

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	)	DOCKET UT-130477
	)	
THE CENTURYLINK	)	
COMPANIES – QWEST	)	ORDER 04
CORPORATION; CENTURYTEL	)	
OF WASHINGTON;	)	
CENTURYTEL OF	)	FINAL ORDER APPROVING
INTERISLAND; CENTURYTEL	)	SETTLEMENT AGREEMENTS AND
OF COWICHE; AND UNITED	)	ESTABLISHING ALTERNATIVE
TELEPHONE COMPANY OF THE	)	FORM OF REGULATION
NORTHWEST	)	
	)	
To be Regulated Under an	)	
Alternative Form of Regulation	)	
Pursuant to RCW 80.36.135	)	
.....	)	

*Synopsis: The Commission approves the three settlement agreements and establishes an AFOR, alternative form of regulation, for CenturyLink for the next seven years. Under that AFOR, CenturyLink would be regulated as if the Company were classified as competitive, subject to certain conditions. The Commission concludes that the AFOR properly tailors regulation of the Company to the reality of today’s telecommunications marketplace, with the additional understanding that the Commission will continue to ensure that both wholesale and retail consumers receive the service quality to which they are entitled. The Commission further finds that the parties’ settlement agreements resolving the issues presented are supported by adequate record evidence and are consistent with the public interest.*

**INTRODUCTION**

1 In the wake of the break-up of AT&T, the Washington legislature adopted the Regulatory Flexibility Act,<sup>1</sup> which reflects the state’s policy goals of promoting “diversity in the supply of telecommunications services and products in telecommunications markets throughout the state” and permitting “flexible regulation

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<sup>1</sup> Laws of 1984, ch. 450.

of competitive telecommunications companies and services.”<sup>2</sup> The legislation authorized the Washington Utilities and Transportation Commission (Commission) to tailor regulation of telecommunications companies to promote these goals within the context of an evolving marketplace.

2 That marketplace has changed significantly in the last 30 years. Consumers now have a variety of telecommunications service options, most of which are available from companies using technologies that did not exist in 1984. The CenturyLink companies – Qwest Corporation, CenturyTel of Washington, CenturyTel of Inter Island, CenturyTel of Cowiche, and United Telephone Company of the Northwest (collectively referred to as CenturyLink or Company) – seek to take advantage of the Commission’s broad authority to adjust regulation to a much more competitive environment. CenturyLink has petitioned the Commission for an alternative form of regulation (AFOR) that effectively would treat the Company as if it were classified as a competitive telecommunications company for the provision of most of the services it offers.

3 All parties to this proceeding agree that CenturyLink faces strong competition for the majority of its services throughout most of the geographic area it serves. We agree and find that this docket affords the Commission the opportunity to continue to acknowledge the realities of the 21st Century marketplace by reducing unnecessary regulation and enhancing the ability of CenturyLink to compete more effectively to the ultimate benefit of this state’s consumers.

### BACKGROUND

4 On April 1, 2013, CenturyLink filed its petition to be regulated under an AFOR pursuant to RCW 80.36.135 (Petition), including prefiled direct testimony in support of the Petition. The Commission conducted a prehearing conference on May 1, 2013. The Commission granted intervention to Integra Telecom Inc. (Integra), Sprint Nextel Corporation (Sprint), and the United States Department of Defense and all other federal executive agencies (DoD/FEA) and entered Order 01 establishing a procedural schedule.

5 On August 22, 2013, CenturyLink, Commission regulatory staff (Commission Staff or Staff),<sup>3</sup> and the Public Counsel Section of the Washington Office of the Attorney

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<sup>2</sup> RCW 80.36.300(5) & (6).

<sup>3</sup> In a formal proceeding, such as this, the Commission’s regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners,

General (Public Counsel) filed a settlement agreement resolving the disputed issues between them (Staff/Public Counsel Settlement) including a stipulated AFOR. These parties filed joint testimony in support of their agreement on September 19, 2013.

6 On August 23, 2013, CenturyLink and DoD/FEA filed a settlement agreement between those parties (DoD/FEA Settlement). DoD/FEA filed testimony supporting that agreement on September 19, 2013.

7 On August 28, 2013, CenturyLink and Sprint filed a settlement agreement between those parties (Sprint Settlement). These parties filed a joint narrative and testimony supporting that agreement on September 20, 2013.

8 On August 29, 2013, Integra filed responsive testimony. Integra does not take a position on whether the Commission should establish an AFOR for CenturyLink but recommends that any such AFOR include the wholesale service provisions in the Company's petition and in the Staff/Public Counsel Settlement Agreement.

9 On October 16, 2013, the Commission conducted an evidentiary hearing to consider the parties' testimony and the settlement agreements.

10 Lisa A. Anderl, Seattle, represents CenturyLink. Simon J. Fitch and Lisa W. Gafken, Seattle, represent Public Counsel. Jennifer Cameron-Rulkowski, Assistant Attorney General Olympia, represents the Commission Staff. Stephen S. Melnikoff and Kyle J. Smith, Fort Belvoir, Virginia, represent DoD/FEA. Douglas Denney, Portland, Oregon, represents Integra. Judith A. Endejan, Seattle, represents Sprint.

## SETTLEMENT AGREEMENTS

### **Staff/Public Counsel Settlement (Stipulated AFOR)**

11 The Company, Staff, and Public Counsel have executed a settlement agreement (Staff/Public Counsel Settlement, attached to this Order as Appendix A) in which they have agreed to an Amended Stipulated Plan for Alternative Form of Regulation (Stipulated AFOR) that becomes effective upon Commission approval and remains in

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the presiding administrative law judge, and the Commissioners' policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See* RCW 34.05.455.

effect for seven years. The Stipulated AFOR would replace the existing AFOR<sup>4</sup> we previously approved in another proceeding for Qwest Corporation (Qwest) governing that company's Washington operations prior to its merger with CenturyLink in 2010.<sup>5</sup> The parties intend the Stipulated AFOR to apply to the entire post-merger operations of CenturyLink in Washington. According to that plan, CenturyLink would be treated as if it were competitively classified under RCW 80.36.320 subject to the following exceptions.

*a. Continued Wholesale Service Obligations*

- 12 The federal Telecommunications Act of 1996 (1996 Act)<sup>6</sup> requires all telecommunications carriers to interconnect their networks. It established for incumbent local exchange carriers (ILECs) like CenturyLink additional requirements such as providing unbundled network elements, collocation, resale, and other services intended to promote a competitive telecommunications marketplace. These requirements remain a central element of the framework established by Congress to migrate from a local telephone market in which a single provider is dominant to one in which telecommunications carriers of differing platforms, technologies, and service offerings interconnect and operate competing networks according to federal and state regulations governing such arrangements. In addition to the requirements of the federal 1996 Act, state law requires in RCW 80.36.135(3) that an AFOR “must also contain a proposal for ensuring adequate carrier-to-carrier service quality, including service quality standards or performance measures for interconnection, and appropriate enforcement or remedial provisions in the event the company fails to meet service quality standards or performance measures.”
- 13 The Stipulated AFOR does not disturb CenturyLink's current carrier-to-carrier obligations under either state or federal law, including the carrier-to-carrier service quality plan that was required in the previous Qwest AFOR proceeding. The previous AFOR for Qwest Corporation included a specific carrier-to-carrier service quality plan that incorporated its then existing Quality Performance Assurance Plan (QPAP), service

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<sup>4</sup> *In re Petition of Qwest Corporation For an Alternative Form of Regulation Pursuant to RCW 80.36.135*, Docket UT-061625 Order 06, Order Accepting Settlement And Approving Alternative Form Of Regulation, On Conditions (July 24, 2007).

<sup>5</sup> *In re Joint Application of Qwest Communications International, Inc., and CenturyTel, Inc., for Approval of Indirect Transfer of Control of Qwest Corporation, Qwest Communications Company LLC, and Qwest LD Corp.*, Docket UT-100820, Order 14, Final Order Approving And Adopting, Subject To Conditions, Multiparty Settlement Agreements And Authorizing Transaction (March 14, 2011).

<sup>6</sup> 47 U.S.C. §§ 151, *et seq.*

quality provisions for tariffed switched access and payphone services, and all wholesale service quality standards and requirements in existing Commission rules. That plan remains in effect as part of the existing AFOR for the scope of CenturyLink's Washington operations associated with pre-merger Qwest Corporation.

- 14 The Stipulated AFOR also does not change any of CenturyLink's interconnection agreements (ICAs) with other carriers under Section 252 of the 1996 Act. The parties note that most, if not all, of these agreements contain a set of Performance Indicators, coupled with the Commission-approved CenturyLink QPAP that together operate as service quality standards and performance measures, and provide appropriate enforcement and remedial provisions within their terms. Because CenturyLink is proposing no change to the status quo in this area, and because the status quo provides adequate protection for carrier-to-carrier service quality, no new or addition provision are proposed in the Stipulated AFOR.
- 15 The settling parties further maintain that the Stipulated AFOR does not affect the Commission's authority to regulate CenturyLink's wholesale obligations under the 1996 Act, nor does it affect any existing carrier-to-carrier service quality requirements. These include all service quality standards or performance measures for interconnection and appropriate enforcement or remedial provisions in the event CenturyLink fails to meet service quality standards or performance measures contained in all existing tariffs, ICAs, or commercial agreements. In other words, although the Stipulated AFOR provides greater pricing and service flexibility through competitive classification treatment of the company's retail service offerings, it retains and leaves undisturbed all existing wholesale service quality requirements. We interpret this commitment to maintain the existing carrier-to-carrier service plan previously approved for Qwest Corporation in the previous AFOR proceeding.

*b. Continued Service Quality Reporting*

- 16 Although CenturyLink would be treated as competitively classified under the Stipulated AFOR and no longer subject to full economic regulation, the Stipulated AFOR would retain all existing service quality requirements required in Washington for the provision of local telephone service. All of CenturyLink's operating companies would continue to be subject to the service quality reporting requirements for Class A telephone companies pursuant to WAC 480-120-439(1).<sup>7</sup> This means the Commission would continue to have oversight over various aspects of the service quality provided to the company's

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<sup>7</sup> Class A company means a local exchange company with two percent or more of the access lines within the state of Washington as set forth in WAC 480-120-021.

Washington consumers, such as installation and maintenance performance, service availability, billing accuracy, and resolution of service outages.

- 17 The only change to existing service quality measures in Washington is the elimination of some legacy customer service guarantee program requirements that were implemented in past merger proceedings involving predecessor entities that are now part of the Company. Under the Stipulated AFOR, CenturyLink will no longer be required to file customer service guarantee performance or payment reports that had been required or agreed to in past merger proceedings.<sup>8</sup>

*c. Services Remaining in Tariff*

- 18 A number of services or terms and conditions that are ancillary to the provision of telephone service in Washington will remain in CenturyLink's tariffs under the Stipulated AFOR. These items will remain in the Company's tariffs because they are informational, are necessary with respect to public safety, have few alternatives, or are necessary inputs to other telecommunications providers that compete with CenturyLink's Washington products and services.

1. Exchange Areas, Local Calling Areas, and Maps – Information that displays boundaries of the Company's Washington service areas, local versus long distance calling zones, and other service availability materials.
2. Washington Telephone Assistance Program (WTAP) – The program overseen by Washington's Department of Social and Health Services that provides assistance to low income or disadvantaged telephone consumers in the form of discounts on basic telephone service.
3. Federal Lifeline and Link-up – Programs established and overseen by the Federal Communications Commission (FCC) that provide discounts on telephone service monthly recurring and hook-up charges for eligible telephone consumers.
4. Basic and Enhanced Universal Emergency Number Services (911/E-911) – Public safety network services offered to state and county public safety entities necessary for routing and transmission of 911 and E-911 calling.

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<sup>8</sup> The customer service guarantee programs were approved or amended in Docket UT-991358 (involving the merger of US West, Inc., and Qwest Communications International, Inc.), Docket UT-082119 (involving the merger of Embarq Corporation And Centurytel, Inc.), and Docket UT-100820 (involving the merger of Qwest Communications International Inc. and Centurytel, Inc.).

5. Interconnection, Resale, Switched Access, and Wholesale Services – Services sold to competing telecommunications carriers for access to CenturyLink’s network and services.

*d. Prevention of Below-Cost Pricing and Accounting Methodology*

- 19 Under the Stipulated AFOR, CenturyLink agrees to be bound by the provisions of RCW 80.36.330(3), and the Commission’s implementing regulations, in connection with below-cost pricing. It also agrees to keep its books of accounts consistent with WAC 480-120-355 and according to the same accounting method that it uses to maintain its books for FCC purposes.

*e. Transfer of Property Limitation*

- 20 State law and our regulations (RCW 80.12 RCW and WAC 480-143-120) require approval of transfers of properties used in the provision of telephone service owned by carriers subject to our jurisdiction. These provisions address the public interest by ensuring that ownership and control of the assets and entities involved in providing telephone service in Washington are with entities fit and capable of providing such services. The parties to the Stipulated AFOR have agreed to provide greater flexibility to CenturyLink for future transfers of property that are routine in nature and that do not warrant material regulatory scrutiny to protect the public interest. The agreement retains full Commission oversight over larger transfers involving the sale of exchanges or access lines, or transactions involving the merger or acquisition by an unaffiliated entity of CenturyLink or any of the ILEC operating companies it operates in Washington.

*f. Prohibition on Further De-Averaging of Local Telephone Rates*

- 21 CenturyLink’s local telephone service operations and rate structure in Washington stem from a number of mergers and acquisitions that have occurred over the past few decades. In large measure as a result of these transactions, the company’s existing local service telephone rates reflect an amalgam of services territories and operating entities in Washington with local telephone service rates that vary greatly across the individual communities it serves in Washington. Because these settling parties have agreed to treat CenturyLink as competitively classified, the company will have the freedom, absent specific conditions to the contrary, to change retail pricing for such services according to marketplace conditions and the varying cost of providing services across the Company’s Washington service areas.
- 22 CenturyLink, Staff, and Public Counsel, however, have included a provision in the Stipulated AFOR that prohibits CenturyLink from any further de-averaging of its non-

recurring and monthly recurring rates for stand-alone residential and business exchange services for the life of the new AFOR. This means that CenturyLink will not increase the number of the rate levels in its current rate structure and will actually move to reduce the number of rate levels as described below.<sup>9</sup>

*g. Rate Normalization and Incorporation of Extended Area Service Charges into Rates*

- 23 In addition, the company's rate structure contains a number of separate charges for some service areas and communities that serves as an additional charge for expanded local calling, a capability commonly referred to as extended area service (EAS). Recognizing that these charges, like varied local telephone rates, run afoul of the need for a common rate structure for the reasons described above, the Company has agreed to work in good faith to normalize rates for flat-rated stand-alone local exchange service among its five ILEC operating companies in Washington.
- 24 The Stipulated AFOR provides that, to the extent that CenturyLink takes advantage of the pricing flexibility associated with competitive classification of its services and begins making changes to its flat-rated stand-alone residential or business rates, the Company will also begin to reduce the differentials in rates charged by its separate ILEC operating companies. The five CenturyLink ILEC operating companies have various rates for flat-rated stand-alone residential exchange service that vary from \$8.90 to \$15.90 per month. Rates in some communities also have EAS charges that result in combined effective telephone rates of \$8.90 to \$25.90 per month. The Company's present rate structure for flat-rated stand-alone business exchange service, inclusive of any EAS additives, currently ranges from \$17.85 to \$41.80 per month.
- 25 As a step toward implementation of common rates for flat-rated stand-alone residential exchange service, CenturyLink has agreed that coincident with the first time it changes its residential rates under the new AFOR (no later than 12 months after the effective date of the plan) it will also restructure its flat-rated stand-alone residential rates. This restructuring will combine the access line rate and any flat-rated EAS additives so that the Company's combined rate in any service area for stand-alone residential service will not exceed \$16.40 per month. Similarly, CenturyLink has agreed that the first time it changes its business rates under the new AFOR (no later than 12 months after the effective date of the plan) it will also restructure its flat-rated stand-alone business rates to combine the access line rate and any flat-rated EAS additives so that its combined rate for stand-alone business service in any service area will not exceed \$32.10 per month.

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<sup>9</sup> This prohibition on further rate de-averaging does not restrict CenturyLink's ability to enter into individual contracts for service that specify rates other than statewide average rates.

The parties have agreed that the contemplated rate restructuring will not reduce or eliminate any existing EAS calling areas.

*h. Rate Change Notification*

- 26 Although CenturyLink's local telephone service rates will no longer be included in tariffs filed with the Commission, the Company has agreed to provide notice to the Commission of any changes to its flat-rated stand-alone residential rates at the same time CenturyLink notifies its customers of the rate change. The filing will identify the rate to be changed and will include all of the then-current rates of the ILEC operating companies.

*i. Discontinuance of Local Exchange Service*

- 27 WAC 480-120-083 (Cessation of telecommunications services) sets forth the regulations a carrier must follow when ceasing to provide a specific telecommunications service, including local exchange service. To a large extent, the rule requires notice and a reasonable opportunity to customers to migrate to an alternative service or provider before the contemplated service may be terminated. The Stipulated AFOR specifies that these requirements will continue to apply to all services that are treated as competitively classified except that, in the event CenturyLink wishes to cease offering stand-alone residential or business service in any way, the Company will file a petition with the Commission for approval of the discontinuance.

**Sprint Settlement**

- 28 Sprint is a registered competitive local exchange company (CLEC) and wireless carrier, authorized to provide telecommunications services in Washington. Sprint competes, in part, through interconnection and related access services and facilities obtained from CenturyLink according to certain tariffs and agreements, including, but not limited to, ICAs entered into pursuant to sections 251 and 252 of the 1996 Act. In seeking to participate in this proceeding, Sprint claimed that any new AFOR could undermine continued provision of interconnection and access services at reasonable rates, terms, and conditions as well as emerging issues concerning IP-to-IP interconnection. Sprint claimed that a proceeding involving substantial regulatory relief for the largest incumbent telephone provider in Washington should include an assessment of the effect on competition and the extent to which that provider, CenturyLink, is negotiating in good faith for IP-to-IP interconnection under the 1996 Act.
- 29 CenturyLink and Sprint have entered into a settlement agreement (Sprint Settlement, attached to this Order as Appendix B) pursuant to which Sprint has agreed to withdraw from the proceeding. In exchange for Sprint's withdrawal, CenturyLink has agreed not to

oppose an informal Commission proceeding such as an educational workshop on the specific issue of IP-to-IP interconnection.<sup>10</sup> Both parties have reserved their full advocacy rights in any Commission proceeding concerning the issue. The Sprint Settlement defers, for now, Commission consideration of either parties' position on the applicability of sections 251 and 252 on IP-to-IP interconnection negotiation requests and our role, if any, in resolving disputed issues concerning such arrangements.

### **DoD/FEA Settlement**

30 DoD/FEA is a large customer of CenturyLink with a number of service locations within the Company's Washington service area. DoD/FEA points out that the Federal government has many military installations and civilian operations that, collectively, are one of largest purchasers of telecommunications services from various CenturyLink operating companies in Washington. DoD/FEA expressed concerns about the potential effect of granting significant regulatory relief to CenturyLink on DoD/FEA's ability to continue to purchase a wide variety of business services in an efficient manner, at reasonable cost, and with the highest service quality and performance.

31 CenturyLink and DoD/FEA have entered into a settlement agreement (DoD/FEA Settlement, attached to this Order as Appendix C) that addresses DoD/FEA's concerns about the Company's Petition. As summarized below, Attachment 1 to the DoD/FEA Settlement covers four primary commitments regarding rate protection, tariff availability, service quality, and a revenue commitment for a five-year period following the effective date of the agreement.

#### *a. Rate Protection Commitment*

32 The Rate Protection Commitment consists of two primary safeguards. First, CenturyLink commits to bid on DoD/FEA procurements for telecommunications services solicited during the life of the DoD/FEA Settlement at all Washington locations where CenturyLink is the ILEC but not the existing contract awardee. Second, CenturyLink commits to bid on DoD/FEA procurements for telecommunications services solicited during the life of the settlement for the same locations where services are currently provided pursuant to contract. CenturyLink has also committed to offering rates, terms,

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<sup>10</sup> On November 12, 2013, the Commission held a workshop on a range of emerging issues concerning integration of IP technology into the telecommunications marketplace, including IP-based services and IP-related interconnection issues. *See Inquiry into Technological and Policy Implications of the Transition to Voice over Internet Protocol and Internet Protocol Networks*, Docket UT-131989. Consistent with the parties' agreement, CenturyLink did not object to this workshop, and both Sprint and CenturyLink participated in it.

and conditions to DoD/FEA that are no higher or less advantageous than the rates, terms, and conditions provided under existing contracts.

*b. Tariff Availability*

33 Because CenturyLink’s proposed AFOR includes moving business services that currently remain in existing Washington tariffs to product catalogs, CenturyLink has committed to providing to DoD/FEA a copy of the tariffs that were in effect immediately preceding their withdrawal. During the five-year life of the DoD/FEA Settlement, if DoD/FEA solicits bids for Washington Regulated services for the same locations where service is currently provided under contracts or in tariffs or catalogs where CenturyLink is the ILEC, CenturyLink will offer rates, terms and conditions to DoD/FEA that are no higher or less advantageous than those provided under the contracts, tariffs or catalogs in effect immediately preceding the effective date of the DoD/FEA Settlement.

*c. Service Quality*

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

*d. Revenue Commitment*

35 DoD/FEA has agreed to a revenue commitment to CenturyLink that requires all DoD/FEA entities in Washington collectively to maintain total service levels that result in billings by CenturyLink that are no less than 90 percent of current revenue levels. If DoD/FEA falls below the 90 percent threshold, CenturyLink will provide notice to DoD/FEA and if total service levels continuously remain below an 80 percent threshold level for 180 days, then CenturyLink may terminate the DoD/FEA Settlement.

## DISCUSSION

### Legal Framework

36 The legislature has recognized that “[c]hanges in technology and the structure of the telecommunications industry may produce conditions under which traditional rate of return, rate base regulation of telecommunications companies may not in all cases provide the most efficient and effective means of achieving the public policy goals of this state.”<sup>11</sup> Companies may petition the Commission to establish an AFOR with an

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<sup>11</sup> RCW 80.36.135(1).

accompanying plan that contains proposals for a transition to and duration of the AFOR for “ensuring adequate carrier-to-carrier service quality, including service quality standards or performance measures for interconnection, and appropriate enforcement or remedial provisions in the event the company fails to meet service quality standards or performance measures.”<sup>12</sup>

37 At a minimum, the Commission must determine the appropriateness of a proposed AFOR by considering the public policy goals in RCW 80.36.300 and whether the AFOR will:

- (a) Facilitate the broad deployment of technological improvements and advanced telecommunications services to underserved areas or underserved customer classes;
- (b) Improve the efficiency of the regulatory process;
- (c) Preserve or enhance the development of effective competition and protect against the exercise of market power during its development;
- (d) Preserve or enhance service quality and protect against the degradation of the quality or availability of efficient telecommunications services;
- (e) Provide for rates and charges that are fair, just, reasonable, sufficient and not unduly discriminatory or preferential; and
- (f) Not unduly or unreasonably prejudice or disadvantage any particular customer class.<sup>13</sup>

38 The Stipulated AFOR would treat the Company as if it were classified as a competitive telecommunications company under RCW 80.36.330. Such companies must be subject to effective competition, which “means that the company’s customers have reasonably available alternatives and that the company does not have a significant captive customer base.”<sup>14</sup> Competitively classified companies are subject to minimal regulation, including waiver of statutes or rules when the Commission

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<sup>12</sup> RCW 80.36.135(3).

<sup>13</sup> RCW 80.36.135(2).

<sup>14</sup> RCW 80.36.320(1).

“determines that competition serves the same purposes as public interest regulation.”<sup>15</sup>

39 Finally, the parties have submitted three settlement agreements for Commission consideration and approval. Our rules provide, “The commission will approve settlements when doing so is lawful, when the settlement terms are supported by an appropriate record, and when the result is consistent with the public interest in light of all the information available to the commission.”<sup>16</sup> The Commission “may accept the proposed settlement, with or without conditions, or may reject it.”<sup>17</sup>

### **Changing Telecommunications Landscape**

40 We find, as the legislature suggests, that changes in the telecommunications market in Washington have produced conditions under which traditional rate of return regulation of CenturyLink no longer provides the most efficient and effective means of achieving the state’s public policy goals. Since the breakup of the Bell System in 1984, competition in the telecommunications industry has increasingly taken root in all facets of the marketplace. In the provision of voice-based local telephone service, a variety of intra- and inter-modal alternatives have arisen, including remarkable technological advances and investment in mobile and broadband technologies that include voice-based service alternatives. It is widely recognized that wireless companies play an increasingly significant role in the voice and broadband competitive market, while cable companies and others utilize state-of-the-art voice over Internet protocol (VoIP) technology, either nomadic or fixed, to serve a major segment of the telephone market.

41 The telecommunications marketplace in Washington, including the local telephone market, is vastly different than the historic monopoly environment that existed throughout most of the 20th Century. Today, Washington’s consumers have far more service options, most of which are available from companies using technologies that did not exist just a few decades ago. No one can dispute the consumer benefits and efficiencies that accrue from an increasingly diverse and competitive telecommunications marketplace, but these developments have implications for traditional telecommunications providers like CenturyLink. The long-established condition of imposing full economic regulation on the Company and the legacy voice services it provides may no longer be reasonable or necessary given its reduced scope and scale in the marketplace.

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<sup>15</sup> RCW 80.36.320(2).

<sup>16</sup> WAC 480-07-750(1).

<sup>17</sup> WAC 480-07-750(2).

42 The new competitive dynamic warrants a shift in regulation from traditional economic restraints applied to monopoly providers, to more targeted oversight to prevent anticompetitive conduct and assure continued public safety, service quality, and consumer protection. No party in this proceeding disputes that CenturyLink faces stiff competition for the majority of local telephone services throughout the vast majority of its service area. Indeed, the record contains ample evidence that although CenturyLink's presence in Washington's telecommunications market remains significant, many consumers are switching to alternative providers and platforms for their communications requirements, leaving the Company with the prospect of a diminished customer base and revenue streams. As we recognized in Docket UT-121994 for Frontier Communications Northwest Inc. (Frontier), the state's other large ILEC, CenturyLink's historic wireline business – on which we have historically relied to achieve certain public policy objectives such as the widespread availability of residential and business telephone services at affordable rates throughout the Company's service area – is in jeopardy as a result of competition and technological change.

43 This proceeding affords the Commission and the Company the opportunity to acknowledge the realities of the 21st Century marketplace by reducing unnecessary regulation and bolstering the ability of CenturyLink and its competitors to provide effective competitive telecommunications services to the ultimate benefit of this state's consumers. We recognize the need to re-examine the traditional role of ILECs such as CenturyLink, and the regulatory construct that is applied to them, and where appropriate, reduce regulation in favor of the discipline of the competitive marketplace. The AFOR statute and this docket afford us the means to establish a regulatory framework that retains necessary aspects of the Commission's oversight while allowing CenturyLink the freedom to compete more aggressively with other telecommunications providers.

**Staff/Public Counsel Settlement (Stipulated AFOR)**

44 The Stipulated AFOR to which CenturyLink, Staff, and Public Counsel have agreed would have the Company treated as if it were classified as a competitive telecommunications company. This hybrid of the AFOR and competitive classification statutes is necessary because these parties have agreed that existing regulation should continue for certain services – including WTAP, federal lifeline and link-up, 911/E911, and certain wholesale services – which would preclude actually classifying the Company as competitive under RCW 80.36.320.

45 Competitive classification is the statutory and operational vehicle under which registered telecommunications carriers are made subject to minimal state regulation. Competitively classified companies are not subject to price regulation, do not file tariffs, and are not

subject to a number of regulations that apply to fully regulated companies. They are, however, subject to other state regulatory statutes and rules governing general terms and conditions of service, service quality, and consumer protection. Under the Stipulated AFOR, CenturyLink would be treated as competitively classified in the same fashion as its competitors, subject to certain exceptions.

46 We agree that largely reducing Commission oversight of the Company to the level of a competitively classified company is consistent with the statute, the marketplace, and the public interest. The record evidence demonstrates that the competitive market effectively constrains the rates and terms for the vast majority of CenturyLink's service offerings. CenturyLink submitted the testimony of Mr. John M. Felz, its Director of State Regulatory Operations, who provided extensive data and analysis in support of the Company's contention that the telecommunications market in CenturyLink's service area in Washington is subject to widespread competition from a variety of technologies and platforms.

47 According to Mr. Felz, the Washington telecommunications market for voice services includes a range of wireline competitors such as Comcast (the major cable company serving much of CenturyLink's Washington territory), as well as variety of CLECs such as Integra, AT&T, Verizon, tw telecom, Windstream, XO Communications, Level 3, Cbeyond, and many smaller carriers. Additionally, Mr. Felz points to the inter-modal voice service offerings available from wireless companies such as AT&T, Verizon, Sprint, and T-Mobile, as further evidence of the pervasiveness of the size and scope of players in the market. Finally, he notes that VoIP services from companies like Vonage and Google are also rapidly gaining a significant share of the telecommunications market in the state.<sup>18</sup>

48 Mr. Felz provides tangible evidence in support of the Company's contention that these competitors are having a direct and material effect on CenturyLink. He points out that as competition for voice communications services has increased, the Company has experienced a significant decline in access lines, noting that between December 2001 and December 2012, retail access lines served by the Company in Washington declined 60 percent, from 2,698,545 to 1,086,969. During this same time period, Mr. Felz notes that U.S. Census data shows that both households and the number of people in Washington have increased approximately 15.2 percent.<sup>19</sup> Pointing to data from the FCC, Mr. Felz argues that although the data show that

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<sup>18</sup> Exh. JMF-1TC (Felz) at 3.

<sup>19</sup> *Id.* at 5.

household expenditures for telephone service have increased steadily each year since 2001, CenturyLink's revenues and residential access line base in Washington have fallen sharply over the same time period. Mr. Felz concludes that the opposing trend lines substantiate the Company's position that consumers are increasingly taking advantage of alternatives to CenturyLink's wireline voice telephone services offered by cable telephony providers, wireless providers, VoIP providers, and CLECs.<sup>20</sup>

49 Mr. Felz testified that FCC data, as well as information compiled by Centris, a marketing science firm retained by the Company, show the effect that competition has had on its share of the residential telephone market in Washington. Using data from the FCC's most recent Local Competition Report (2011 data), the ILEC share of Washington voice telecommunications connections (including residence and business lines) is approximately 17.7 percent as compared to 13.8 percent for non-incumbent LECs (including VoIP providers) and 68.5 percent for wireless providers.<sup>21</sup> While the FCC data capture market share information across Washington, the Centris analysis provides specific market share information within CenturyLink's Washington service area. According to Centris, as of the third quarter of 2012, CenturyLink provided voice service to *only* 33.6 percent of the occupied households in its Washington serving area, with the remaining market share spread across a number of alternative providers:

	Consumer Market Share	
	Connections (000)	Share
Century Link	688	33.6%
Cable Telephony	579	28.3%
Other VoIP	27	01.3%
CLECs	45	02.2%
Wireless Only	651	31.8%
Other – no voice	58	02.9%
Total Households	2,048	100.0% <sup>22</sup>

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<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at 6.

<sup>22</sup> *Id.* at 10.

- 50 We find compelling the evidence of consumers' reasonably available alternatives to CenturyLink's services, and we accept that the communications market in Washington is sufficiently competitive to constrain CenturyLink's behavior in place of traditional economic regulation. The waivers of statutes and rules included in the Stipulated AFOR are consistent with these marketplace realities and are the same waivers we have granted to other competitively classified companies. Accordingly, we conclude that an AFOR in the form of competitive classification is appropriate for the Commission's continued regulation of CenturyLink.
- 51 We also agree that the Company, Staff, and Public Counsel have specified appropriate exceptions to the minimal regulation proposed for CenturyLink, as explained in these parties' joint testimony.<sup>23</sup> We find that three of these exceptions merit further discussion.
- 52 *Wholesale Service Quality.* The Stipulated AFOR would preserve all existing wholesale service quality requirements applicable to the Company, including the QPAP with its detailed service quality standards, performance measures, and self-executing penalties for failure to meet those standards and measures. This condition is a prerequisite to our approval of the AFOR. Not only does RCW 80.36.135(3) require such conditions, but continued compliance with these federal and state requirements will support the vitality of the telecommunications market in Washington. Integra, a CLEC and the sole party that did not execute a settlement agreement with CenturyLink, strongly recommends that the Commission adopt these conditions as part of any AFOR, and we agree with that recommendation.
- 53 We note, however, that the QPAP applies only to the Company's legacy Qwest operations, leaving the other CenturyLink companies subject only to the more general statutory requirements in the 1996 Act, FCC rules, and Washington law. We question whether a wholesale service quality plan that covers most, but not all, of the Company's service territory complies with the AFOR statutory requirement that the plan "includ[e] service quality standards or performance measures for interconnection, and appropriate enforcement or remedial provisions in the event the company fails to meet service quality standards or performance measures."
- 54 No competitors, however, expressed any concerns about this limitation on the wholesale service quality plan included in the Stipulated AFOR. In the absence of such concerns from the companies the plan directly affects, we find that the wholesale service quality plan included in the Stipulated AFOR meets the statutory

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<sup>23</sup> Exh. JT-1T.

requirements. We nevertheless will remain vigilant in our enforcement of the standards that apply to CenturyLink companies other than the legacy Qwest operations, and we approve the Stipulated AFOR only with the understanding that it does not preclude Commission adoption of additional wholesale service quality standards or performance measures, as well as remedies for nonperformance, applicable to those CenturyLink entities in the future, if necessary.

55 *Retail Service Quality.* With the exception of certain conditions in past merger agreements, the Stipulated AFOR also retains all existing retail service quality requirements required in Washington for the provision of local telephone service. We find these provisions also to be indispensable to our approval of the stipulated AFOR. The recent CenturyLink service outage in the San Juan Islands is a reminder that even in a competitive marketplace, the Commission plays a vital role in protecting consumers, including ensuring public safety.<sup>24</sup> All regulated telecommunications companies, including those that are competitively classified, remain subject to statutory and Commission rule requirements governing retail service quality, and the Commission does not relinquish its authority to ensure that all regulated companies provide good service quality to their customers. As we stated above with respect to wholesale services, we will remain vigilant in our enforcement of the existing retail service quality standards that apply to CenturyLink, and we approve the Stipulated AFOR only with the understanding that it does not preclude future Commission adoption, if and as necessary, of additional retail service quality standards or performance measures and remedies applicable to the Company.

56 *Rate Consolidation.* CenturyLink comprises several different companies in Washington, each with its own tariffs and rates for local service. The Commission conditioned competitive classification of Frontier's local exchange services on that company maintaining a single, statewide averaged rate for each service, precluding price discrimination between rural and urban customers. Such a condition is not practical under the circumstances presented here.

57 We nevertheless find that the conditions in the Stipulated AFOR, in conjunction with market forces, provide a comparable safeguard. CenturyLink has committed not to

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<sup>24</sup> During the pendency of this proceeding, customers of CenturyLink residing on some of the San Juan Islands suffered an extended outage, including disabling the 911 circuits to the public safety answering points in the islands, dramatically impacting the businesses and citizens in the area. The Commission opened an investigation on the incident and has conducted a public hearing in Friday Harbor. Docket UT-132234. That matter is pending and is unrelated to the issues in this AFOR proceeding.

increase the number of different rates it charges for local exchange service and agrees that as it implements pricing flexibility under the AFOR, it will begin to reduce the differentials between rate levels for the basic local service its ILEC operating companies provide. The first time the Company changes its local exchange rates under the new AFOR, CenturyLink will restructure its flat-rated stand-alone residential and business rates to combine the access line rate and any flat-rated EAS additives so that the resulting rate in any service area will not exceed initial target rates of \$16.40 per month for residential service and \$32.10 for business service.

- 58 Such modifications reflect the realities of today's marketplace. De-averaged local telephone rates have increasingly fallen out of favor with telecommunications providers. The large companies with which CenturyLink competes find it increasingly necessary to market communications services according to statewide or even national pricing approaches as opposed to fragmented pricing between or among service areas. To remain competitive, CenturyLink, too, will need to develop more efficient pricing and marketing for its services, including reducing the number of, and disparity between, the prices it charges its customers. We agree that with the conditions in the Stipulated AFOR, the discipline of market forces, rather than traditional rate of return regulation, will be more effective in determining the appropriate rates for local exchange services in the Company's various service territories.
- 59 Finally, the legislature has required that we "consider" six specific public policy goals in conjunction with our review of any AFOR.<sup>25</sup> CenturyLink, Staff, and Public Counsel have addressed each of these goals in their joint testimony in support of their settlement agreement, and as we discuss below, we agree that the Stipulated AFOR furthers, or at least does not hinder, accomplishment of each of those objectives.

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<sup>25</sup> RCW 80.36.135(2). The statute also requires that we consider the more general policy goals in RCW 80.36.300, which include (1) preserving affordable universal service, (2) maintaining and advancing efficiency and availability of service, (3) ensuring customers pay only reasonable charges, (4) preventing cross-subsidies among regulated and competitive services, (5) promoting diversity in the supply of services and products, and (6) permitting flexible regulation of competitive companies. These goals overlap with the objectives in RCW 80.36.135, and implicit in our discussion throughout this order is our finding that the Stipulated AFOR furthers, or at least does not impede, accomplishment of these policies.

1. Facilitate the broad deployment of technological improvements and advanced telecommunications services to underserved areas or underserved customer classes

60 Witnesses on behalf of the settling parties testified that nothing in their agreement affects or impedes CenturyLink's ongoing commitment to deploy high quality and technologically current products to its customers throughout its operating territory. These parties point to CenturyLink's recent performance in deploying advanced services in meeting merger-related commitments for broadband deployment, particularly the Company's commitment to invest \$80 million towards broadband infrastructure in Washington over a five year period following its recent merger with Qwest. CenturyLink has invested approximately \$115 million towards that commitment, with a significant portion enabling or upgrading broadband service in unserved and underserved areas.

61 We agree with the settling parties that the evidence supports the conclusion that CenturyLink will continue to deploy facilities for advanced services to meet market demands and competitive pressures and that the AFOR they have proposed will facilitate the Company's ability to deploy advanced services to more effectively compete with other broadband providers.<sup>26</sup>

2. Improve the efficiency of the regulatory process

62 The settling parties testified that the Stipulated AFOR would improve the efficiency of state regulation by virtue of streamlined financial and service quality reporting and more efficient accounting and product management and pricing processes. They note that the Stipulated AFOR proposes to eliminate several quarterly financial reports, which would make CenturyLink's reporting detail more consistent with that of other similarly situated telecommunications companies, and significantly reduce the regulatory filings for a number of services that would be treated as competitively classified services if the stipulated AFOR is approved.<sup>27</sup>

63 We find that elimination of these accounting and reporting requirements will improve the efficiency of the regulatory process.

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<sup>26</sup> Exh. JT-1T at 6-7.

<sup>27</sup> *Id.* at 7.

3. Preserve or enhance the development of effective competition and protect against the exercise of market power during its development

64 The settling parties testified that the Stipulated AFOR will not impede or harm the competitive telecommunications marketplace in Washington, stating that current market conditions effectively prevent CenturyLink from exercising undue market power. They also point to specific exceptions in the Stipulated AFOR that will maintain continued and appropriate oversight and protections for Washington consumers. These exceptions include continued oversight over wholesale and retail service quality, consumer protection, and public safety, while providing the Company with pricing and service offering flexibility to respond to market conditions.<sup>28</sup>

65 We agree that the Stipulated AFOR will preserve the development of effective competition and protect against the Company's exercise of market power.

4. Preserve or enhance service quality and protect against the degradation of the quality or availability of efficient telecommunications services

66 According to the settling parties, none of the provisions of the Stipulated AFOR affect CenturyLink's current retail or wholesale service quality obligations. The AFOR thus will not diminish the obligations of CenturyLink to provide safe and reliable service, which is required by RCW 80.36.080.<sup>29</sup> CenturyLink did not seek waiver of those requirements, nor would we be inclined to grant such a waiver. The settling parties further suggest that the competitive telecommunications market should also serve as an effective means to ensure that customers receive high quality and efficient telecommunications service. Carriers, including CenturyLink, that fail to maintain high quality service are likely to encounter customer migration to other providers and suffer directly the consequences of providing an inferior product. Despite the likelihood of effective market discipline, the settling parties have retained all

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<sup>28</sup> *Id.* at 7-8.

<sup>29</sup> As it relates to service quality, that statute states:

[T]he service so to be rendered any person, firm or corporation by any telecommunications company shall be rendered and performed in a prompt, expeditious and efficient manner and the facilities, instrumentalities and equipment furnished by it shall be safe, kept in good condition and repair, and its appliances, instrumentalities and service shall be modern, adequate, sufficient and efficient.

The Commission's service quality regulations embellish on this general obligation. WAC Chapter 480-120.

wholesale and retail service quality requirements set forth in our rules and previous orders involving the Company.<sup>30</sup>

67 We agree with the settling parties on this point. We find that the Stipulated AFOR's inclusion of continued Commission oversight of CenturyLink's service quality under the existing wholesale and retail service quality standards, measures, and remedies – as well as pursuant to any additional such requirements the Commission finds necessary to adopt and enforce in the future – are necessary to promote the statutory objective of preserving or enhancing telecommunications service quality.

5. Provide for rates and charges that are fair, just, reasonable, sufficient, and not unduly discriminatory or preferential

68 The settling parties have agreed that the Company's services are subject to effective competition that will act to constrain rates and ensure that they are reasonable. In addition, the Stipulated AFOR prevents CenturyLink from further geographic deaveraging of local exchange rates and includes specific steps to move those rates toward common or statewide rates during the seven-year life of the AFOR. According to the settling parties, the anti-deaveraging conditions of the Stipulated AFOR mean that rural residential telephone customers will enjoy pricing protections brought about by the pricing disciplines arising in the more highly competitive urban markets of Washington. This requirement also helps to ensure against undue discrimination or preference between or among particular communities or customers served.<sup>31</sup>

69 Consistent with our discussion above, we find that the market and rate consolidation conditions in the Stipulated AFOR will provide for rates that are fair, just, reasonable, and sufficient and that are not unduly discriminatory or preferential.

6. Not unduly or unreasonably prejudice or disadvantage any particular customer class.

70 We also find that the rate consolidation provisions of the Stipulated AFOR in conjunction with competition should prevent any unreasonable prejudice to or disadvantages any particular class of customer, including residential telephone customers. CenturyLink's freedom to lower or raise prices as market conditions

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<sup>30</sup> *Id.* at 8.

<sup>31</sup> *Id.*

permit does not include the market power to discriminate among retail service customers, and wholesale customers continue to have the existing protections applicable to the Company's competitors.

71 We conclude that as written, as described in the supporting testimony, and as construed by the Commission in this Order, the Staff/Public Counsel Settlement is lawful, supported by adequate evidence, and in the public interest. We also conclude the Stipulated AFOR is consistent with the requirements of RCW 80.36.135 and therefore should be approved according to the statute. Accordingly, we approve the Staff/Public Counsel Agreement and adopt the Stipulated AFOR as the AFOR for CenturyLink.

### **Sprint Settlement**

72 We share Sprint's concern that any AFOR must be structured to ensure that CenturyLink's competitors continue to have full access to the interconnection and related services they need at acceptable levels of quality. The statute requires no less, and as we discussed above, the stipulated AFOR to which the Company, Staff, and Public Counsel agreed does just that. We understand that Sprint is also specifically concerned with issues surrounding IP-to-IP interconnection, but the Sprint Settlement appropriately proposes to leave to another proceeding the resolution of the technical and legal issues concerning such issues, as further described in the testimony supporting the agreement.<sup>32</sup> Accordingly, we find that the Sprint Settlement is lawful, supported by adequate record evidence and is consistent with the public interest.

### **DoD/FEA Settlement**

73 DoD/FEA maintains many large military bases and other facilities in Washington and has been an active participant in past proceedings before the Commission on telecommunications matters. Although larger telecommunications consumers such as DoD/FEA have a variety of alternatives in procuring telecommunications services, those alternatives may not be optimal to the federal government's needs or represent reasonable substitutes for the preponderance of its existing service requirements in Washington. The DoD/FEA Settlement establishes a framework for a long term business arrangement that would mitigate DoD/FEA's concerns that regulating CenturyLink under an AFOR could limit the federal government's service options.

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<sup>32</sup> Exh. JRB-1T (Burt).

74 The Commission routinely permits larger, sophisticated consumers to enter into term and commitment contractual arrangements with carriers that provide stability for the rates and conditions of service for an extended period of time. Here, DoD/FEA and CenturyLink have negotiated an agreement that ensures that both parties will maintain or enhance their business relationship during the term of the AFOR, as further described in the testimony supporting the agreement.<sup>33</sup> The DoD/FEA Settlement is lawful, supported by adequate record evidence, and is consistent with the public interest, and we approve it.

### **CONCLUSION**

75 CenturyLink and the other parties have presented compelling evidence that a variety of alternative communications providers offer a wide range of comparable services throughout the Company's service territory and that the Commission should reduce its regulatory oversight in favor of greater reliance on market discipline. This evidence supports our determination that the Stipulated AFOR strikes the appropriate balance and should protect, as well as benefit, Washington consumers. Accordingly, we approve the settlement agreements, subject to the clarifications we discuss in this order, and adopt the Stipulated AFOR for CenturyLink.

### **FINDINGS AND CONCLUSIONS**

- 76 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington, vested by statute with authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including telecommunications companies.
- 77 (2) The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of, and parties to, this proceeding.
- 78 (3) The Settlement Agreement among CenturyLink, Staff, and Public Counsel is lawful, supported by adequate record evidence, and consistent with the public interest, and that agreement should be approved.
- 79 (4) The Settlement Agreement between CenturyLink and Sprint is lawful, supported by adequate record evidence, and consistent with the public interest, and that agreement should be approved.

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<sup>33</sup> Exh. AHA-1T (Ankum).

- 80 (5) The Settlement Agreement between CenturyLink and DoD/FEA is lawful, supported by adequate record evidence, and consistent with the public interest, and that agreement should be approved.
- 81 (6) The stipulated AFOR included in the settlement agreement among CenturyLink, Staff, and Public Counsel, as written and as construed by the Commission in this Order, complies with the requirements for an AFOR in RCW 80.36.135.
- 82 (7) Regulating CenturyLink under the stipulated AFOR included in the settlement agreement among CenturyLink, Staff, and Public Counsel, as written and as construed by the Commission in this Order, would promote the state's policy goals listed in RCW 80.36.135 and RCW 80.36.300 and is in the public interest.

**ORDER**

THE COMMISSION ORDERS that

- 83 (1) The Settlement Agreement among the CenturyLink companies – Qwest Corporation, CenturyTel of Washington, CenturyTel of Inter Island, CenturyTel of Cowiche, and United Telephone Company of the Northwest – Commission Staff, and Public Counsel is approved and adopted as part of the final order of the Commission.
- 84 (2) The Settlement Agreement between the CenturyLink companies – Qwest Corporation, CenturyTel of Washington, CenturyTel of Inter Island, CenturyTel of Cowiche, and United Telephone Company of the Northwest – and Sprint Nextel Corporation is approved and adopted as part of the final order of the Commission.
- 85 (3) The Settlement Agreement between the CenturyLink companies – Qwest Corporation, CenturyTel of Washington, CenturyTel of Inter Island, CenturyTel of Cowiche, and United Telephone Company of the Northwest – and the United States Department of Defense and all other federal executive agencies is approved and is adopted as part of the final order of the Commission.
- 86 (4) The CenturyLink companies – Qwest Corporation, CenturyTel of Washington, CenturyTel of Inter Island, CenturyTel of Cowiche, and United Telephone

Company of the Northwest – shall be regulated under the alternative form of regulation set forth in this Order and attached appendices effective as of the date of this Order.

87 (5) The Commission Secretary is authorized to accept by letter, with copies to all parties to this proceeding, a filing that complies with the requirements of this Order.

88 (6) The Commission retains jurisdiction to enforce the terms of this Order.

Dated at Olympia, Washington, and effective January 9, 2014.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

JEFFREY D. GOLTZ, Commissioner

**NOTICE TO PARTIES: This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 and WAC 480-07-870.**

**Appendix A**

**Staff/Public Counsel Settlement**

**Appendix B**  
**Sprint Settlement**

**Appendix C**  
**DoD/FEA Settlement**