

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Joint Application of
Northwest Fiber, LLC, Frontier
Communications Corporation and Frontier
Communications ILEC Holdings LLC for an
Order Declining to Assert Jurisdiction Over,
or, in the Alternative, Approving the Transfer
of Control of Frontier Communications
Northwest Inc. to Northwest Fiber, LLC.

Docket No. UT-190574

**DIRECT TESTIMONY OF
STEVE WEED
CHAIRMAN OF
THE BOARD OF DIRECTORS
ON BEHALF OF NORTHWEST FIBER, LLC**

July 31, 2019

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1 **I. SUMMARY OF TESTIMONY**

2 Northwest Fiber, LLC (“Northwest Fiber”) intends to accomplish a radical
3 transformation of the company to reverse course and create new value for
4 Washington consumers. I will provide background concerning myself, Northwest
5 Fiber, and its investors, detailing our Washington-based management team’s track
6 record of building state-of-the-art communications networks. I will describe the
7 transaction that will allow Northwest Fiber, a well-financed Pacific Northwest
8 company, to deliver fiber-based 1 Gbps service to Washington customers,
9 leveraging the know-how of a local team that built and operated networks in the
10 Pacific Northwest for 20 years. I will describe Northwest Fiber’s commitment to
11 invest up to \$300 million to extend and deploy fiber to enhance customer speeds
12 and service. My testimony will also describe Northwest Fiber’s detailed plan to
13 ensure continuity of service, including back-office system replication, transition
14 services, a focused communications plan, and commitments to both retail and
15 wholesale customers. This transaction presents a choice for the Commission:
16 approve a well-financed locally owned and managed concern, or stick with
17 Frontier’s aging and overburdened-network and operations. As detailed at length
18 in my testimony, the transaction clearly satisfies the “no harm” standard and
19 merits the Commission’s swift approval so that Northwest Fiber can invest in
20 upgraded services for Washington customers without delay.

1 **II. INTRODUCTION**

2 **Q. Please state your name, occupation and business address.**

3 A. My name is Steve Weed. I am Chairman of the Board of Directors of Northwest
4 Fiber, LLC. My business address is 135 Lake Street S, Suite 1000 Kirkland, WA
5 98033. I am also the Chief Executive Officer (“CEO”) of WDC Management,
6 LLC, the Kirkland-based investment firm that will hold a ten percent (10%)
7 interest in Northwest Fiber.

8 **Q. Please state your industry background and experience.**

9 A. I have a long and distinguished career in telecommunications that spans more than
10 38 years. Since 1988 I have been building, operating and managing network-
11 based operations in Washington and Oregon. During this time I was instrumental
12 in constructing the groundbreaking fiber network for Electric Lightwave, Inc.,
13 which was the first major fiber build in the northwest during the early days of
14 local telecommunications competition. A few years later, as COO of Summit
15 Communications, I led a team that was responsible for building the first
16 broadband business over a cable network in the Northwest. In 2002, I founded
17 Wave Broadband and as CEO, grew the company to be one of the largest
18 Broadband fiber companies on the West Coast. I have worked in a large number
19 of roles in the telecommunications industry including, but not limited to, as an
20 investor, operator, and consolidator of groundbreaking businesses that have
21 effectively embraced new technology and services for businesses and consumers.

1 I am proud of my record and hope, through this latest transaction, to transform
2 Frontier Communications Northwest Inc. (“Frontier NW”) into a more robust and
3 effective competitor in the Pacific Northwest, offering the next generation of
4 telecommunications services for our customers.

5 **Q. Please provide a brief history of your employment.**

6 A. I am the founder and Chairman of WDC Management, LLC (“WDC”), a
7 Kirkland, Washington-based private investment firm that is focused on making
8 transformational investments in communications networks in the U.S. and
9 Canada, including upgrading ILEC networks to high-speed fiber. Previously, I
10 was the founder and CEO of Wave Broadband. As CEO, I led Wave Broadband’s
11 growth through multiple acquisitions and subsequent network investments and
12 upgrades. Valued as an approximately \$20 million dollar company in 2003, under
13 my leadership the company became a major broadband, voice and video provider
14 in the Northwest that was sold for more than \$2.3 billion dollars in 2018.

15 **Q. What are your duties as the CEO of WDC Management?**

16 A. As CEO, I oversee WDC’s strategic investments in telecommunications and
17 broadband networks. This requires me to continuously analyze the evolving
18 market for voice, broadband, and video services to identify and evaluate
19 opportunities for WDC to make investments in telecommunications companies.
20 Over the past few years, as CEO of WDC I have overseen WDC’s investment in
21 several U.S. and Canadian telecommunications companies. A central part of

1 WDC's investment plan has been to create value by upgrading legacy networks to
2 enhance service quality and broadband speeds for residential and commercial
3 customers, and to establish world-class customer service.

4 **Q. What duties will you have as Chairman of the Board of Northwest Fiber?**

5 A. As Chairman of Northwest Fiber's Board of Directors, my primary duty will be to
6 harness the new capital that WDC and our investment partners are providing to
7 transform the legacy operations of Frontier NW into a state-of-the-art
8 telecommunications and broadband provider. We plan to use our capital to enable
9 greater access to robust telecommunications and Internet services in Washington
10 and elsewhere in the Pacific Northwest by greatly increasing the use of fiber optic
11 technology in our network. The network upgrades will bring increased data
12 speeds to homes and businesses and will improve service quality to all customers,
13 many of whom will be able to receive data speeds up to one Gigabit per second.

14 The transaction presents Northwest Fiber and our management team with a
15 once-in-a-lifetime opportunity to upgrade aging ILEC infrastructure and
16 transform it into a world-class fiber network, with benefits for over one hundred
17 thousand Washington customers, and the entire Pacific Northwest. To do that, I
18 will be drawing on my decades of telecommunications experience, working with
19 my team to apply the lessons we learned from building Wave Broadband and
20 from investing in networks across North America.

21

1 **Q. Please summarize the issue this transaction presents to the Commission.**

2 A. This transaction presents a stark choice for the Commission. If swiftly approved,
3 the Commission will enable a Kirkland-based team of executives with years of
4 experience building and operating communications networks in the Pacific
5 Northwest, and with strong financial support, to transform an aging network into a
6 21st century broadband-centric network. That team will build Northwest Fiber
7 into a new type of service provider that leverages fiber to the home to deliver
8 Gigabit speed services to many of its customers. On the other hand, if the
9 Commission denies the application, Washington residents will continue to be
10 served by a company with an aging network that is simply not in a position to
11 continue to invest the necessary capital to upgrade network operations and
12 services at the levels needed to effectively compete with other leading providers.
13 Indeed, Frontier NW's parent company's current financial position is burdened
14 with significant debt, while at the same time operating an expensive national
15 company that is losing subscribers. That is not a position that enables the
16 company to invest in Washington at the level envisioned by Northwest Fiber.
17 My testimony will explain how Northwest Fiber intends to accomplish a radical
18 transformation of the company to reverse course and create new value for
19 Washington consumers.

1 **Q. What is your recommendation and request for the Commission based on this**
2 **testimony?**

3 A. I recommend, and request, that the Commission decline to assert jurisdiction over
4 the proposed transaction. I understand from my lawyers that the relevant statutes
5 and rules should not apply here, where neither the buyer of the ILEC, or the seller
6 of the ILEC is a “public service company” as defined by Washington law.
7 However, if the Commission proceeds to review the proposed transaction, then I
8 would recommend and request expeditious approval because, as explained herein,
9 swift approval is clearly in the public interest.

10 Put simply, time is of the essence. As explained in the testimony of Frontier’s
11 witness, Ms. Allison Ellis, Frontier entered into this transaction as part of its
12 national effort to address its financial challenges. Carriers like Frontier have
13 elected not to deploy the resources to make the necessary investments to meet the
14 rapidly changing communication and broadband requirements of their customers.
15 Timely approval of the transaction, and by timely I mean as soon as possible, is
16 vital to the delivery of advanced and competitive services to its customers in the
17 Northwest.

18 **Q. Are other witnesses offering testimony in this proceeding?**

19 A. Yes, Frontier’s Senior Vice President of Regulatory Affairs, Allison Ellis, is
20 offering testimony explaining why the transaction is in the public interest,
21 discussing some of Frontier’s current challenges, describing transition services

1 that Frontier will provide, and detailing the parties' plan to replicate systems prior
2 to closing to ensure continuity of service.

3 **III. OVERVIEW OF THE TRANSACTION**

4 **Q. Please briefly describe the transaction with Frontier.**

5 A. Northwest Fiber will acquire all of the issued and outstanding equity interests of
6 Frontier NW, and three other Frontier ILEC subsidiaries, for about \$1.352 billion
7 in an all-cash transaction. The transaction is detailed in a Purchase Agreement
8 between Northwest Fiber, Frontier Communications Corporation ("Frontier
9 Parent"), and its subsidiary Frontier Communications ILEC Holdings LLC
10 ("Frontier ILEC Holdings"). Besides Frontier NW, Northwest Fiber will also
11 acquire Citizens Telecommunications Company of Oregon, ("Frontier Oregon"),
12 Citizens Telecommunications Company of Idaho ("Frontier Idaho"), and Citizens
13 Telecommunications Company of Montana ("Frontier Montana") (collectively,
14 with Frontier NW, "the Transferring Companies"). Specifically, Frontier Parent
15 will transfer its direct ownership interests in Frontier Idaho, Frontier Montana,
16 and Frontier Oregon to Northwest Fiber, and will also cause Frontier ILEC
17 Holdings (which owns Frontier NW) to transfer ownership of Frontier NW to
18 Northwest Fiber. In acquiring the Transferring Companies, Northwest Fiber will
19 also acquire all of the network and assets that Frontier owns and uses to serve its
20 customers in Washington, Oregon, Idaho, and Montana. In conjunction with
21 these transfers, each of the Transferring Companies will be converted into

1 Delaware limited liability companies. I am including diagrams illustrating the
2 transaction as Exh. SW-1 to my testimony.

3 **Q. Is the Purchase Agreement available for review?**

4 A. Yes. The Purchase Agreement filed with the Securities and Exchange
5 Commission (SEC) is available for review online at
6 <https://www.sec.gov/Archives/edgar/data/20520/000095015719000673/ex2-1.htm>.

7 **Q. Which of the Transferring Companies currently operate in Washington?**

8 A. Frontier NW is the only Transferring Company that operates in Washington. It
9 also operates in Oregon and Idaho. The other Transferring Companies operate
10 only in other states. Frontier Oregon operates only in Oregon. Frontier Idaho
11 operates only in Idaho. Frontier Montana operates only in Montana.

12 **Q. Describe the corporate organization structure after the transaction,
13 including the ILEC operating company that Northwest Fiber will operate
14 and control in Washington after closing.**

15 A. Upon completion of the transaction, the ILEC operating company in Washington
16 State will be Frontier NW. Frontier NW is currently a corporation but will be
17 converted into a Delaware limited liability company at closing. All of the equity
18 interests in Frontier NW will be held by Northwest Fiber, LLC, a Delaware
19 limited liability company. Northwest Fiber will also have control of all the
20 assets, customer relationships, and operations necessary to continue to serve the
21 ILEC customers in Washington. Northwest Fiber's management team will manage

1 and control the day-to-day operations of this entity and all its assets from its new
2 planned headquarters in Kirkland, Washington. The operating company will be
3 rebranded and renamed in due course.

4 **Q. Who will control Northwest Fiber?**

5 A. At the close of the transaction, NWF Holdco will own all of the equity in
6 Northwest Fiber, LLC. NWF Holdco, in turn, will be owned jointly by
7 WaveDivision Capital VII, LLC, an investment fund of WDC, and investment
8 funds affiliated with Searchlight Capital Partners, L.P., a Delaware limited
9 partnership (collectively, "Searchlight").

10 **Q. Are long-distance customers being transferred?**

11 A. Yes. The transaction covers the transfer to Northwest Fiber of certain
12 interexchange (long-distance) customer relationships held by two Frontier Parent
13 subsidiaries, Frontier Communications of America, Inc. ("Frontier America") and
14 Frontier Communications Online and Long Distance Inc. ("Frontier LD"), which
15 are competitively classified resellers of interexchange service in Washington.
16 Because both of those companies are classified as competitive companies under
17 RCW 80.36.320, my lawyers advise me that no approval for that transfer is
18 required. Frontier America and Frontier LD will comply with the provisions
19 regarding the transfer of customers set forth in WAC 480-120-147(7).

20 **Q. Is long-distance authority being transferred?**

1 A. No. Frontier America and Frontier LD will continue to provide intrastate
2 interexchange services to customers in Washington and other jurisdictions.
3 Accordingly, the transaction does not include Frontier’s subsidiaries’
4 authorizations to provide intrastate interexchange service in Washington.
5 Northwest Fiber will seek authority to provide interexchange service in a separate
6 filing with the Commission.

7 **Q. Describe each of the parties in this transaction.**

8 A. There are three parties to the transaction. The purchaser in the transaction,
9 Northwest Fiber is an indirect, wholly-owned subsidiary of Northwest Fiber
10 Holdco, LLC (“NWF Holdco”), a Delaware limited liability company that was
11 formed for the purposes of implementing the proposed transaction.

12 The seller in the transaction, Frontier Parent, is a publicly traded corporation
13 that provides communications services in 29 states to approximately 4.5 million
14 customers. Through its wholly-owned operating companies, Frontier Parent
15 provides a variety of communications services over its fiber optic and copper
16 networks, including local and long-distance voice, broadband data, and video.
17 Ms. Allison Ellis’s testimony provides more information about Frontier Parent
18 and its services.

19 The remaining party to the transaction, Frontier ILEC Holdings, is an
20 intermediate-level entity through which Frontier Parent owns 100 percent of
21 Frontier NW.

1 **Q. Are there other entities involved in the transaction?**

2 A. Yes. I will briefly identify three such related entities below.

3 The first entity is Frontier NW. Although it is not a party to the transaction,
4 Frontier NW is the ILEC that Northwest Fiber is assuming control of in
5 Washington State through the upstream transaction described above. Up to, and
6 after, closing Frontier NW will continue to operate the business and serve
7 customers with existing products and services in the ordinary course and in
8 compliance with applicable Washington regulatory requirements.

9 The second entity is WDC Management, LLC, which will own approximately
10 10% of Northwest Fiber, and whose senior management team will form the core
11 of Northwest Fiber's leadership. As I discussed previously, Kirkland-based WDC
12 is a private investment firm focused on investments in telecom and broadband. I
13 will provide more details on WDC's role in the transaction, the qualifications of
14 its senior management team, and its vision for transforming Frontier NW later in
15 my testimony.

16 The third and final entity is Searchlight, which is providing the majority of
17 capital for the transaction and will own approximately 90% of Northwest Fiber.
18 Searchlight is a leading private equity investment company whose affiliated
19 funds/principals have a proven record of success in the communications industry,
20 having invested more than \$7.5 billion in 29 different companies in the
21 communications and IT infrastructure sectors, including former investments in

1 Northwest-based provider Electric Lightwave, Inc. and Alaskan provider General
2 Communications, Inc. (“GCI”). I will provide more information on Searchlight
3 and its successful track record of investments later in my testimony.

4 **Q. Please provide more detail about WDC, its management team, and its role in**
5 **the transaction.**

6 A. The key members of WDC’s management team have worked together for many
7 years, and collectively have more than 70 years of experience in the
8 telecommunications industry. In particular, our team successfully established,
9 managed and oversaw the growth and evolution of Wave Broadband into one of
10 the largest broadband companies on the West Coast. I founded Wave Broadband
11 and served as its CEO, while Harold Zeitz and Wayne Schattenkerk served as
12 President/COO and CFO, respectively.

13 WDC has drawn on that experience by seeking new telecom and broadband
14 investments that provide an opportunity to create value through upgraded
15 facilities and has made several such investments in the United States and Canada.
16 In particular, WDC invested in Hargray Communications, an ILEC based in
17 Hilton Head, South Carolina, which we upgraded from a legacy copper-based
18 telephone network to a fiber-optic system, in much the same way Northwest Fiber
19 plans to upgrade Frontier NW’s network in Washington after the transaction
20 closes. Other notable investments include; (i) MetroNet, which operates a fiber
21 network in Indiana; (ii) Xplornet, a rural-focused high-speed Internet service

1 provider in New Brunswick, Canada; and (iii) RCN Telecom Services/Grande
2 Communication/Wave Broadband which provides fiber and cable service in
3 California, Illinois, Massachusetts, New York, Oregon, Pennsylvania, Texas,
4 Washington, and Washington, D.C.

5 WDC's management team will form the core executive team of Northwest
6 Fiber. We live and work in the Pacific Northwest, and have decades of
7 experience building fiber-based high-speed networks throughout the region –
8 including formerly managing Wave Broadband. We have seen a national shift
9 towards emphasizing universal broadband access and availability, in which
10 broadband has become indispensable for almost every facet of society: healthcare,
11 education, economics, and civic participation. In our view, there is a tremendous
12 demand in Washington and throughout the Pacific Northwest for high-speed
13 broadband connections to enable advanced services, including advanced voice
14 services, cloud-based services, and high capacity business and residential
15 applications and services.

16 Based on this experience in the industry, and in the region, we have conceived
17 a bold plan for robust, fiber-based communications services in Washington. By
18 combining investment resources with our experience in managing
19 telecommunications networks in the Pacific Northwest, WDC is uniquely
20 positioned to deliver the fiber-based network that Washington needs for the
21 future.

1 **Q. Do you have any ongoing management or oversight role with Wave**
2 **Broadband and/or RCN Corporation?**

3 A. No. My CEO role with Wave Broadband ended with its sale in 2018. I have
4 resigned my position as a member of the board of directors of RCN Corporation
5 (which controls RCN/Grande/Wave).

6 **Q. Please provide more details about Searchlight.**

7 A. Searchlight is a global private investment firm with approximately \$6.7 billion of
8 assets-under-management, with offices in New York, London, and Toronto. The
9 firm invests in companies where it can provide long-term capital, support
10 transformational change, and accelerate growth by leveraging its deep industry
11 expertise. Searchlight has extensive expertise investing in the global
12 telecommunications and media sectors, including investments in fixed-line voice
13 and broadband, mobile, pay TV, content and managed services. Current
14 examples of relevant investments include: (i) Liberty Latin America, a fixed and
15 mobile communications operator in Latin America, (ii) Rackspace, a global
16 provider of managed IT infrastructure and services, offering outsourced cloud
17 computing and managed hosting, (iii) Eolo, a provider of fixed wireless access
18 connectivity to residential and business customers across rural areas in Italy; (iv)
19 Uniti Group, a U.S.-listed real estate investment trust (“REIT”) which owns and
20 manages fiber and tower infrastructure assets; and (vi) Mitel, a global unified
21 communications solutions provider. Additionally, past Searchlight investments

1 include: (i) Electric Lightwave, a fiber-based competitive communications
2 provider in the Pacific Northwest: and (ii) GCI, the largest communications
3 (cable, fiber and wireless) provider in Alaska.

4 **Q. Are there additional investors?**

5 A. Yes. Additional limited partners in Searchlight’s investment funds include
6 entities controlled by the Canada Pension Plan Investment Board, Public Sector
7 Pension Investment Board, British Columbia Investment Management
8 Corporation and the Washington State Investment Board (the “Additional
9 Investors”).

10 **Q. What role will the Additional Investors have in this transaction?**

11 A. These entities are providing capital funding for Northwest Fiber and will be equity
12 holders in it, but will have no day-to-day management role.

13 **IV. PERSPECTIVES ON EVOLVING INDUSTRY CHALLENGES AND**
14 **OPPORTUNITIES**

15 **Q. What is your current view of the telecommunications industry and the**
16 **challenges facing ILECs?**

17 A. The telecommunications industry is highly competitive. As this Commission
18 recognized in its 2013 order regarding the competitive classification of Frontier
19 NW’s services (Docket UT-121994) a variety of wireline, wireless, cable, and
20 other providers aggressively compete with one another through an array of
21 digitally based service offerings. The single-provider monopoly environment that

1 Frontier and other incumbent telephone companies once enjoyed has given way to
2 an era of competitive disruption in which a variety of telecommunications service
3 providers use an array of technologies to deliver their services. Traditional
4 landline telephone service is rapidly being supplanted by mobile wireless
5 telephony and other digitally based communications platforms riding high speed
6 broadband connections. And legacy telephone networks are progressively
7 becoming antiquated as network signaling has gone digital and copper wires are
8 replaced by fiber optic technology to support advanced services.

9 **Q. Please explain.**

10 A. Statistics from the Federal Communications Commission's ("FCC") Local
11 Competition Report illustrate the issue. According to the FCC, as shown in Table 1
12 below, from 2009 to 2017, incumbent LECs in Washington lost nearly 55% of their
13 total lines, while line counts for other providers (cable, over-the-top, mobile) have
14 grown substantially.

1
2

Table 1

FCC Local Competition Report, Nov. 2018

<u>Telephone Service Competition in Washington</u>					
<u>(June 2009 - June 2017)</u>					
	Jun-17	Percent Change from '09	Jun-13	Percent Change from '09	Jun-09
Wireline End-User Switched Access Lines and Interconnected VoIP:					
Incumbent LECs	997	-54.9%	1,438	-35.0%	2,211
Other LECs (cable, Over-the-top and all other non-ILEC)	1,563	52.5%	1,382	34.8%	1,025
Mobile Telephony	7,283	28.4%	6,433	13.4%	5,671
Total	9843		9,253		8,907
Source: FCC Voice Telephone Service Report, November 2018					

3

Q. What are the implications of these continuing line losses for incumbent LECs?

4

A. The lines are blurring between providers. Today, consumers are indifferent to a

5

provider's historic or legacy position in the telecommunications marketplace.

6

From their perspective, it no longer matters whether a provider originated as a

7

wireline, cable, or wireless carrier. Instead, consumers focus almost exclusively

8

on the pricing, packaging, service quality, and other capabilities of competing

9

service offerings when making purchasing decisions.

10

Throughout the industry's evolution, incumbent carriers such as Frontier have

11

diligently sought to address the reality of an altered landscape through network

12

enhancements and the deployment of advanced services. However, the ongoing

13

challenge of providing ubiquitous services across broad territories with varying

14

economic and physical attributes, while simultaneously responding to difficult

15

1 competitive circumstances, has taken its toll on the ability of some providers to
2 effectively respond. As competition and technology have progressed, some
3 incumbent carriers have engaged in various structural arrangements (mergers,
4 divestments, recapitalizations, etc.) to adjust their financial and operational
5 capabilities to the realities of the marketplace. The transaction proposed by the
6 Joint Applicants reflects that reality as East Coast-based Frontier seeks to reduce
7 its operational footprint in the Pacific Northwest, while a local entity with
8 substantial experience seeks permission to step into Frontier's shoes with a
9 commitment to invest its financial resources and local control in the Pacific
10 Northwest.

11 **Q. How does this situation inform your thinking about the proposed acquisition of**
12 **Frontier?**

13 A. It is with this situation in mind that we believe the proposed transaction can
14 revitalize Frontier NW's networks and operations. Our collective experience with
15 previous communications investments, as well as the financial arrangements
16 we've put in place to complete the transaction, will greatly enhance the ILEC's
17 ability to compete against other service providers as we deploy fiber optics and
18 other technology throughout the company's Washington footprint. We recognize
19 that broadband services have become an essential vehicle through which
20 consumers, businesses, government, and educational institutions interact in an
21 online world. The simple fact is reliable and ultra-fast networks are essential to

1 consumers and businesses to seamlessly connect computers, smartphones, tablets,
2 and other digital devices to reach the video, voice, and data services and
3 applications made possible by the Internet.

4 Northwest Fiber plans to preserve and enhance traditional residential and
5 business voice services and related ancillary services, while building out high-
6 capacity next-generation network facilities to provide a range of communications
7 service options, including Gigabit broadband options, to thousands of Washington
8 consumers. The future is now, and our overarching goal is to substantially
9 improve Frontier NW's competitive profile in Washington.

10 **V. NORTHWEST FIBER'S PLANNED ACQUISITION OF FRONTIER NW**
11 **IS IN THE PUBLIC'S INTEREST**

12 **Q. Do you believe the proposed transaction will benefit current Frontier NW**
13 **customers in Washington and is in the public's interest?**

14 A. Yes. The transaction will yield significant, tangible benefits for Washington
15 consumers. First, consumers will benefit from Northwest Fiber's plan to invest
16 significant funds to deploy fiber throughout the network. Second, the fact that the
17 new company will be owned and operated by a local management team with years
18 of experience operating communications companies in Washington and elsewhere
19 in the Pacific Northwest will be beneficial; decision making will be local,
20 immediate, and appropriate for the varying characteristics of Frontier NW's
21 service area. Third, Northwest Fiber is well-financed, which will enable

1 investments into the network and business, and ensure long-term stability in these
2 markets, that will resound to the benefit of consumers. Fourth, the company is
3 committed to improving customer service, by virtue of the company's local
4 presence and singular dedication to the interests of consumers and businesses in
5 the Pacific Northwest. Fifth, consumers will benefit from Northwest Fiber's
6 detailed plan for ensuring continuity of service and a seamless transition for retail
7 and wholesale customers.

8 **Q. Please expand on these points.**

9 A. By virtue of the proposed acquisition of Frontier NW, Northwest Fiber intends to
10 fulfill its vision of greater availability of fiber-based services in Washington by
11 upgrading an aging network through a substantial investment in next-generation
12 fiber facilities and excellent customer service, an investment that is not in
13 Frontier's plans. Northwest Fiber's plan would preserve and enhance traditional
14 residential and business voice services and related ancillary services, while
15 building out high-capacity next-generation network facilities to provide a range of
16 communications service options, particularly Gigabit broadband options, to
17 thousands of Washington consumers.

18 Additionally, the transaction brings ownership and management of critical
19 Washington infrastructure back to the Pacific Northwest. The executive team at
20 Northwest Fiber, having lived and worked in these communities for many years,
21 has extensive experience in providing voice, broadband, and video services, and

1 has successfully expanded fiber-based services in the Pacific Northwest, and is
2 now positioned to bring greater access to these services in Washington.

3 **Q. Please explain why you believe this transaction presents a unique opportunity**
4 **to enhance broadband and voice competition in Washington?**

5 A. As I previously noted, this situation presents a clear opportunity for the
6 Commission to pave the way for increased investment in Washington's
7 communication infrastructure and attendant economic development. If it swiftly
8 approves the transaction, the Commission will enable a Kirkland-based team of
9 executives with years of experience in the industry and strong financial support to
10 immediately begin to upgrade Frontier NW's network assets into a 21st century
11 broadband-centric service provider that leverages fiber to the home to deliver
12 Gigabit speed services to many of its customers. On the other hand, if the
13 Commission denies the application Washington residents will continue to be
14 served by a company with an aging network that is not committed to invest the
15 necessary capital to upgrade network operations and services necessary to
16 compete with other leading providers.

17 **Q. Please explain why you see this as a clear opportunity for the Commission.**

18 A. When comparing Northwest Fiber's position against Frontier's, the differences
19 are telling. First, Northwest Fiber will be a local company headquartered in
20 Kirkland managed and operated by a senior management team that lives and
21 works in the same communities the company will serve. We will leverage our

1 years of experience building and operating networks in this area (and new capital)
2 to stand-up a new fiber-centric broadband provider focused on the Pacific
3 Northwest. In contrast, Frontier is headquartered in the Northeast – in Norwalk,
4 Connecticut – thousands of miles from these markets in the Pacific Northwest.
5 Second, Northwest Fiber is well positioned to leverage its very favorable financial
6 position to immediately invest in network upgrades that will enable the delivery
7 of Gigabit-based services to customers in these areas. Frontier’s financial
8 position is very different and marked by continuing loss of subscribers, and
9 market share. Third, Northwest Fiber is ready to implement its plans to transform
10 the aging network infrastructure by upgrading the core network, deploying
11 additional fiber, and making significant investments in the company’s operations.
12 Frontier has no such plans to make the kinds of network and operational
13 investments that Northwest Fiber can make.

14 **Q. How do these differences translate into tangible benefits for consumers in**
15 **Washington?**

16 A. As soon as the Commission approves this application, Northwest Fiber will begin
17 the process of upgrading Frontier NW’s network assets to create real value for
18 consumers in Washington, which would not otherwise occur. Our executive team
19 at Northwest Fiber has a vision for creating a new broadband-centric
20 communications company in the Pacific Northwest that will deliver Gigabit
21 speeds to customers and thereby provide tangible competitive choices to

1 customers in these areas. In other words, our plans will both benefit consumers
2 and increase competition.

3 A. Northwest Fiber is Committed to Making Significant Investments in the Network
4 and Operations to Enhance Customer Speeds and Service

5 **Q. Please describe Northwest Fiber's plans to make significant new investments in**
6 **the network in order to deploy new fiber.**

7 A. Northwest Fiber plans to make significant capital investments in Frontier NW's
8 facilities by upgrading the network in order to provide enhanced 21st century
9 telecommunications services to thousands of residential and business premises in
10 the Pacific Northwest. At Closing, the company expects to have approximately
11 \$300 million on the balance sheet which will enable deployment of state-of-the-
12 art infrastructure, which will, in turn, allow us to provide customers significant
13 upgrades and improvements in broadband speeds, service reliability, and service
14 quality in Washington.

15 Northwest Fiber's network investment will be overseen and complemented by the
16 efforts of our team of locally-based engineers that have extensive experience
17 working in the Northwest. Because they are local, their awareness and expertise
18 in the market is unsurpassed. Additionally, they have a deep working knowledge
19 of, and experience with, the next generation technology Northwest Fiber intends
20 to deploy following closing.

1 **Q. How will these investments translate into better service for customers?**

2 A. This investment will enable Northwest Fiber to deploy a significant amount of
3 new fiber capacity in the last-mile of the network (between a central office and
4 the customer's home or business). That fiber will immediately expand network
5 capacity and create a more robust network that will enable Northwest Fiber to
6 provision service with broadband speeds of up to 1 Gigabit-per-second (Gbps), or
7 more, to homes and businesses. New fiber and network capacity will enable the
8 provision of other enhanced services and will enhance voice service quality on the
9 network as well, as new infrastructure is deployed and legacy network facilities
10 are replaced.

11 **Q. Does Northwest Fiber plan to upgrade other parts of the network, beyond the**
12 **last-mile connections referenced above?**

13 A. Yes, absolutely. We plan to connect all of the existing network locations
14 (approximately 130 across all four states) to create a commercial grade core and
15 aggregation network where each network location will have active redundant
16 network equipment (routers, switches, batteries, etc.) connected to at least two
17 other network locations and the core network will be connected to at least two
18 internet "drains" (or access points). For residential customers, 80% of the
19 network traffic will be peered at those internet drains for the fastest possible
20 connections to the desired web sources. Northwest Fiber will also build a
21 transport network that will connect all cities on the network for intermarket

1 transport to the same core network. No longer will the smaller communities in
2 Washington, Oregon, Idaho and Montana be left with just a single path to the
3 internet and the major network hubs. After our work is completed, they will have
4 a second redundant path. This commercial grade core and aggregation network,
5 along with the intercity/market transport network, will benefit all services and
6 customers connected to it whether it be an older DSL service or next generation
7 gigabit fiber service. This modern, resilient, scalable network is the foundation
8 on which all future services will be based.

9 **Q. Are there other benefits that upgrading the core network will provide?**

10 A. Yes, the upgrades to the core network will also provide improved service quality
11 for all customers, including those customers without access to Fiber-to-the
12 Premises (“FTTP”). An upgraded core network will provide additional
13 redundancy to ensure improved service to such customers.

14 **Q. Please describe other investments in the business the company plans to make.**

15 A. In addition to the fiber deployment and core network upgrades described above,
16 Northwest Fiber also plans to make significant capital expenditures in the
17 acquired operations. Specifically, we project that over the course of the next five
18 years we will invest significant additional capital to enhance operations, expand
19 service, increase sales and retain existing customers. In other words, we will be
20 investing in people, technology and systems to improve service. For example, we
21 will evaluate the need to replace legacy circuit-switched technology with IP-based

1 softswitches, which will materially enhance the functions and features of
2 traditional telephone services. Additionally, we will consolidate call center
3 operations in Everett (which will ensure those jobs stay in Washington) where
4 customer service representatives will be available to address all types of customer
5 service inquiries (new service, repair, billing, general questions, etc.).¹

6 Indeed, we anticipate that our plans to deploy fiber, upgrade the core network
7 and enhance operations will lead to the creation of hundreds of new jobs in
8 Washington because we will have to hire persons to: install/construct new
9 facilities, support our plans to increase sales and marketing activities, and support
10 our efforts to expand commercial operations.

11 **Q. Will those additional investments also be directed at maintaining voice service**
12 **quality and availability?**

13 A. Yes, that is an important part of our plan. We recognize the importance of
14 reliable voice service to the customers in the state, and for that reason we intend
15 to continue Frontier NW's planned investments, where necessary, to maintain full
16 functionality of Frontier NW's legacy copper network, while investing to
17 substantially improve customer service. Those investments will make Northwest
18 Fiber a stronger competitor that is better able to deliver robust services in these

¹ Northwest Fiber's consolidated customer service center contrasts with Frontier's existing customer service resources which are spread across multiple call centers around the country. Our customer service representatives will be able to address all aspects of customer inquiries on a centralized basis which means that calls will not be transferred between representatives with differing roles; reducing a common customer complaint concerning "hold and transfer" when making inquiries.

1 markets. As explained in more detail below, Northwest Fiber will also continue
2 to honor the broadband deployment obligations of Frontier in the Connect
3 America Fund Phase II program.

4 **Q. Will these investments also support the voice services that many Washington**
5 **residents rely upon?**

6 A. Yes they will. As discussed elsewhere in my testimony and in the Application,
7 after closing, Northwest Fiber intends to inject substantially greater fiber optic
8 capacity into and throughout Frontier NW's network in Washington. We intend
9 to migrate the acquired network facilities from copper wire and other legacy
10 technologies to state-of-the-art fiber optic transport and last mile facilities in
11 many portions of Frontier NW's existing service area. Northwest Fiber's
12 intended deployment of fiber will improve service quality for both voice and
13 broadband services and will provide Frontier NW with "future proof" technology
14 for growing future communications needs. The company will continue investing
15 in the Washington network at levels at or higher than those of Frontier NW, and it
16 is committed to maintaining that network to ensure that traditional voice
17 telecommunications service continues to be available throughout Frontier NW's
18 service footprint.

19 The new facilities will, among other things, be used by Frontier NW for the
20 provision of traditional voice services. Voice service continues to be essential for
21 many consumers, and Northwest Fiber will ensure those services remain available

1 to all customers without service quality degradation or reduction in functionality.

2 While the company's planned investments in fiber optic technology will allow for
3 Gigabit broadband speeds in many portions of Frontier NW's existing service
4 area, the company remains committed to providing clear and reliable voice
5 services to Washington residents, regardless of the technology used or whether
6 those customers also enjoy non-regulated services, such as broadband. As most
7 telecommunications engineers and experts in the industry recognize, fiber
8 technology is inherently superior to copper wire because it offers substantially
9 enhanced upstream and downstream bandwidth performance, has reduced noise
10 levels, is immune to electromagnetic interference, and reduces maintenance and
11 improves reliability. The same fiber optic strands and optical transmitters to be
12 deployed to improve bandwidth capability for purposes of providing broadband
13 services will be used for voice services.

14 **Q. Will Northwest Fiber continue to honor the build-out commitments assumed**
15 **by Frontier NW under the FCC's Connect America Fund II program?**

16 A. Yes, the investments I have described are in addition to the existing funding
17 allocated to Washington under the FCC's Connect America Fund II program.
18 Northwest Fiber will continue to honor the broadband deployment obligations of
19 Frontier NW through its participation in the Connect America Fund Phase II
20 ("CAF II") program to ensure that by the end of 2020, at least 19,713 locations in

1 the eligible census blocks in Frontier NW's Washington service area have access
2 to 10/1 broadband service as required by the FCC CAF requirements.

3 Northwest Fiber is also cognizant of the recent enactment of SB 5511 regarding
4 broadband service in Washington. The legislation creates a state broadband
5 office, authorizes infrastructure funding, and establishes state broadband
6 deployment and service objectives over time. After closing, Northwest Fiber
7 pledges to work with the state broadband office to do its part to help Washington
8 realize its broadband goals.

9 B. Northwest Fiber Will be Managed by a Leadership Team with Lengthy
10 Experience in These Markets

11 **Q. What is the significance of the fact that Northwest Fiber's leadership team has**
12 **experience in these markets?**

13 A. Our local roots and experience are very significant. The leadership team of
14 Northwest Fiber has developed unique knowledge of, and valuable relationships
15 in, the many communities in Washington that Frontier NW serves. Indeed, we
16 leveraged that knowledge and those relationships to build Wave Broadband into
17 the very successful broadband provider that it is today. The same team will
18 leverage the knowledge it has developed over the last seventeen years to navigate
19 the unique challenges of delivering robust broadband and other services to
20 thousands of local markets in the Pacific Northwest.

1 **Q. Please explain.**

2 A. As I explained previously, the leadership team has worked together for many
3 years, and collectively has more than 70 years of experience in the
4 telecommunications industry. In my role as CEO, working with President/COO
5 Harold Zeitz and the CFO Wayne Schattenkerk, we successfully managed the
6 growth and evolution of Wave Broadband into one of the largest broadband
7 companies on the West Coast. Beginning in 2003 and continuing to the sale of
8 the company in 2018 Wave Broadband successfully expanded market share
9 through acquisitions and excellent service to become one of the leading
10 broadband providers in Washington and elsewhere in the Pacific Northwest. We
11 would not have had that success if we had also been operating in other parts of the
12 country. Our focus and commitment has always been to build successful
13 broadband companies in the very same communities in which we live and work.
14 We will leverage that same commitment, knowledge and relationships to ensure
15 Northwest Fiber's success.

16 **Q. Please discuss your role in overseeing the investment in Hargray**
17 **Communications, and the upgrade of its plant to fiber?**

18 A. My investment team made a decision to invest in Hargray Communications, an
19 incumbent LEC based in South Carolina. The decision to invest in transforming
20 the business of Hargray to convert that company into a next-generation fiber-
21 based company was the right one, as the company has successfully transformed

1 itself from a copper-based network provider with year-over-year line losses, to a
2 primarily fiber-based network provider successfully competing to provide next
3 generation telephone and broadband services. The Hargray experience
4 demonstrates that the basic business model of investing in and transforming
5 copper-based networks is viable and one which ultimately benefits consumers in
6 areas served by these networks. My experience with Hargray is a material factor
7 in WDC's decision to work with Searchlight on a similar investment to transform
8 Frontier's ILEC operations in the Pacific Northwest.

9 C. Northwest Fiber Will be Well Financed and In a Strong Position to Use New
10 Capital to Enhance Operations

11 **Q. Please describe Northwest Fiber's financial position and how it will use these**
12 **resources to execute on its plans to deploy additional fiber and network**
13 **resources.**

14 A. Northwest Fiber, through its owners WDC and Searchlight, will be in a very
15 strong financial condition when it assumes control of Frontier. The new owners
16 have secured certain debt financing arrangements to complement the significant
17 equity investment they are undertaking as part of the transaction. The resulting
18 capital structure and liquidity of Northwest Fiber at closing will establish a more
19 stable competitor focused primarily on serving the expanding communications
20 requirements of consumers and businesses in the Pacific Northwest.

1 As illustrated in confidential Exh. SW-2C, at closing, the company will also
 2 have access to traditional financing arrangements with banks, other financial
 3 institutions, and other types of funding sources in the form of a secured facility
 4 and revolver loan that provides the company with access to more than half a
 5 billion dollars in financing (including \$300 million in cash on its balance sheet).
 6 The improved financial structure and substantial cash flow that is produced
 7 through the arrangements necessary to consummate the transaction will enable
 8 Northwest Fiber to make its planned network infrastructure upgrades and
 9 expansions, as well as improvements to customer service.

10 The improved liquidity will be complemented by a healthy capital structure at
 11 closing. As depicted in Table 2 below, after closing and upon completion of
 12 planned financing arrangements, Northwest Fiber will have a relatively low
 13 (favorable) debt-to-equity ratio (approximately 44% debt - 56% equity) from a
 14 traditional regulated utility perspective. In contrast, Frontier Parent has a debt-to-
 15 capitalization ratio of close to 99%. The following table illustrates the difference.

Table 2

Frontier Parent Consolidated	Northwest Fiber (WA, OR, ID, MT Assets)
<p>Frontier is highly leveraged.</p> <ul style="list-style-type: none"> ▪ Debt-to-Capitalization = approx. 99% ▪ Focus is on debt repayment ▪ 90+% plus reduction in stock price in last 4 years - now 	<p>Northwest Fiber is <u>not</u> highly leveraged, and is also well capitalized</p> <ul style="list-style-type: none"> ▪ Debt-to-Capitalization = ~44% ▪ Greater than \$500 million of available liquidity (including

<p style="text-align: center;">below \$2.00 per share</p> <p>Given the above, it is unlikely that Frontier will substantially invest in upgrading/improving its network</p>	<p style="text-align: center;">\$300 million of cash on the balance sheet)</p> <p>Northwest Fiber is well positioned to execute its business plan, which includes (among other things)</p> <ul style="list-style-type: none"> ▪ Meaningful expansion of fiber availability (for both residential & commercial customers) ▪ Improvements in product capabilities (broadband speeds) and service quality
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Q. Describe Northwest Fiber’s debt-to-capitalization ratio and how that compares to other providers in the industry.

A. The anticipated capital structure compares very favorably to Frontier and many other telecommunications companies operating today. The capital structure also stacks up well against those of regulated utilities subject to the Commission’s jurisdiction. For example, my understanding is that for the major investor-owned energy utilities operating in Washington the Commission routinely authorizes capital structures with debt to equity ratios in the 50/50 range with some capital structures leaning a bit heavier on the debt side. At closing Northwest Fiber anticipates the equity component of its actual capital structure will be more than 56 percent, which far exceeds the normal level (range) for regulated energy utilities in Washington.

1 Although the entity being acquired, Frontier NW, is no longer economically
2 regulated in Washington as a consequence of the Commission's 2013 competitive
3 classification order, it is useful to note that its post-closing capital structure is
4 more robust than the more staid, less competitive, energy utilities in Washington
5 that remain subject to the full scope of economic regulation. Additionally,
6 Northwest Fiber's capital structure will be in line with or better than the net debt
7 to total enterprise value of many nationwide telecommunications providers (*e.g.*,
8 AT&T, Verizon, Sprint, CenturyLink, and others). Simply stated, we are
9 confident the debt and equity investments arising from the transaction will
10 provide a much needed and sustained boost to Frontier NW's ability to compete
11 effectively in Washington.

12 **Q. Do you anticipate that Northwest Fiber will be able to attract additional capital**
13 **to operate in Washington if it needs to do so?**

14 A. Yes, Northwest Fiber's owners have access to additional capital resources beyond
15 those described previously. Searchlight is a leading private equity investment
16 company that has worked successfully in partnership with leading businesses
17 throughout North America and Europe. Searchlight's funds invest in companies
18 across various sectors, including communications, media, consumer and business
19 services and its investment partners include a mix of public and corporate pension
20 plans, family offices, and university endowments. WDC, is a private investment

1 firm focused on the broadband industry with substantial financial resources
2 available.

3 Collectively, Northwest Fiber's owners have access to additional capital by a
4 variety of means including their own funds, relationships with pension funds and
5 other passive investors, and traditional financing arrangements available from
6 banks and other financial institutions. These relationships and arrangements will
7 be available after closing if or when additional capital requirements arise.

8 D. Northwest Fiber Will Improve Customer Service and Experiences

9 **Q. How will the network investments you previously described help the company
10 improve voice service quality in Washington?**

11 A. As discussed elsewhere in my testimony, Northwest Fiber intends to inject
12 substantially greater fiber optic capacity into and throughout Frontier NW's
13 network in Washington. In many portions of Frontier NW's existing service area
14 we then intend to migrate the acquired network facilities from copper wire and
15 other legacy technologies to state-of-the-art fiber optic transport and last mile
16 facilities. Doing so will improve service quality for both voice and broadband
17 services and will provide Northwest Fiber with "future proof" technology for
18 growing future communications needs. Further, as I have already explained, the
19 company is committed to maintaining that network to ensure that traditional voice
20 telecommunications service continues to be available throughout Frontier NW's
21 service footprint and will continue investing in the Washington network at levels

1 at or higher than those of Frontier. Voice service continues to be essential for
2 many consumers, and Northwest Fiber will ensure those services remain available
3 to all customers without service quality degradation or reduction in functionality.

4 **Q. Will there be changes to the voice services provided to customers?**

5 A. No. Northwest Fiber will maintain the full range of traditional residential,
6 business, and related telecommunications services and functionalities currently
7 provided to consumers and businesses in Frontier NW's Washington service area.
8 Full functionality includes, but is not limited to, access to 911, directory
9 assistance, operator services, and consumers' choice of long-distance provider.
10 Put simply, the same ancillary dial-tone capabilities, dialing arrangements, and
11 related features and functions that are presently available to any residential or
12 business telephone customer will continue after closing even though some
13 arrangements and capabilities may be provisioned in whole or in part over new
14 technology deployed to substantially improve and expand the company's
15 broadband services.

16 With respect to public safety, the company will fully comply with all state and
17 federal 911 requirements including Washington's ongoing efforts to transition
18 911 service to next generation technology.

19 Finally, I should point out that eligible low-income consumers will retain
20 access to the FCC's Lifeline program which provides discounts on telephone
21 service to low income consumers. Consistent with that approach, Northwest

1 Fiber will continue to operate under, and maintain, the existing Eligible
2 Telecommunications Carrier (“ETC”) designations issued to Frontier NW.

3 E. Northwest Fiber Has a Multi-pronged Plan to Ensure Continuity of Service for
4 Retail and Wholesale Customers

5 **Q. What steps will Northwest Fiber take to ensure continuity of service for existing**
6 **customers?**

7 A. Our first, and highest, priority is to ensure that this transaction is seamless for
8 existing retail and wholesale customers. To that end, we have developed a multi-
9 pronged plan for ensuring that service will continue unabated when Northwest
10 Fiber takes over operations. This plan is modeled, in part, after the successful
11 Frontier-Verizon systems separation plan used in that 2010 transaction. First,
12 Frontier has agreed to replicate its current IT systems, including their operational
13 support systems (“OSS”) and billing support systems (“BSS”). Second, Frontier
14 has agreed to provide transition services to Northwest Fiber for up three years
15 after closing, as needed, and at our discretion. Third, we plan to retain nearly
16 1,000 Frontier employees that are currently responsible for provisioning service in
17 the four Pacific Northwest states, and who will continue in their existing roles
18 once they become our employees at closing. Fourth, we will be communicating
19 with current customers to keep them informed of the anticipated change in
20 ownership. Fifth, we are committed to continuing existing retail and wholesale
21 services without change for the near future.

1 **Q. Continuity of service also requires robust and capable internal systems**
2 **necessary to support these services. What are Northwest Fiber’s plans for**
3 **ensuring the continuity of such systems?**

4 A. We have developed a plan to ensure a smooth transition of critical back office
5 systems, including the OSS and BSS functions necessary to continue serving
6 residential, business, and wholesale customers. The Purchase Agreement and
7 Transition Services Agreement (“TSA”) between Frontier and Northwest Fiber
8 contains an OSS/BSS transition and stand up plan that is designed to ensure that
9 Northwest Fiber will assume control of a fully replicated and functioning
10 OSS/BSS with all of the functionality currently provided to existing retail and
11 wholesale telecommunications customers. These systems support the billing,
12 reporting, provisioning, maintenance, and customer recordkeeping functions
13 necessary to deliver telecommunications services to retail and wholesale
14 customers.

15 **Q. Please explain.**

16 A. Northwest Fiber understands the importance of ensuring that we have robust and
17 fully functional operational support systems to support our operations on Day 1
18 (when we assume control of operations). To ensure that occurs, Frontier has
19 agreed, as part of this transaction, to take the following steps necessary to ensure
20 seamless continuity of services. First, Frontier will replicate the current OSS/BSS
21 systems. Second, Frontier will “stand up” those systems and operate them to

1 ensure full functionality. Third, Frontier will operate those fully replicated
2 systems at least sixty (60) days prior to the close of this transaction to run the
3 transferred business.

4 For the entire four state region, Frontier has agreed to effectively carve-out the
5 network assets, systems and operations from their existing national network and
6 operations in order to have a stand-alone operation up and running that is fully
7 segmented from any aspect of Frontier's operations in its 25 remaining states.

8 The segmentation will occur well in advance of close to ensure functionality and
9 continuity. This approach eliminates the risk associated with conversions because
10 the network and systems we are acquiring will be fully functional and robust on
11 Day 1 in order to ensure continuity of service and a seamless transition.

12 At closing, the separated OSS/BSS created as part of the segmentation process of
13 the Northwest operations from the remainder of Frontier will be wholly-owned
14 and operated by Northwest Fiber, so there will be no post-closing OSS/BSS
15 conversions. Any ongoing third-party licensing requirements will subsequently be
16 established directly between Northwest Fiber and third-party vendors.

17 **Q. What assurances do you have that the segregated and transferred systems will**
18 **be fully operational?**

19 A. The process that we have established with Frontier reflects the fact that we are
20 taking over ongoing operations and a business. To ensure continuity of systems,

1 operations, and the business itself, Frontier will be segregating operations and
2 sustaining them on the segregated systems prior to closing.

3 Each of the steps described in my response to the previous question are direct
4 conditions of Closing which must be fully satisfied before Northwest Fiber will
5 agree that Closing may occur. By making these steps explicit closing conditions
6 we have ensured that the necessary systems will be up and running on Day 1
7 when we assume control of the operations.

8 **Q. Will Northwest Fiber have the necessary technical expertise to operate these**
9 **systems?**

10 A. Yes, from a technical standpoint, Frontier will also provide a comprehensive set
11 of transition services to Northwest Fiber following closing, which will allow the
12 company to build upon the expertise, experience, and skills of Frontier's
13 management and employees. Under the TSA, Northwest Fiber will have the right
14 to assistance from Frontier Parent for a period of six-months to three years after
15 closing, as needed. Continuity will also be reinforced by Northwest Fiber's
16 decision, noted above, to retain existing Frontier employees with the hands-on
17 experience, subject matter expertise and customer relationships needed to ensure
18 services continue without interruption.

19 Attached as Exh. SW-3, is an organizational chart showing the respective
20 roles and responsibilities of the existing Frontier employees who are currently
21 expected to join Northwest Fiber after closing. By retaining these employees, we

1 will be able to ensure that Northwest Fiber can continue serving residential,
2 business, and wholesale customers when Frontier delivers the fully replicated and
3 functioning version of its OSS/BSS. Another benefit of this approach is that the
4 Frontier employees that Northwest Fiber will retain will already be trained on
5 these systems and will not have to be retrained on new systems. Consequently,
6 Northwest Fiber will be able to ensure continuity of systems and services to
7 existing retail and wholesale telecommunications customers, minimizing
8 customer service issues.

9 **Q. Please describe the specific systems that will be replicated and transferred to**
10 **Northwest Fiber.**

11 A. As I noted above, these systems support the billing, reporting, provisioning,
12 maintenance, and customer recordkeeping functions necessary to deliver
13 telecommunications services. The key systems comprise numerous software
14 vendors and a large number of applications offered by those vendors. These
15 systems cover the full range of billing, provisioning, financial, reporting,
16 operational, customer service, and monitoring functionality. The systems support
17 everything from determining what services are available for a new customer as
18 they call in to establish service to specifying the order and installation of service
19 and installation team, including provisioning the actual service. Further, the
20 systems that Northwest Fiber will be taking over include the systems that track
21 and bill, monitor the network and support the inbound calls if any service issues

1 arise. Additionally, the internal support systems including financial accounting
2 and reporting, as well as the tools that employees use to perform their current
3 work functions, are included in the systems we are taking over.

4 **Q. How is the replication process used here different than a complex “cutover”**
5 **process that has occurred in other transactions?**

6 A. The replication process the parties are using here is inherently better because it
7 requires Frontier to develop, build and test fully functioning segregated systems
8 that are identical to the existing systems. Because the segregated systems will
9 precisely mirror the existing systems upon closing, Northwest Fiber will be able
10 to continue operations in a seamless fashion without risk of system failures. In
11 contrast, in other transactions parties have used a so-called complex “cutover”
12 process that involves a flash-cut change of systems from one provider to another,
13 sometimes preceded by “dark periods” (where orders must be submitted
14 manually, or are not acted upon immediately) and then followed by operational
15 issues and concerns. Our approach avoids these unwanted outcomes and ensures
16 operational viability on Day 1. Furthermore, the transferred systems will be
17 owned by NW Fiber and can be used indefinitely, with no need for any
18 subsequent “cut-over” to a different set of systems.

1 **Q. Will wholesale interconnection/commercial arrangements, or wholesale**
2 **customer access to the OSS, be impacted by the replication process?**

3 A. No, the replication process will ensure continuity of service for both retail and
4 wholesale customers. We understand that fully functioning OSS/BSS is
5 necessary for our wholesale customers, and we are committed to continue
6 providing those services in the same manner they are provided today.

7 **Q. Are there other ways in which Frontier and Northwest Fiber have**
8 **contractually agreed to terms which will ensure that Northwest Fiber will be**
9 **able to seamlessly continue provide existing services?**

10 A. Yes, as more fully described in the testimony of Frontier's Allison Ellis, in
11 addition to the terms governing OSS/BSS replication, the TSA contains detailed
12 "Knowledge Transfer" terms pursuant to which Frontier will make available to
13 Northwest Fiber, for a period between six months to three years (at our option)
14 after closing, key personnel, employees, documentation and facilities that may be
15 necessary to support a seamless transition and ongoing operations following
16 closing. These Knowledge Transfer services cover a wide range of operational
17 areas including, but not limited to, field operations, consumer, commercial,
18 technology, human resources, finances and legal/regulatory.

1 **Q. How does Northwest Fiber’s plan to retain Frontier NW employees help ensure**
2 **continuity of service?**

3 A. As a threshold matter, it is important to note that the current Frontier employees
4 supporting Frontier NW will continue in their existing job immediately after
5 closing — no one will lose their job when we take over operations. Currently,
6 there are more than 600 Washington employees, including field technicians,
7 customer service representatives, first line managers, and others who will become
8 employees of Northwest Fiber. These employees will remain in their current
9 positions and fulfill existing responsibilities to provide uninterrupted support and
10 services to Washington consumers following closing. Northwest Fiber will retain
11 operations and support services employees at Frontier’s Everett, Washington
12 regional facility, while establishing its headquarters in Kirkland, Washington.
13 Finally, the Purchase Agreement requires that Northwest Fiber assume existing
14 collective bargaining agreements with the labor unions with respect to the
15 employees who will become employees of Northwest Fiber.

16 **Q. You also noted that the company has specific plans for communicating with**
17 **existing customers about the planned change of control. Please explain how**
18 **that will ensure continuity.**

19 A. To ensure that the transition to Northwest Fiber will be transparent and smooth
20 for customers, Northwest Fiber plans to proactively communicate with customers
21 in advance of closing to inform them about the pending change in control, the

1 planned name change, and the seamless effect on existing services. Working in
2 conjunction with Frontier, Northwest Fiber will communicate through bill inserts,
3 notice postcards, advertising, and other measures that will educate, inform, and
4 support customers throughout their transfer to Northwest Fiber. Customers will
5 also be able to find answers to their questions online and through local customer
6 service numbers. Northwest Fiber anticipates that co-branding with the new name
7 and the Frontier brand would occur during that 60-day period prior to closing, and
8 for six months after closing. At that point, Northwest Fiber anticipates doing
9 business under a new (yet-to-be-announced) brand. Upon closing, Northwest
10 Fiber will change the name on the tariffs and catalogs and follow the tariff
11 adoption process prescribed by the Commission.

12 Our goal is to be as fully transparent and informative as possible to
13 alleviate any customer concerns associated with the change of ownership. As
14 explained above, upon closing, Northwest Fiber will be providing a range of
15 telecommunications and broadband services in a robustly competitive
16 marketplace. A vital element of competing in the market is building and retaining
17 customer trust and reliance on the services customers purchase from the company.
18 It goes without saying that it is critical to Northwest Fiber's success that
19 customers understand and accept the transition and are reassured there will be no
20 degradation of service as a result of the transaction. Our goal, of course, is to
21 build on Frontier NW's existing customer relationships and increase awareness of

1 planned investments that will substantially improve the quality of services
2 available throughout the company's service area. A seamless transition is vital to
3 our success.

4 **Q. Frontier NW offers a range of telecommunications services to existing retail
5 and wholesale customers. Will Northwest Fiber continue to provide those
6 services?**

7 A. Yes. Northwest Fiber plans to help ensure continuity of service by honoring
8 Frontier NW's existing catalogs, tariffs, interconnection and wholesale
9 agreements, and ensuring that current retail and wholesale customers continue to
10 receive current service offerings, without a change in rates, terms, or conditions.

11 For retail customers, this means the rates, terms, and conditions of the services
12 they purchase from Frontier NW today will be the same after closing, and any
13 potential future changes to rates, terms, or conditions of any retail wholesale
14 telecommunications service would be subject to all appropriate federal or state
15 regulatory requirements applicable to such services.

16 For wholesale customers and competitors that currently interconnect with
17 Frontier or may seek to do so in the future, Northwest Fiber will fully comply
18 with the requirements of Sections 251 and 252 of the Telecommunications Act of
19 1996 ("Act") which set forth the obligations and procedures applicable to
20 wholesale interconnection. Any potential changes to such arrangements would
21 only occur pursuant to the negotiation, mediation, and arbitration provisions of

1 the Act. We fully understand the importance of such agreements to the
2 competitive marketplace and pledge to comply with all federal and state
3 requirements governing wholesale interconnection.

4 Northwest Fiber will assume or honor all obligations under Frontier NW's
5 current interconnection agreements, wholesale tariffs, commercial agreements and
6 other existing wholesale arrangements in addition to complying with the statutory
7 obligations applicable to all ILECs. Specifically, Northwest Fiber will assume
8 those interconnection agreements between Frontier and other carriers that relate to
9 service within the areas it is acquiring from Frontier. National wholesale
10 agreements of Frontier relating in part to service outside of those states will be
11 modified to apply to Northwest Fiber and the other party in the respective states
12 only, or those agreements will be replicated by Northwest Fiber with respect to
13 one or more of the affected states, following discussion with and required notice
14 to the affected parties. In the latter cases, however, Northwest Fiber stands ready
15 to put in place new wholesale agreements on substantially the same terms and
16 conditions, so as not to disrupt existing arrangements. As a result, wholesale
17 customers will receive the same benefits in the aggregate following the transaction as
18 those provided by Frontier NW prior to the transaction.

19

1 **VI. NORTHWEST FIBER HAS THE REQUISITE MANAGERIAL,**
2 **TECHNICAL AND FINANCIAL FITNESS TO ASSUME OPERATIONS**
3 **AND IMPROVE THE NETWORK AND CUSTOMER'S EXPERIENCE**

4 **Q. Do you believe Northwest Fiber has the required managerial, technical and**
5 **financial fitness to assume operations?**

6 A. Yes, without a doubt. The managerial team, which I will lead, has over 70 years
7 of collective experience building, deploying and operating communications
8 companies. More importantly, we have done so in these very markets for many,
9 many years and have a proven track record of success. As previously described,
10 from a technical perspective, we plan to retain approximately 1,000 Frontier
11 employees across the four-state region that are currently responsible for providing
12 service. These employees have the necessary technical and operational skills and
13 will continue in those roles under Northwest Fiber. Our technical expertise will
14 also be supported by the knowledge transfer and transition services provided by
15 Frontier, which will ensure that we can leverage existing Frontier technical and
16 operational expertise for up to three years after closing. Finally, our financial
17 fitness is reflected in the fact that we will have \$300 million on the books, access
18 to additional capital through traditional financing arrangements and our strong
19 equity partners. In addition, we have a very favorable debt-to-equity ratio and
20 will not be over leveraged.

21 **Q. Please describe how Northwest Fiber will utilize the technical experience and**

1 **knowledge of the retained employees and the services offered under the TSA to**
2 **ensure continued operations.**

3 A. Because Northwest Fiber’s executive management team believes in promoting
4 strong local ties in the communities it serves, it plans to retain the employees
5 associated with the Transferring Companies currently working in Washington and
6 to maintain its headquarters in Kirkland, Washington. And, as explained,
7 Northwest Fiber will harness the expertise and experience of these retained
8 employees to access institutional knowledge covering a wide range of matters
9 such as interconnection issues, regulatory reporting, network deployment,
10 network and traffic routing, information technology, and ordering and billing
11 system management. More than 1,000 employees throughout the four- state
12 region – including managers, directors, and supervisors, as well as technicians –
13 will continue to fulfill a range of key operational functions, including customer
14 service, care and support; network engineering and support; and emergency
15 management and public safety.

16 **VII. THE TRANSACTION CLEARLY SATISFIES THE “NO HARM”**
17 **STANDARD AND SHOULD BE APPROVED**

18 **Q. What is the standard for Commission approval of this transaction in**
19 **Washington?**

20 A. My understanding is that the Commission applies a “no harm” standard to
21 determine whether a proposed transaction is in the public interest. The

1 Commission addressed the standard for approval in the Verizon/Frontier transfer
2 of control proceeding (Docket No. UT-090842) and analyzed six factors that it
3 considered relevant to determining whether a transaction causes “no harm” and is
4 therefore in the “public interest.”

5 **Q. Does this transaction satisfy the six factors considered by the Commission in**
6 **evaluating whether a transaction causes no harm and is thus in the public**
7 **interest?**

8 A. Yes. I understand that the factors the Commission considers in analyzing whether
9 a telecommunications transfer transaction will cause no harm, and is therefore in
10 the public interest, are: (i) the impact on competition at the wholesale and retail
11 levels; (ii) the potential impact on service quality; (iii) the financial impacts on
12 cost of capital, capital structure, and access to financial markets; (iv) how benefits
13 and synergies are shared between shareholders and customers; (v) the impact on
14 rates, terms and conditions of service; and (vi) the technical, managerial and
15 financial capability of the surviving entity to operate successfully. Although I
16 understand from my attorneys that a transaction need not provide net benefits to
17 customers under the “no harm” standard that governs transaction approval
18 proceedings, the fact is that Washington customers stand to significantly and
19 meaningfully benefit from Northwest Fiber’s plans with respect to each of these
20 factors, as I explain in more detail previously in my testimony. To summarize,
21 this transaction will cause no harm and thus is in the public interest under the

1 factors considered by the Commission because the transaction will enable
2 Northwest Fiber to invest in the acquired network and improve communications
3 services to over a hundred thousand Washington consumers, making massive
4 investments in additional bandwidth and network capacity that will improve
5 voice, data, and video services in Washington and further enable advanced
6 services like the Internet of Things, smart homes, smart cities, autonomous
7 systems, and more.

8 **Q. Will the proposed transaction have any adverse impact on competition?**

9 A. No. Northwest Fiber and Frontier do not currently compete for customers in any
10 of the affected exchanges as Northwest Fiber does not operate local exchange
11 facilities in Washington; therefore, the transaction will not reduce the number of
12 competitors. And as detailed above, Northwest Fiber plans to work to stem line
13 loss through a number of innovative services to enhance competition in its
14 markets. At the wholesale level, and explained in more detail below with regard
15 to continuing services, Northwest Fiber will honor or assume all effective
16 contracts and be governed by the same wholesale tariff provisions and applicable
17 Commission regulations governing wholesale relationships that govern them
18 today.

19 **Q. Will the proposed transaction have any adverse impact on service quality?**

20 A. No. In fact, as I have already explained, our planned network investments are
21 going to improve the quality of voice and broadband services in Washington.

1 **Q. Will the proposed transaction allow customers to share in expected benefits**
2 **that will result from the transaction?**

3 A. Yes, customers will be the primary beneficiaries of our plans to invest in the
4 network and deploy additional fiber. Customers will benefit from the gigabit per
5 second service that we will deploy over the upgraded network, the enhanced
6 competitive choices our broadband voice services will enable, and the long-term
7 benefits of having a locally-operated, and well-financed service provider in these
8 markets.

9 **Q. Will the proposed transaction improve the service provider's access to**
10 **capital and lower capital costs?**

11 A. Yes, as I explained above, Northwest Fiber will be well-financed with
12 approximately \$300 million on the books at closing. It will also have access to
13 significant additional capital through traditional commercial financing
14 arrangements, and through its equity ownership group.

15 **Q. Will Northwest Fiber continue substantially the same regulated services**
16 **under the same rates, terms and conditions?**

17 A. Yes, my testimony and the Application establish that post-closing Frontier NW will
18 continue to provide substantially the same regulated services under the same rates,
19 terms and conditions. My prior discussion of these issues explained our plans to
20 continue existing services, honor existing wholesale interconnection and
21 commercial agreements, and leverage former Frontier employees (and Frontier's

1 knowledge transfer and transition services) to ensure these services continue in a
2 seamless fashion.

3 **Q. Finally, the last factor the Commission will normally consider is whether**
4 **Northwest Fiber has the necessary managerial, technical and financial**
5 **fitness. Are you confident that it does?**

6 A. Yes. As demonstrated by the testimony I just provided, we have the necessary
7 managerial, technical and financial fitness to assume operations.

8 **VIII. CONCLUSION**

9 **Q. Please summarize why this transaction will cause no harm and thus is in the**
10 **public interest under the factors previously considered by the Commission.**

11 A. This transaction presents an opportunity for the Commission to approve the entry
12 of a Kirkland-based team of executives with years of experience building and
13 operating communications networks in the Pacific Northwest. Leveraging that
14 experience, knowledge of local markets and strong financial position, Northwest
15 Fiber will transform an aging network into a 21st century broadband-centric
16 network. We will build Northwest Fiber into a next generation service provider
17 leveraging fiber to the home to deliver Gigabit speed services to many customers.
18 Clearly the proposed transaction will not harm Washington consumers, the quality
19 of service provided or competitors. Indeed, the many benefits of the proposed
20 transaction, including those outlined below, establish that this transaction is in the
21 public interest.

- 1 • Northwest Fiber will invest up to \$300 million to extend and deploy fiber
2 in order to increase broadband capacity and availability in the Pacific
3 Northwest. Specifically, Northwest Fiber intends to invest heavily in
4 Frontier NW’s facilities by upgrading the core network and extending
5 fiber to thousands of residential and business premises currently served by
6 legacy copper infrastructure. This investment will enable Northwest Fiber
7 to offer faster broadband, improve service, and expand FTTP to retail and
8 wholesale customers in the state, in many instances enabling service of up
9 to 1 Gbps, or more, to both residential and commercial customers.
- 10 • Further, the company projects that over the course of the next five years it
11 will invest significant additional capital to enhance operations, expand
12 service, increase sales and retain existing customers. At the same time,
13 the company will continue Frontier’s existing planned investments
14 necessary to maintain full functionality of Frontier NW’s legacy copper
15 network, while investing to substantially improve customer service.
- 16 • Northwest Fiber will maintain the full range of traditional residential,
17 business, and related telecommunications services and functionalities
18 currently provided to consumers and businesses in Frontier’s Washington
19 service area. Full functionality including, but not limited to, access to 911,
20 directory assistance, operator services, and consumers’ choice of long-
21 distance provider will continue and eligible low-income consumers will

1 retain access to the federal Lifeline program.

- 2 • In addition, Northwest Fiber will continue to honor the broadband
3 deployment obligations of Frontier NW through its participation in the
4 CAF program to ensure that by the end of 2020, at least 19,713 locations
5 in the eligible census blocks in Frontier NW's service area have access to
6 10/1 broadband service as required by the FCC CAF requirements.
- 7 • Upon close of the transaction, ownership, control and management of the
8 business will move from Connecticut to the Pacific Northwest, as
9 Northwest Fiber establishes its headquarter in Kirkland. In addition, the
10 company will maintain the current office and base of operations in Everett,
11 Washington.
- 12 • Northwest Fiber will also bring to Washington its innovative customer
13 service programs options.
- 14 • All of these planned network and system upgrades and investments will be
15 enabled by Northwest Fiber's very strong financial position, including a
16 very favorable leverage position as reflected by its debt-to-capitalization
17 ratio.
- 18 • Northwest Fiber will honor existing tariffs and contracts. Existing
19 customers will continue to receive the same intrastate regulated services
20 on the same terms and conditions under their existing tariffs. Northwest
21 Fiber will continue to provide services after the closing of the transaction

1 without any material reduction, impairment, or discontinuance of service
2 to any retail or wholesale customer. This will ensure that the transaction
3 will be largely transparent to current customers in Washington.

4 • The current regulation of the acquired operations will be unchanged by the
5 transaction. Following the transaction, Northwest Fiber will operate in
6 conformance with the Commission's relevant rules and regulations. The
7 Commission will retain the same regulatory authority over Frontier NW
8 that it possesses prior to the consummation of the transaction.

9 • There will be no adverse impact on competition or competitors as a result
10 of the proposed transaction. Northwest Fiber will honor all of Frontier
11 NW's existing interconnection and competitive obligations in Washington.

12 **Q. Does this conclude your direct testimony?**

13 **A.** Yes, thank you.