 1987, and a B.A. in Economics from Quincy  
7 College, Illinois, in 1982.

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED AS AN EXPERT BEFORE THE**  
9 **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**  
10 **(“COMMISSION” OR “WUTC”)?**

11 A. Yes. I testified as an expert witness in WUTC Docket No. UT-100820  
12 (CenturyLink/Qwest merger proceeding), WUTC Docket No. UT-090892 (Qwest  
13 complaint case), and WUTC Docket No. UT-121994 (Frontier request to be regulated as  
14 a competitive telecommunications company).

15 **Q. ON WHOSE BEHALF ARE YOU FILING THIS TESTIMONY?**

16 A. I am appearing on behalf of the consumer interests of the U.S. Department of Defense  
17 (“DoD”) and all other Federal Executive Agencies (“FEA”) in Washington.

18 **II. PURPOSE AND SUMMARY**

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

1 A. The purpose of this testimony is to: (1) describe the Settlement Agreement and  
2 Stipulation reached between DoD/FEA and CenturyLink in this docket (hereafter referred  
3 to as the “Settlement Agreement”) and (2) explain why the Commission specifically  
4 should approve and adopt this Settlement Agreement. A copy of the Settlement  
5 Agreement is attached as Exhibit AHA-2 to this testimony. It is my understanding that  
6 CenturyLink has also reached separate settlements with Commission Staff/Public  
7 Counsel and Sprint. My testimony addresses only the Settlement Agreement between  
8 CenturyLink and DoD/FEA, and does not address settlements CenturyLink has entered  
9 into with other parties. This testimony is being filed pursuant to WAC § 480-07-  
10 740(2)(b) and the Administrative Law Judge’s Notice Suspending Procedural Schedule  
11 and Requiring Filing of Settlement Documents dated September 5, 2013.

12 **Q. BESIDES YOUR TESTIMONY AND THE SETTLEMENT AGREEMENT**  
13 **ITSELF, ARE THERE OTHER DOCUMENTS BEING FILED IN SUPPORT OF**  
14 **THE SETTLEMENT AND STIPULATION REACHED BETWEEN**  
15 **CENTURYLINK AND DOD/FEA?**

16 A. Yes. On August 23, 2013, the Settlement and Stipulation as well as a Narrative in  
17 Support of Settlement Agreement under WAC § 480-07-740(2)(a) were filed with the  
18 Commission.

19 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

20 A. I recommend that the Commission approve and adopt the Settlement Agreement entered  
21 into between CenturyLink and DoD/FEA.

1 **III. DESCRIPTION OF CENTURYLINK/DOD-FEA SETTLEMENT AGREEMENT**

2 **Q. PLEASE BRIEFLY DESCRIBE THE SETTLEMENT AGREEMENT BETWEEN**  
3 **CENTURYLINK AND DOD/FEA.**

4 A. The Settlement Agreement covers five areas: (1) administrative provisions; (2) rates,  
5 terms and conditions; (3) service availability; (4) service quality; and (5) general  
6 provisions. The substantive conditions related to rates, terms and conditions; service  
7 availability; service quality, and general provisions are contained within Attachment 1 to  
8 the Settlement Agreement.

9 **Q. PLEASE SUMMARIZE THE ADMINISTRATIVE PROVISIONS.**

10 A. There are twelve sections in the Settlement Agreement addressing administrative  
11 provisions. These administrative provisions (i) provide a description of the background  
12 of the proceeding and settlement discussions, (ii) define the Settlement Agreement as a  
13 “Multiparty Settlement” under § WAC 480-07-730(3); (iii) clarifies that, in reaching  
14 agreement, neither Party accepts any particular argument made by any other Party; (iv)  
15 states that the conditions in Attachment 1 to the Settlement Agreement will apply for five  
16 years following Commission approval unless otherwise stated in Attachment 1; (v) states  
17 that the effective date of the Settlement Agreement is the date it is approved without  
18 change by the Commission; (vi) describes the procedure for filing the Settlement  
19 Agreement with the Commission; (vii) describes the actions required of the Parties to  
20 support approval of the Settlement Agreement; (viii) establishes guidelines regarding any  
21 announcements or press releases about the Settlement Agreement; (ix) describes the

1 procedures available to the Parties if the Commission rejects the Settlement Agreement or  
2 approves it subject to modifications not proposed by either Party; (x) clarifies that the  
3 Settlement Agreement does not mean that either Party has agreed to another Party's legal  
4 or factual assertions, and states that: conduct, statements or documents discussed in  
5 negotiations shall not be admissible evidence in this or another proceeding and the  
6 Settlement Agreement or supporting documents may not be used as precedent in another  
7 proceeding ; (xi) explains that the Settlement Agreement constitutes the entire agreement  
8 between the Parties; and (xii) describes the procedures for executing the Settlement  
9 Agreement.

10 **Q. DESCRIBE THE SUBSTANTIVE SAFEGUARDS IN THE SETTLEMENT**  
11 **AGREEMENT.**

12 A. As discussed above, the substantive safeguards are contained in Attachment 1 to the  
13 Settlement Agreement. The safeguards cover four primary commitments: (1) Rate  
14 Protection Commitment, (2) Tariff Availability Commitment, (3) Service Quality  
15 Commitment, and (4) Revenue Commitment. Certain important terms are also defined in  
16 Attachment 1 (see Paragraph 1). For instance, the term "Rate Protection Period" is  
17 defined to mean a five-year period beginning on the Effective Date of the Settlement  
18 Agreement, and the term "Effective Date" is defined as the date the Settlement  
19 Agreement is approved without change by the Commission.

20 **Q. BRIEFLY DESCRIBE THE RATE PROTECTION COMMITMENT**  
21 **(ATTACHMENT 1, PARAGRAPH 2).**

1 A. This commitment consists of two primary safeguards. First, CenturyLink commits to bid  
2 on DoD/FEA procurements for telecommunications services solicited during the Rate  
3 Protection Period at Washington locations where CenturyLink is the incumbent local  
4 exchange carrier but not the existing contract awardee. Second, CenturyLink commits to  
5 bid on DoD/FEA procurements for telecommunications services solicited during the Rate  
6 Protection Period for the same location as a Current Contract<sup>1</sup>, and commits to offering  
7 rates, terms and conditions for Washington Regulated Services<sup>2</sup> that are no higher or less  
8 advantageous than the rates, terms and conditions provided under the Current Contract.<sup>3</sup>  
9 The Rate Protection Commitment clarifies that it is not intended to discourage  
10 CenturyLink from aggressively competing for new bid solicitations by, for example,  
11 offering lower prices or more favorable terms and conditions.

12 **Q. BRIEFLY DESCRIBE THE TARIFF AVAILABILITY COMMITMENT**  
13 **(ATTACHMENT 1, PARAGRAPH 3).**

14 A. One result of the Commission approving CenturyLink's AFOR plan is that business  
15 services that currently remain in existing Washington tariffs<sup>4</sup> will be removed from the  
16 tariffs and be placed in product catalogs. CenturyLink commits to providing to  
17 DoD/FEA a copy of the tariffs that were in effect immediately preceding to their

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<sup>1</sup> The term "Current Contract" is defined in Attachment 1 as: "any contract now in effect between CenturyLink that is limited to providing Washington Regulated Services to DoD/FEA locations in the State of Washington."

<sup>2</sup> The term "Washington Regulated Services" is defined in Attachment 1 as: "intrastate telecommunications services that are contained in CenturyLink's effective tariffs on file at the Washington Utilities and Transportation Commission ('Commission') as of the Effective Date."

<sup>3</sup> This commitment does not apply to mandatory fees and charges ordered by the WUTC and Federal Communications Commission authorized charges.

<sup>4</sup> Business services in the legacy Qwest territory in Washington were previously moved to product catalogs.



1 withdrawal. In addition, during the Rate Protection Period, if DoD/FEA solicits bids for  
2 Washington Regulated services for the same locations as Current Contracts or procures  
3 Washington Regulated services via CenturyLink tariffs or catalogs where CenturyLink is  
4 the incumbent local exchange carrier, then CenturyLink commits to offer rates, terms and  
5 conditions to DoD/FEA that are no higher or less advantageous than those provided  
6 under the contracts, tariffs or catalogs in effect immediately preceding the Effective Date  
7 of the Settlement Agreement.

8 **Q. BRIEFLY DESCRIBE THE SERVICE QUALITY COMMITMENT**  
9 **(ATTACHMENT 1, PARAGRAPH 4).**

10 A. CenturyLink commits that all service quality requirements that are a part of DoD/FEA  
11 contract or applicable Commission rule or order shall be applicable to the service  
12 provided to DoD/FEA under the Settlement Agreement.

13 **Q. BRIEFLY DESCRIBE THE REVENUE COMMITMENT (ATTACHMENT 1,**  
14 **PARAGRAPH 5).**

15 A. DoD/FEA has agreed to a revenue commitment wherein the Settlement Agreement is  
16 contingent upon the DoD/FEA entities in Washington collectively maintaining total  
17 service levels that result in billings by CenturyLink that are at least 90% of average  
18 current levels.<sup>5</sup>

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<sup>5</sup> Pursuant to the Revenue Commitment, the 90% threshold is calculated as 90% of the average quarterly billings for the four quarters preceding the date of the Settlement Agreement.

1 **Q. WHAT IF DoD/FEA DOES NOT MAINTAIN THE 90% TOTAL SERVICE**  
2 **LEVEL THRESHOLD?**

3 A. If DoD/FEA falls below the 90% threshold, CenturyLink provides notice to DoD/FEA,  
4 and total service levels remain continuously below an 80% threshold level for 180 days,  
5 then CenturyLink may (at its option) terminate the Settlement Agreement.

6 **IV. THE SETTLEMENT AGREEMENT IS IN THE PUBLIC INTEREST**

7 **Q. HOW ARE THE SAFEGUARDS IN THE SETTLEMENT AGREEMENT IN THE**  
8 **PUBLIC INTEREST?**

9 A. The Settlement Agreement is in the public interest because it fairly balances  
10 CenturyLink's desire for additional regulatory flexibility with the need to protect  
11 DoD/FEA customers, which still rely on CenturyLink's services in the State of  
12 Washington. The Settlement Agreement provides stability for DoD/FEA about what  
13 services will be available and at what rates, terms, conditions, and service levels, and also  
14 provides stability for CenturyLink related to its local exchange services revenues for  
15 planning and investment purposes – while not discouraging competition from potential  
16 alternative providers that may want to provide business services to DoD/FEA in  
17 competition with CenturyLink in the future. Furthermore, the Settlement Agreement  
18 avoids trial risks and conserves resources – time, effort and costs of litigation – for the  
19 Parties as well as the Commission.

20 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS?**

1 A. The Settlement Agreement (and safeguards therein) resolves DoD/FEA's concerns about  
2 CenturyLink's request to be regulated under an Alternative Form of Regulation  
3 ("AFOR") in the State of Washington. Therefore, from DoD/FEA's perspective,  
4 CenturyLink's proposed AFOR plan, as conditioned upon the approval of this Settlement  
5 Agreement by the Commission) is in the public interest and should be approved.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY REGARDING THE**  
7 **SETTLEMENT AGREEMENT?**

8 A. Yes.