

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of Frontier Communications)
Northwest Inc.'s Petition to be Regulated)
as a Competitive Telecommunications) Docket No. UT-121994
Company Pursuant to RCW 80.26.320)
_____)

REBUTTAL TESTIMONY

OF

JACK D. PHILLIPS

FRONTIER COMMUNICATIONS NORTHWEST INC.

MAY 14, 2013

1 **I. INTRODUCTION AND OVERVIEW.**

2

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

4 A. My name is Jack D. Phillips. My business address is 14450 Burnhaven Drive,
5 Burnsville, Minnesota 55306.

6

7 **Q. ON WHAT COMPANY'S BEHALF IS THIS REPLY TESTIMONY**
8 **SUBMITTED?**

9 A. This testimony is submitted on behalf of Frontier Communications Northwest Inc.
10 ("Frontier").

11

12 **Q. ARE YOU THE SAME JACK D. PHILLIPS THAT FILED DIRECT**
13 **TESTIMONY AND TESTIMONY IN SUPPORT OF THE CLEC SETTLEMENT**
14 **IN THIS PROCEEDING?**

15 A. Yes.

16

17 **Q. DO YOU HAVE ANY UPDATES OR CORRECTIONS TO YOUR DIRECT**
18 **TESTIMONY?**

19 A. Yes. Since filing my direct testimony, Frontier has finalized its 2012 year-end access line
20 counts. Frontier submitted a revised response to Staff Request No. 91 with this updated
21 access line information. On page 23 of my direct testimony, I stated that 2012 year-end
22 access lines were 332,355 and that Frontier's access lines had declined by approximately
23 25,000 or 7% from 357,348 to 332,355 during 2012. The revised year-end 2012 access

1 line count is 321,370. This represents a loss of 35,978 access lines or 10.1% in
2 Washington during 2012. During the year, business lines declined from 119,604 to
3 113,713 or 4.9%. Residential access lines declined from 237,744 to 207,657 or 12.7%
4 during this period in Washington.

5
6 **Q. WHAT IS THE PURPOSE OF YOUR REPLY TESTIMONY?**

7 A. My testimony responds to the direct testimony filed on April 25 by Jing Liu, Jing Y.
8 Roth, and William H. Weinman of the Commission Staff (“Staff”); Dr. Trevor R.
9 Roycroft, Ph.D on behalf of Public Counsel; and Dr. August H. Ankum, Ph.D on behalf
10 of the U.S. Department of Defense and All Other Federal Executive Agencies
11 (DoD/FEA). My testimony does not focus specifically on Dr. Ankum’s testimony on
12 behalf of the DoD/FEA because Frontier has entered into a settlement to resolve the
13 DoD/FEA’s issues in this proceeding. Frontier has requested leave and expects to file
14 testimony and a narrative in support of the settlement with the DoD/FEA as soon as the
15 Commission allows the Company and DoD/FEA to do so.

16
17 **Q. HOW IS YOUR REPLY TESTIMONY ORGANIZED?**

18 A. My testimony begins by responding to the responding witnesses’ testimony regarding the
19 criteria to be used for being designated as a competitive telecommunications company.
20 Next I summarize and generally respond to the individual recommendations of the parties
21 to the proceeding, including Staff’s testimony regarding the absence of effective
22 competition for basic residential and basic business stand-alone service. That will be
23 followed by Frontier’s response to the parties’ testimony regarding the four modes of

1 competition faced by Frontier (cable voice, wireless, competitive local exchange carriers
2 (“CLECs”), and Voice over Internet Protocol (“VoIP”)). Next will respond to issues
3 raised by parties regarding Carrier of Last Resort (“COLR”). Finally, I will summarize
4 my testimony and reiterate Frontier’s recommendation that the Commission approve its
5 Petition designating Frontier as a “competitive” telecommunications provider in
6 accordance with RCW 80.36.320.

7 **II. STATUTORY CRITERION.**

8 *Response to Staff:*

9 **Q. MR. WEINMAN NOTES THE SIX POLICIES THE COMMISSION SHOULD**
10 **CONSIDER WHEN IT EVALUATES THE PETITION AND STATES THAT**
11 **YOUR TESTIMONY IMPLIES THAT ONLY POLICIES NUMBER FIVE**
12 **(PROMOTE DIVERSIY IN THE SUPPLY OF TELECOMMUNICATIONS**
13 **MARKETS THROUGHOUT THE STATE) AND NUMBER SIX (PERMIT**
14 **FLEXIBLE REGULATION OF COMPETITIVE TELECOMMUNICIONS**
15 **COMPANIES AND SERVICES) ARE SPECIFICALLY MENTIONED IN YOUR**
16 **TESTIMONY.¹ ARE POLICY NUMBERS ONE THROUGH FOUR ALSO**
17 **APPLICABLE?**

18 A. Yes. All six policy goals are relevant for purpose of the Commission’s evaluation of the
19 Petition. For brevity I used the ellipsis “...” for the first four goals. The policy goals, (1)
20 Preservation of affordable universal telecommunications service; (2) Maintain and
21 advance efficiency and availability of telecommunications service; (3) Ensure that
22 customers pay only reasonable charges for telecommunications service; and (4) Ensure
23 that rates for noncompetitive telecommunications services do not subsidize the

¹ Weinman p. 5, l. 5- p. 6, l.2.

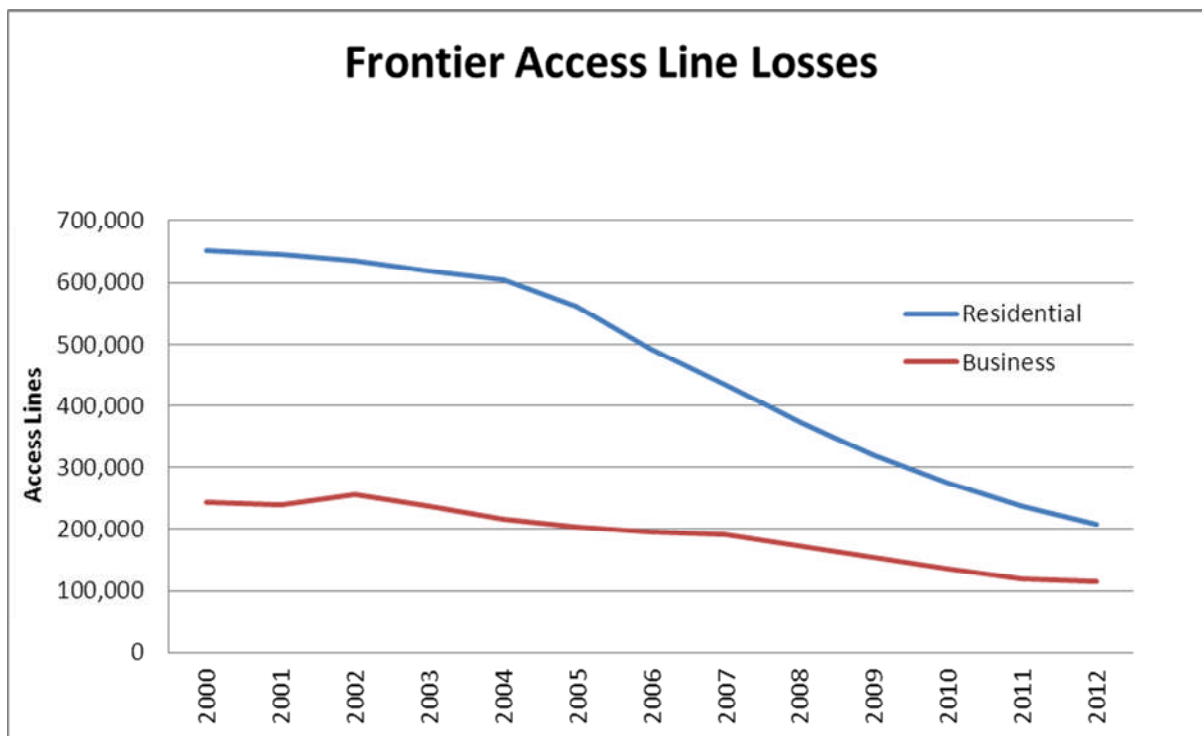
1 competitive ventures of regulated telecommunications companies, were collectively
2 intended to be addressed by my statement that “competitive pressures provide appropriate
3 checks on telecommunications services pricing, quality of service and the availability of
4 service to meet market demand.”²

5
6 **Q. MR. WEINMAN STATES, “WHERE THERE IS EFFECTIVE COMPETITION,**
7 **REGULATION MAY BE LOOSENED AND THESE POLICIES (REFERRING**
8 **TO POLICIES ONE, TWO, AND THREE) STILL WILL BE SUPPORTED.”**
9 **DOES EFFECTIVE COMPETITION EXIST IN FRONTIER’S WASHINGTON**
10 **SERVICE AREA TO ASSURE THESE POLICY GOALS WILL BE**
11 **MAINTAINED?**

12 A. Yes, and I say so with absolute confidence. In the Petition and throughout my direct
13 testimony, Frontier provided evidence of effective competition in the service territory in
14 which it serves. In testimony filed on April 25, responding witnesses for the Staff, Public
15 Counsel and the Department of Defense (DOD) each disputed the lack of competitive
16 alternatives for very specific and varied market subsets, including geographic areas,
17 customer types (residential, business, and enterprise) and various demographics. Not
18 every mode of competitor exists in every geographical market. Collectively, however,
19 there can be no doubt that customers in Frontier’s service area, both residential and
20 commercial, have reasonable service alternatives and Frontier does not have a captive
21 customer base. Frontier has lost 64.1%³ of its access lines from year-end 2000 to year-
22 end 2012 as reflected in the updated table below:

² Phillips Direct, p. 18, l. 3-4.

³ 895,435 on 12/31/2000 versus 321,370 on 12/31/2013.



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Unfortunately, this steady loss of access lines has been persistent and clearly demonstrates that Frontier does not have a captive customer base for residential or business services and that Frontier is continuing to confront competition and a decreasing market share.

As the chart above reflects, the access line losses impact both residential and business services. In 2012, Frontier experienced a decline of 4.9%⁴ of its business access lines and a 12.7%⁵ decline in its residential lines. The total number of access lines Frontier lost in 2012 was 35,978. The losses continue with Frontier experiencing 7,997 port-outs during just the first three months in 2013. In my testimony, I generally respond to statements of the witnesses that effective competition is not sufficient and then, later in my reply

⁴ 119,604 on 12/31/2011 versus 113,713 on 12/31/2012.

⁵ 237,744 on 12/31/2011 versus 207,657 on 12/31/2012.

1 testimony, I respond to specific claims of the parties that effective competition does not
2 exist.

3
4 **Q. PLEASE RESPOND TO MR. WEINMAN'S STATEMENT THAT FRONTIER**
5 **HAS NOT DEMONSTRATED THAT NONCOMPETITIVE SERVICES WILL**
6 **NOT SUBSIDIZE COMPETITIVE SERVICES (POLICY NUMBER FOUR).**

7 A. The Petition sought competitive designation for the company on the premise that all of its
8 services are competitive. To provide additional protection for wholesale services,
9 Frontier entered into a Settlement Agreement with CLEC Intervenors which provides for
10 wholesale price protections and Commission oversight for wholesale services which were
11 viewed by some parties as being non-competitive. The protections for wholesale services
12 are described and supported in my April 25 testimony in support of the CLEC Settlement.
13 Services offered subject to §§ 251 and 252 of the Telecommunications Act remain
14 subject to pricing based on Total Element Long Run Incremental Cost (TELRIC) and
15 resale discounts remain subject to the FCC's discount pricing methodology under this
16 Commission's jurisdiction and the interconnection agreements that cover those services
17 will continue to be filed with this Commission. Intrastate switched access rates, both
18 originating and terminating, are subject to the FCC's ICC Transformation Order. To
19 provide further assurances, Frontier agreed in the Settlement Agreement with the CLEC
20 Intervenors to move wholesale intrastate access services and advanced data services to a
21 wholesale catalog for which price increases are prohibited through July 1, 2017. The
22 additional measures included in the Settlement Agreement provide additional protections

1 against cross-subsidization of services which were viewed by some parties as being non-
2 competitive with competitive services.

3
4 **Q. MR. WEINMAN STATES THAT FRONTIER HAS NOT MET ITS BURDEN OF**
5 **DEMONSTRATING THAT GRANTING FRONTIER'S PETITION WILL**
6 **PROMOTE DIVERSITY IN THE SUPPLY OF TELECOMMUNICATIONS**
7 **SERVICES AND IN TELECOMMUNICATIONS MARKETS. HOW WILL**
8 **GRANTING FRONTIER COMPETITIVE DESIGNATION PROMOTE**
9 **DIVERSITY IN THE SUPPLY OF TELECOMMUNICATIONS SERVICES AND**
10 **IN TELECOMMUNICATIONS MARKETS (POLICY NUMBER FIVE)?**

11
12 A. Granting Frontier competitive designation will provide greater flexibility, in terms of
13 timing, service offerings, promotions and pricing to respond to the service offerings of
14 competitors. Frontier will be able to respond more quickly to its competitors and develop
15 and deploy new services and competitive pricing without regulatory delays and
16 uncertainty. This flexibility will increase the availability of competitively priced service
17 offerings for consumers in the service territory in which Frontier operates. Providing
18 Frontier with the competitive designation we are seeking will have the effect of adding
19 another effective competitor in the marketplace by allowing Frontier to compete on the
20 same regulatory playing field as the companies that Frontier has been losing customers
21 to.

1 **Q. WITH RESPECT TO POLICY GOAL NUMBER SIX, MR. WEINMAN SAYS**
2 **THAT FRONTIER IS RESPONSIBLE FOR ENSURING ITS OWN VIABILITY.**
3 **DO YOU AGREE?**

4 A. Yes. What Frontier is asking the Commission is that it allow the Company to be a viable
5 competitor in the highly competitive market it serves through parity with its competitors
6 with respect to the level of state regulation. Any regulatory condition imposed on
7 Frontier that undermines regulatory symmetry and is not imposed on its competitors is an
8 impediment to Frontier’s long-term viability.

9

10 *Response to Public Counsel:*

11 **Q. DR. ROYCROFT STATES THAT HE BELIEVES, “THAT FRONTIER HAS THE**
12 **BURDEN OF PROOF TO SHOW THAT IT IS SUBJECT TO EFFECTIVE**
13 **COMPETITION THROUGHOUT ITS ENTIRE SERVICE TERRITORY FOR**
14 **EVERY SERVICE THAT IS COVERED BY ITS REQUEST.” HE ALSO**
15 **STATES, “ADDITIONALLY THE COMMISSION MUST DETERMINE THAT**
16 **CAPTIVE CUSTOMERS ARE NOT PRESENT IN ANY OF FRONTIER’S**
17 **SERVICE TERRITORY.” DO YOU AGREE WITH DR. ROYCROFT’S**
18 **INTERPRETATION OF RCW 80.36.320(1)? (EMPHASIS ADDED)**

19 A. While I am not an attorney, it seems Dr. Roycroft is advocating a higher standard than is
20 stated in the statute. As underlined for emphasis by Dr. Roycroft in his testimony⁶, RCW
21 80.36.320(1) states, “Effective competition means that the company’s customers have
22 reasonably available alternatives and that the company does not have a significant captive
23 customer base.” It does not, anywhere in RCW 80.36.320(1) state that standard for being

⁶ Roycroft, p. 4, 7-10.

1 granted competitive classification is “effective competition throughout its entire service
2 territory for *every service covered by its request*” nor does it state that, “the Commission
3 must determine that there is not a single captive customer in any of Frontier’s service
4 territory.” The law, actually sets a less rigorous standard by requiring, “that the company
5 does not have a significant captive customer base” to be designated as a competitive
6 company.

7
8 **Q. IS IT IMPORTANT TO MAKE THE DISTINCTION BETWEEN THE LEGAL**
9 **STANDARD OF NOT HAVING A “SIGNIFICANT CAPTIVE CUSTOMER**
10 **BASE” AND DR. ROYCROFT’S STANDARD OF MAKING A**
11 **DETERMINATION THAT CAPTIVE CUSTOMERS ARE NOT PRESENT IN**
12 **ANY OF FRONTIER’S SERVICE AREA?**

13 A. Yes. It is especially important in light of the responsive testimony filed by Commission
14 Staff, Public Counsel and the DoD. There is a clear distinction between “no captive
15 customer” and the absence of a “significant captive customer base.” Much of the
16 responsive testimony of Staff and Public Counsel sought to identify small subsets of the
17 markets in which Frontier operates and explains that for a geographic area with a very
18 limited number of customers, one particular form of competition is not available or that
19 because of a customer application a particular mode of competition may be undesirable.⁷
20 I will respond to the specific respondent’s claims later in my testimony but it is very
21 important to understand that Frontier neither has a desire to nor the practical ability to
22 price discriminate and target rate increases to small isolated pockets of customers that
23 Staff or Public Counsel may perceive as having limited competitive options nor to target

⁷ Example: Roycroft, p. 23, line 21-22 explains that fax machines require wireline service.

1 on the basis of demographics nor to target on the basis of customer applications. Frontier
2 has been granted price deregulation of stand-alone basic service in other states with less
3 competition than Washington, and has not de-averaged its stand-alone basic service rates
4 as a result of deregulation. I will address this in greater detail later in my testimony. But
5 it is important for those applying the law in this case to recognize that the law does not
6 require that the Commission make a finding that there are no captive customers in the
7 area served by Frontier or to find effective competition for every customer for every
8 service. Moreover, it is important for the Commission to recognize, as I will further
9 expand upon later in my testimony, that Frontier has neither a desire nor a demonstrated
10 history of deaveraging service rates when given the regulatory opportunity to do so.

11
12 **Q. DR. ROYCROFT SUGGESTS THAT FRONTIER’S BROADBAND MARKET**
13 **PERFORMANCE IS A TREND THAT SUGGESTS FINANCIAL PRESSURE ON**
14 **FRONTIER AND THAT BECAUSE OF THIS INCREASED PRESSURE, IT**
15 **INCREASES THE INCENTIVE FOR FRONTIER TO GEOGRAPHICALLY**
16 **DISCRIMINATE IN A WAY THAT WOULD DISADVANTAGE CUSTOMERS**
17 **IN AREAS WHERE FRONTIER FACES LOWER LEVELS OF COMPETITION.**
18 **SHOULD THE COMMISSION RELY UPON THIS LOGIC IN ITS**
19 **CONSIDERATION OF FRONTIER’S PETITION?**

20 A. No. This seems to be “heads, I win; tails, you lose” logic. It is not hard imagine that if
21 Frontier was increasing its market share for broadband service, Dr. Roycroft would be
22 relying on an argument premised on the lack of effective competition as the rationale for
23 advocating denial of Frontier’s Petition.

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Q. HAVE ANY OF FRONTIER’S AFFILATE COMPANIES IN OTHER STATES BEEN GRANTED RATE DEREGULATION WHICH WOULD REMOVE REGULATORY BARRIERS TO FRONTIER GEOGRPAHICALLY DEEVERAGING ITS RATES?

A. Yes. Frontier affiliates in Illinois and Ohio, for example, have attained a form of “market regulation”⁸ without any prohibitions against rate de-averaging of basic local service rates. Other states, including: California, Idaho, Iowa, Wisconsin, Michigan and Indiana, basic service rates were deregulated as a result of change of law.⁹

Q. HAS FRONTIER DEEVERAGED ITS BASIC LOCAL SERVICE RATES IN ANY OF THESE STATES SINCE BEING GRANTED AUTHORITY TO DO SO?

A. No. However, prior to enactment of the 2005 deregulation law in Iowa, Frontier petitioned the Iowa Utilities Board seeking authority to lower its basic residential and basic business rates in the Orange City exchange to respond to a municipal competitor in that market. The municipal competitor overbuilt the municipal area but did not offer service in the rural areas of the exchange. Under Iowa’s regulatory framework at the time, Frontier requested, and was granted, authority to reduce rates to all customers within the exchange without regard to whether there was an alternative wireline competitor available to customers in the rural areas of the exchange. Frontier did not seek to increase rates in other exchanges to “recover” the lower rates in Orange City.

⁸ Frontier response to Staff DR No. 9
⁹ Ibid.

1 **Q. SINCE FRONTIER FACED COMPETITION ONLY WITHIN THE MUNICIPAL**
2 **AREA OF THE ORANGE CITY EXCHANGE, WHY DID FRONTIER NOT**
3 **REQUEST AUTHORITY TO REDUCE RATES ONLY WITHIN THE**
4 **MUNICIPAL AREA OF THE ORANGE CITY, IOWA EXCHANGE?**

5 A. While it may it may seem rational in theory to reduce rates in only competitive areas (or
6 conversely increase rates in non-competitive markets), the reality of operating nation-
7 wide call centers to take customer orders, marketing and mass advertising on a broad
8 geographic basis and, the operation support system, including billing system,
9 complexities of matching service rates to respond to competition at a granular level is not
10 desirable to Frontier nor is it practical. While Frontier has maintained lower rates in the
11 Orange City, Iowa market, it has not pursued deaveraged basic local service rates in Iowa
12 or any other states since being granted authority to do so.

13
14 **Q. HOW DOES THE LEVEL OF COMPETITION IN THE STATES, REFERENCED**
15 **ABOVE, THAT HAVE BEEN RATE DEREGULATED COMPARE TO**
16 **WASHINGTON?**

17 A. On a state-wide basis, Washington has a higher level of competition than the other
18 Frontier affiliate states which have deregulated rates. As of December 31, 2011, CLECs
19 and VoIP provider, on a statewide basis, provided 44% of the landlines in the state of
20 Washington. This does not even consider wireless substitution, which I discuss in more
21 detail later in my testimony. The 44% market share of CLECs and VoIP providers
22 indicates a higher level of competition or market share for land line service statewide

1 than California, 32%; Idaho, 27%; Illinois, 33%; Indiana, 28%; Iowa, 29%; Michigan,
2 39%; and Ohio, 33%.¹⁰

3
4 *Conclusion of Statutory Criteria:*

5 **Q. WHAT STANDARD SHOULD BE USED TO DETERMINE WHETHER**
6 **FRONTIER SHOULD RECEIVE DESIGNATION AS A COMPETITIVE**
7 **TELECOMMUNICATIONS COMPANY?**

8 A. Although the law speaks for itself, it does require some rational reasoning and a measure
9 of subjective judgment as there is not a prescribed, quantitative standard for determining
10 “effective competition”. The Commission should literally read the law without
11 interjecting conditions that do not exist as suggested by Public Counsel when it says the
12 Commission must determine that captive customers are not present in any of Frontier’s
13 service territory or Commission Staff when it asserts that competitors must offer identical
14 services to Frontier for effective competition to exist. If the Commission finds there are
15 small subsets of customers that do not sufficient alternatives to Frontier’s service, the
16 Commission should consider the size of those customer groups and make a rational
17 determination as to whether customer harm is likely to result from granting Frontier
18 competitive designation.

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¹⁰ Jack Phillips Exhibit No. (JP-2), p. 20.

1 **III. DEMONSTRATION OF EFFECTIVE COMPETITION.**

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3 **Q. PLEASE RESPOND TO STAFF WITNESS JING LIU’S CONCLUSION THAT**
4 **EFFECTIVE COMPETITION DOES NOT EXIST WITH RESPECT TO BASIC**
5 **RESIDENTIAL STAND-ALONE SERVICE?**

6 A. Effective competition for residential service exists in Frontier’s service area. Later in my
7 testimony, I will demonstrate the following as I respond, by mode of competition:

- 8 • Contrary to Ms. Liu’s conclusion that competition is more pervasive with respect
9 to business, customers, Frontier is facing broad-based competition for all of its
10 residential customers, including customers subscribing to basic residential stand-
11 alone service. The number of residential access lines by Frontier declined from
12 237,744 to 207,657 or 12.7% just during calendar year 2012 in Washington.
- 13 • Alternative residential voice service is available in Frontier’s service area from
14 multiple different wireless providers. Wireless service, with its mobility, wide
15 array of features and declining rates, is clearly a substitute for residential voice
16 service, including basic stand-alone residential service. Two national wireless
17 voice service providers, AT&T and T-Mobile, which collectively offer coverage
18 in exchanges representing 99.3% of Frontier’s access lines, have been granted
19 ETC designation. In doing so, the Commission was required to make a finding
20 that these carriers offer voice grade access to the public switched network or its
21 functional equivalent throughout their entire designated service area.
22 Additionally, three other wireless carriers have been granted ETC status which

1 may have ETC designation for the remaining three wire centers representing .7%
2 of Frontier's access lines.

- 3 • Cable voice service from alternative providers is available to Frontier wire centers
4 serving 95.8% of Frontier's access lines. To the extent residential consumers
5 continue to retain "landline" service, they are purchasing their service from the
6 local cable provider that also offers video service.
- 7 • Frontier has broadband available to 93.2% of households in its Washington
8 service area. Additionally, other service providers in Frontier's service area offer
9 broadband service. While Frontier specific adoption rates are not available,
10 Washington has the third-highest broadband adoption rate in the nation at 76.7%
11 as of 2010. This is undoubtedly higher today. Collectively, these factors make
12 VoIP and other Internet-based voice communication options (e.g. Skype) another
13 legitimate and rapidly growing mode of competition in Frontier's service areas.
- 14 • Only three exchanges (Loomis, Nile and Stevens Pass), representing .3% of
15 Frontier's access lines did not have port-outs to competitors in the thirteen months
16 ended March 31, 2013. Each of these three exchanges has at least one wireless
17 carrier designated as an ETC. Additionally, two of the exchanges, Nile and
18 Stevens Pass, have high-speed Internet availability making VoIP and other
19 Internet-based voice communications another available voice option.

20
21 Based on these facts, the Commission should reject Ms. Liu's conclusion regarding the
22 absence of competitive alternatives for stand-alone basic residential phone service and

1 should instead find that Frontier’s residential customers have reasonable and sufficient
2 competitive alternatives to support Frontier’s classification as a competitive provider.

3
4 **Q. PLEASE RESPOND TO STAFF WITNESS JING ROTH’S CONCLUSION THAT**
5 **EFFECTIVE COMPETITION DOES NOT EXIST WITH RESPECT TO**
6 **FRONTIER’S BUSINESS BASIC SERVICE?**

7 A. Staff witness Jing Roth concludes that Frontier is not facing effective competition with
8 respect to its “one party stand-alone business line” service. Staff witness Roth asserts
9 that “small business customers do not have readily available alternatives for the stand-
10 alone business line that Frontier currently offers at a flat rate of \$33.60 per month.”¹¹ I
11 strongly disagree with this conclusion and there are a number of flaws in the analysis
12 supporting Staff’s position.

13
14 First, Ms. Roth bases her conclusion on the fact that Frontier was unable to identify the
15 number of small business customers (defined as three lines or fewer) served by
16 competitive providers in its service territory.¹² Ms. Roth fails to acknowledge in
17 testimony that Frontier does not have access to the confidential access line count
18 information and subscriber data specific to its competitors operating in Washington.
19 Frontier’s competitors, including cable companies, CLECs and wireless providers have
20 no obligation and no interest in providing Frontier with data or information regarding the
21 small business customers they provide service to in Frontier’s territory. Consequently,
22 Frontier has no practical or reliable way to show who or what competitor providers are

¹¹ Roth, p.21, 11-14

¹² Roth, p.8, 1-10

1 providing service to small businesses that no longer subscribe to service with Frontier.
2 Contrary to Ms. Roth’s conclusion, the fact that Frontier was unable to identify the small
3 business customers served by competitors does not mean that “Frontier is the *only*
4 provider of these services.”¹³ There is simply no validity to Ms. Roth’s unsupported
5 conclusion that Frontier small business customers have “none” in terms of competitive
6 alternatives for stand along business services.

7
8 Second, Ms. Roth explains that her analysis of the absence of competition for small
9 business services is based on data requests that were sent to five CLECs that have
10 intervened in this proceeding. However, as Ms. Roth acknowledges that one of those
11 CLECs, Integra, does in fact offer basic stand-alone business service to small business
12 customers in Frontier’s service territory, albeit on a contract basis with a one, two or
13 three year term option. Integra is an aggressive and strong competitor of Frontier for its
14 business customers. Integra’s website, which has a separate section specifically targeting
15 small business customers explains:

16 *“Small businesses will appreciate our rich and flexible service offering, while*
17 *mid-size and rapidly growing companies will benefit from the customization and*
18 *proven solutions that Integra offers. Best of all, your experience with Integra is*
19 *backed by local engineering, account management and customer care*
20 *professionals who can quickly address your needs.*

21 *Learn More About Integra’s Products and Solutions for Small Business*

22 *From voice and data to managed and cloud services, we can create a customer*
23 *solution that will take your business to the next level.*

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27 See Exhibit No.____ (JP-30) Integra Small Business Products

¹³ Roth, p.8, 13-16

1 Integra’s website page “VOICE COMMUNICATIONS FOR SMALL BUSINESS” also
2 explains:

Today, finding a voice solution for your business that is reliable and cost efficient is vital. With the continuing industry-wide migration of voice services from TDM based to IP, you need a partner you can trust who has experience delivering voice services over multiple platforms. No matter what technology you choose, the fact remains that when you pick up the phone, you expect it to work.

Integra’s portfolio of voice services is designed to work for you. We have scalable, customizable solutions ranging from small office solutions up through multi-site enterprise applications. Whether you need business lines for your alarm system or solutions to power your phone systems, Integra has earned the trust of organizations by delivering a reliable service and a superior customer experience. We have a seasoned design team that will tailor a solution for your organization that will meet your needs today and grow with you into the future.

3 See Exhibit No.____ (JP-31) Integra Small Business Voice Comm. As evidenced by its
4 website, Integra clearly targets and attempts to sell telephony services to small business
5 customers.

6
7 In fact, under its Interconnection Agreement with Frontier, Integra has collocated
8 equipment in Frontier’s central offices in order to purchase UNEs and service business
9 customers in more than *****BEGIN HIGHLY CONFIDENTIAL [REDACTED] END HIGHLY**
10 **CONFIDENTIAL***** Frontier wire centers. Integra also purchases more than
11 *****BEGIN HIGHLY CONFIDENTIAL [REDACTED] END HIGHLY CONFIDENTIAL*****
12 resold lines in over *****BEGIN HIGHLY CONFIDENTIAL [REDACTED] END HIGHLY**
13 **CONFIDENTIAL***** Frontier wire centers.¹⁴ In addition, **BEGIN HIGHLY**
14 **CONFIDENTIAL [REDACTED]**

¹⁴ See Exhibit No.____(JP-33) HC_Resale Summary, Exhibit No.____(JP-32) HC_UNE Loop Summary, and Exhibit No.____(JP-34) HC_UNE-P Summary.

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[REDACTED]

[REDACTED]. **END HIGHLY CONFIDENTIAL*****

Integra also purchases a variety of loops and other UNEs from Frontier. Integra utilizes all of these services to compete with and provide telephone service to business customers in Frontier’s service territory. The fact that Integra offers a standalone business service which competes with Frontier undermines Ms. Roth’s conclusion regarding the absence of competition for small business customers subscribing to stand alone business service.

Ms. Roth’s conclusion is further undermined by the fact that Ms. Roth only considered responses to data requests from five CLECs in reaching her conclusion regarding the absence of effective competition for small business service. This is despite the fact that Ms. Roth acknowledges in her testimony that Frontier has entered into interconnection agreements with 50 alternative providers in Washington that “provide similar services or functionally equivalent substitute service.” to Frontier’s service.¹⁵ Moreover, as I explained in my initial testimony there are currently 50 CLECs purchasing approximately resold lines and UNE loops pursuant to interconnection agreements and UNE-P lines pursuant commercial agreements with Frontier in Washington. There are several CLECs that are primarily using Frontier’s facilities to provide service to business customers across a wide range of Frontier’s wire centers. For example *****BEGIN HIGHLY**

CONFIDENTIAL [REDACTED] END HIGHLY CONFIDENTIAL***

provides service exclusively to business customers.¹⁶ *****BEGIN HIGHLY**

¹⁵ Roth, p. 5, 8-11.

¹⁶ On its website, the Company explains: *****BEGIN HIGHLY CONFIDENTIAL [REDACTED] END HIGHLY CONFIDENTIAL*****

1 **CONFIDENTIAL** [REDACTED] **END HIGHLY CONFIDENTIAL*****
2 purchases more than *****BEGIN HIGHLY CONFIDENTIAL** [REDACTED] **END HIGHLY**
3 **CONFIDENTIAL***** UNE-P lines from Frontier in more than one-half of Frontier’s
4 wire centers and more than *****BEGIN HIGHLY CONFIDENTIAL** [REDACTED] **END**
5 **HIGHLY CONFIDENTIAL***** resold lines in over 85 wire centers, which it utilizes to
6 provide telephone service to business customers in Frontier service territory.¹⁷
7 Similarly, *****BEGIN HIGHLY CONFIDENTIAL** [REDACTED] **END**
8 **HIGHLY CONFIDENTIAL*****, which only provides service to business customers,
9 purchases more than *****BEGIN HIGHLY CONFIDENTIAL** [REDACTED] **END HIGHLY**
10 **CONFIDENTIAL***** UNE-P lines from Frontier in more than 35 of Frontier’s wire
11 centers which it utilizes to provide telephone service to business customers in Frontier’s
12 service territory.¹⁸ In addition, *****BEGIN HIGHLY CONFIDENTIAL** [REDACTED]
13 [REDACTED] **END HIGHLY CONFIDENTIAL***** another
14 provider that only services business customers, purchases more than *****BEGIN**
15 **HIGHLY CONFIDENTIAL** [REDACTED] **END HIGHLY CONFIDENTIAL***** UNE-P
16 lines from Frontier in more than 50 of Frontier’s wire centers and more than *****BEGIN**
17 **HIGHLY CONFIDENTIAL** [REDACTED] **END HIGHLY CONFIDENTIAL***** _resold lines
18 in over 35 wire centers which it utilizes to provide telephone service to business
19 customers in Frontier’s service territory.¹⁹ There are numerous other CLECs that target
20 and provide service to small business customers across Frontier’s service territory using

¹⁷ See Exhibit No.__(JP-33) HC_Resale Summary and Exhibit No.__(JP-34) HC_UNE-P Summary.

¹⁸ See Exhibit No.__(JP-34) HC_UNE-P Summary.

¹⁹ See Exhibit No.__(JP-33) HC_Resale Summary and Exhibit No.__(JP-34) HC_UNE-P Summary.

1 UNEs, resale and UNE-P. See Exhibit No.__(JP-32) HC_Resale Summary, Exhibit
2 No.__(JP-33) HC_UNE Loop Summary, and Exhibit No.__(JP-34) HC_UNE-P
3 Summary.

4
5 It is important to note, however, that the quantities and information regarding alternative
6 providers purchasing resale lines, UNE loops and UNE-P from Frontier does not include
7 any competitive activity in which the CLEC, cable company, VoIP provider or wireless
8 carrier is providing service utilizing its own network or another third party's network
9 other than Frontier's network to provide service. Several of the wireless providers
10 directly target and sell wireless service to small business customers and wireless service
11 represents a real and robust competitor for small business customers. For example,
12 Verizon Wireless, has separate web pages and plans specifically targeted at small
13 business customers using up to 25 phone devices. Verizon Wireless offers a wide array
14 of options and plans for voice service with plans for voice service with unlimited voice
15 minutes, with no domestic long distance charges. In the example on Verizon Wireless's
16 website for small business it provides an example of its "Share Everything" plan for
17 small business in which the small business customer would use two basic wireless phones
18 (\$30/month each), four wireless smartphones (\$40/month each), 2 tablets (\$10/month
19 each) and 2 computer notebooks (\$20/month each under a unlimited talk and text and 20
20 GB data plan for \$430 per month. See Exhibit No.__(JP-35) Verizon Wireless Small
21 Business.

1 Similarly, T-Mobile specifically targets and provides voice services to small business
2 customers. Small business customers may purchase unlimited talk and text, with up to 50
3 MB of high speed data for \$50 per month for one line. If the small business customer
4 purchases 5 lines with unlimited talk and texting, and 500 MB of high speed data for each
5 of the 5 devices, the total cost is \$110 (\$50 first line, \$30 for second line and \$10 for each
6 of the three additional lines) bring the average cost per line for unlimited voice minutes
7 for the five small business lines to \$22 per line per month. See Exhibit No.____(JP-36) T-
8 Mobile Small Business.

9
10 Sprint also explicitly targets small business customers and offers a variety of voice plans
11 ranging from \$29.99 per month for 200 minutes to \$99.99 per month for unlimited voice
12 minutes, including domestic long distance. See Exhibit No.____(JP-37) Sprint Small
13 Business. Sprint also offers a Sprint Phone Connect service which utilizes the wireless
14 network to provide voice service as a substitute for traditional landline service for small
15 businesses.

16
17 Similarly, Comcast offers phone services specifically targeted at small business
18 customers. Comcast offers a full feature phone, with unlimited local and nationwide long
19 distance service, along with vertical features for \$59.95 a month, with the option to add
20 additional basic lines for \$29.95 per month. See Exhibit No.____(JP-38) Comcast
21 Business Class.

1 In short, there is a significant and potent group of competitors targeting and providing
2 small business customers with a competitive service alternatives to Frontier’s basic stand-
3 alone business service. Some of these carriers, including Integra, use Frontier’s network
4 infrastructure to provide competitive service alternatives to small business customers and
5 other providers like Verizon Wireless, T-Mobile, Sprint and Comcast, just to name a few,
6 bypass Frontier’s network and use their own facilities to serve small business customers.
7 The facts and level of competition in the small business customer marketplace simply do
8 not support Ms. Roth’s conclusion that small business customers are “captive” and do not
9 have reasonable alternatives to Frontier’s standalone basic business service. The
10 Commission should reject Ms. Roth’s conclusion and should instead find that Frontier’s
11 small business customers have reasonable and sufficient competitive alternatives to
12 support Frontier’s classification as a competitive provider.

13
14 **Q. PLEASE RESPOND TO STAFF AND PUBLIC COUNSEL WITNESSES**
15 **TESTIMONY REGARDING SPECIFIC TYPES OF COMPETITION?**

16 A. In the following sections I separately address specific forms of competition faced by
17 Frontier – specifically, wireless, cable competitors, VoIP providers and CLECs. During
18 the 13 month period from March 1, 2012 through March 31, 2013, Frontier customers
19 ported out 34,493 lines to competitive providers. The following table summarizes the
20 breakdown of the Frontier port outs during this period.

Type of Competitor	Number of Port Outs (March 2012 – March 2013)
Wireless	3,644
Cable	11,669
CLEC	19,180

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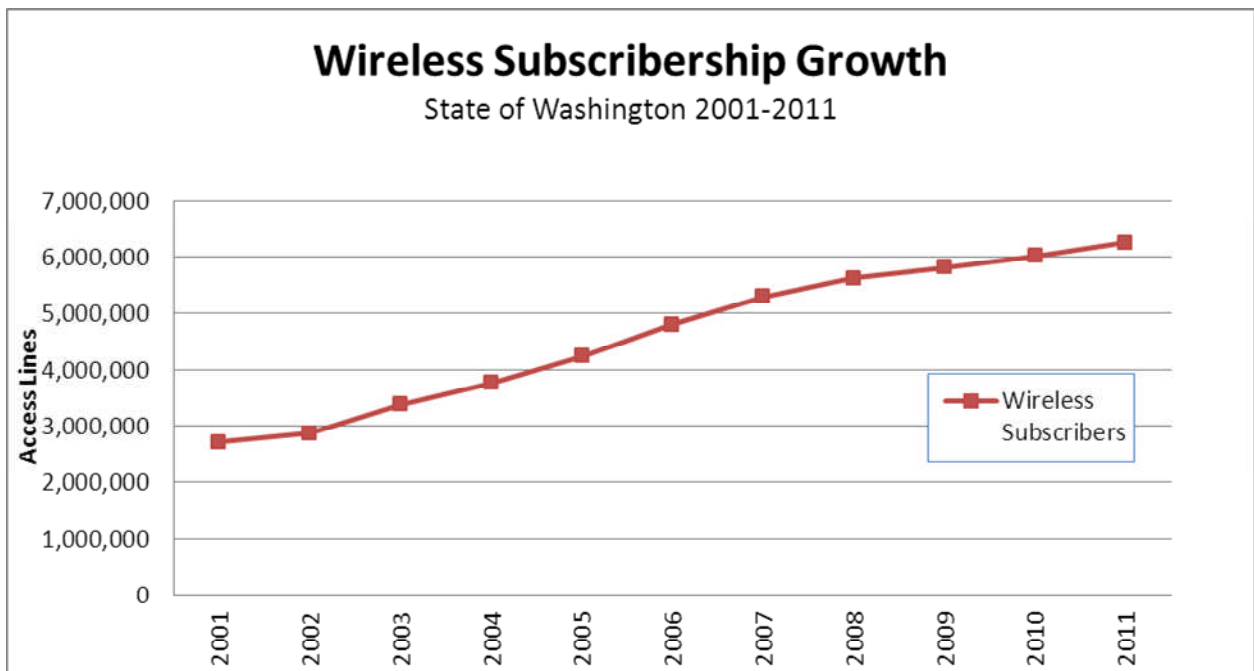
See Exhibit No.__(JP-39) HC Port out Summary.

Although each type of competition can be looked at individually, it is important that the Commission recognize that one type of competition cannot be looked at in isolation. Effective competition exists when the entire competitive environment for all service alternatives is considered.

Wireless

Q. WHAT CAN THE COMMISSION CONCLUDE WITH RESPECT TO A FINDING OF WIRELESS SERVICE OFFERING A VIABLE COMPETITIVE ALTERNATIVE IN FRONTIER’S SERVICE AREA?

A. According to the FCC’s data, between December 2001 and 2011, the number of wireless subscribers in Washington increased from 2,706,033 to 6,259,000. This trend is reflected in the chart below:



1 During this period the number of wireless subscribers in Washington increased by more
2 than two hundred thirty percent (230%). However, during the same time period the
3 number of lines served by ILEC and CLEC carriers in Washington decreased from
4 4,071,932 to 2,878,000. Clearly, this level of growth in wireless service would not have
5 occurred while the number of traditional landline telephone lines contracted if consumers
6 did not find wireless service to be a substitute for landline service.

7
8 **Q. DR. ROYCROFT REFERRED TO A STATEMENT BY THE CALIFORNIA**
9 **PUBLIC UTILITIES COMMISSION (“CALIFORNIA COMMISSION”) IN ITS**
10 **CONSIDERATION OF A TECHNOLOGY-NEUTRAL DEFINITION OF BASIC**
11 **SERVICE.²⁰ ARE YOU FAMILIAR WITH THE CALIFORNIA PROCEEDING**
12 **FROM WHICH DR. ROYCROFT REFERENCED?**

13 A. Yes, I am. This proceeding, Rulemaking 09-06-019, was to define the term “basic local
14 service” with respect to participation in various public programs, including those offering
15 lifeline service in the state.

16
17 **Q. WHAT WAS CALIFORNIA COMMISSION’S DECISION WITH RESPECT TO**
18 **DEFINING “BASIC LOCAL SERVICE”?**

19 A. The California Commission adopted a definition of “basic local service” that was
20 technology-neutral. That is, they adopted a definition that included voice service
21 provided by not only wireline but also wireless and VoIP providers.

22 Our updated basic local service definition shall apply to any
23 telecommunications corporation serving as Carrier of Last Resort
24 (COLR) and/or offering Universal Lifeline Telephone Service

²⁰ Roycroft, p. 24, 2-12.

1 within California. The adopted basic service elements are
2 designed to apply on a technology-neutral basis to all forms of
3 communications technology that may be utilized, including
4 wireline, wireless, and Voice over Internet Protocol (VoIP) or any
5 other future technology that may be used in the provision of
6 telephone service.²¹
7

8
9 **Q. PLEASE ADDRESS THE COMMISSION’S DESIGNATION OF WIRELESS**
10 **SERVICE PROVIDERS AS ELIGIBLE TELECOMMUNICATIONS CARRIERS**
11 **IN FRONTIER’S SERVICE AREA.**

12
13 A. Staff witnesses Roth and Liu explain in their testimony that five wireless carriers have
14 been designated by the Commission as ETCs in Frontier’s service territory. Those
15 carriers are AT&T Mobility, T-Mobile West Corporation, U.S. Cellular Corporation,
16 Eastern Sub-RSA Limited Partnership (d/b/a Inland Cellular) and Washington RSA No 8
17 Limited Partnership (d/b/a/ Inland Cellular). The Commission granted AT&T Mobility’s
18 request to be designated as an ETC in 2004 in Docket No. UT-043011. In order to
19 comply with federal universal service fund requirements, ETCs are required to offer basic
20 telephone service and advertise the availability of that service. In requesting ETC
21 designation, AT&T committed to use support from the federal universal service fund to
22 deploy infrastructure to expand consumer choice and competition to areas that were
23 lacking competitive alternatives in 2004. Order No. 1 at ¶¶ 11-12. Commission Staff
24 recommended approval of AT&T’s petition because among other things, it would bring
25 the benefits of competition to rural customers.” Order No 1 at ¶¶ 24-25. In granting

²¹ California Public Utilities “Decision Adopting Basic Telephone Service Revisions”, R.09-06-019, December 24, 2012, p. 2-3.

1 AT&T's designation as an ETC, the Commission recognized that AT&T would be
2 offering a competitive alternative to traditional landline telephone service. It explained:

3
4 *“Public interest” is a broad concept encompassing the welfare of present and*
5 *future consumers, stakeholders, and the general public. The “public interest” is*
6 *broader than the goal of competition alone, and broader than the goal of*
7 *advancing universal service alone; and we believe the decision today advances*
8 *these two goals. Designating AWS as an ETC furthers the public interest because*
9 *consumers will receive benefits from increased competition in the form of a*
10 *greater variety of services and more comparability of services, compared to more*
11 *urban areas. Rural customers also benefit because they, rather than the*
12 *government, will choose which services meet their telecommunications needs.*

13
14 Order No. 1 at ¶ 40. The Commission emphasized the importance of not favoring one
15 form of competitive service over another and allows consumers to decide what
16 technology they find desirable for purposes of subscribing to service:

17
18 *Granting AWS's petition also is consistent with the principles of competitive and*
19 *technological neutrality. AWS offers service through technologies that Rural*
20 *ILECs and other wireless carriers do not use. Consumers are better off when the*
21 *government does not favor one technology over another, but instead lets*
22 *consumers choose the technology, based on its own attributes (including quality*
23 *of service), in comparison to the attributes of other technologies.*

24
25 Order No. 1 at ¶ 44. In the initial order, AT&T sought designation as an ETC in 242
26 exchanges across Washington. In two subsequent requests, and Commission orders,
27 AT&T requested and the Commission approved AT&T's designation as an ETC in
28 additional wire centers. As explained in more detail in my testimony below, presently,
29 AT&T has been designated as a competitive ETC in 95 of Frontier's 102 wire centers,
30 which constitutes 95% of Frontier access lines in Washington. See Exhibit No.__(JP-
31 40)

1 In addition, the Commission granted T-Mobile's request to be designated as an ETC in
2 2010 in Docket No. UT-101060. In approving T-Mobile's request, the Commission
3 recognized that T-Mobile was required to and capable of offering basic telephone service.
4 Order at ¶ 9. In granting T-Mobile's request, the Commission relied upon the Staff's
5 analysis and found that:

6
7 *T-Mobile meets the public interest test for ETC designation. Washington*
8 *consumers will benefit from the Company's additional investment as a result of*
9 *receiving federal high cost support. It will enhance T-Mobile's ability to bring*
10 *competitive and innovative services to consumers throughout its service area,*
11 *especially rural areas. Designating T-Mobile as an ETC is also consistent with*
12 *the principle of competitive neutrality.*

13
14 Order at ¶11. As I explain below, presently, T-Mobile has been designated as a
15 competitive ETC in 78 of Frontier's 102 wire centers, which constitutes 89.2% of
16 Frontier access lines in Washington. See Exhibit No. __ (JP- 40)

17
18 **Q. HAS FRONTIER CONDUCTED AN ANALYSIS OF THE AVAILABILITY OF**
19 **WIRELESS VOICE SERVICE BASED ON THE COMMISSION'S**
20 **DESIGNATION OF WIRELESS CARRIERS AS ETC'S IN FRONTIER'S**
21 **SERVICE AREA?**

22 A. Frontier has conducted an analysis based on information available on the Commission's
23 website. Exchange-specific information could only be found for AT&T Mobility
24 ("AT&T") and T-Mobile West Corporation ("T-Mobile"). The Commission granted
25 AT&T ETC status in a series of three orders in Docket No. UT-043011. T-Mobile was
26 granted ETC status by the Commission in two orders in Docket No. UT-101060.
27 Exchange specific information for the ETC designation for U.S. Cellular Corporation,
28 Eastern Sub-RSA Limited Partnership (d/b/a Inland Cellular) and Washington RSA No. 8

1 Limited Partnership (d/b/a Inland Cellular) could not be found on the Commission's
2 website.

3

4 **Q. WHAT WERE THE RESULTS OF THE ANALYSIS OF THE COMMISSION'S**
5 **ORDERS DESIGNATING TWO OF THE FIVE ETC WIRELESS CARRIERS OF**
6 **ETC STATUS?**

7 A. Information for the two available carriers, AT&T and T-Mobile is summarized in Exhibit
8 No. __ (JP- 40). It shows that, of these two wireless carriers, at least one of them has been
9 granted ETC designation in all but three wire centers: Grayland with 475 Frontier access
10 lines; GTE NW Washington (a Washington designated wire center with customers served
11 from a switch in Idaho), 112 Frontier access lines; and Maple Falls with 1,547 Frontier
12 access lines. These three exchanges represent .7% of Frontier's access lines and each
13 wire center has port-outs to other carriers, thereby demonstrating the existence of
14 competition in those areas.

15

16 **Q. ARE THERE REQUIREMENTS FOR CARRIERS TO BE DESIGNATED AS**
17 **ETC?**

18 A. Yes. The Federal Communications Commission ("FCC") has prescribed in its rules the
19 conditions for carriers to be eligible to be designated as an eligible telecommunications
20 carrier.

21

22 **Q. MS. LIU REFERS TO HER DISCUSSION WITH WIRELESS ETCS AND THEIR**
23 **COVERAGE MAPS AND "WHITE SPOTS" WHERE WIRELESS SIGNALS**

1 **ARE NOT AVAILABLE. DO THE FCC RULES SPECIFY WHERE ETCS MUST**
2 **OFFER THEIR SERVICE?**

3 A. Yes. 47 C.F.R. § 54.201(d) requires that ETCs offer supported services “throughout the
4 service area for which the designation is received.” It seems inconsistent that a wireless
5 carrier would be designated as an ETC would have “white spots where wireless signals
6 are not available”. Regardless, as an ETC these carriers have an obligation to make
7 service available upon request.

8
9 **Q. DO THE FIVE WIRELESS CARRIERS THAT HAVE BEEN DESIGNATED AS**
10 **ETCS IN FRONTIER’S SERVICE AREA RECEIVE FEDERAL HIGH-COST**
11 **SUPPORT IN WASHINGTON.**

12 A. Yes. According to the Universal Service Administrative Company’s (“USAC’s”) 1Q
13 2013 report showing high-cost support, the five companies receive over \$24.6M in
14 annualized high-cost support for the state of Washington.²²

15
16 **Q. ARE THERE SERVICE OBLIGATIONS REQUIRED OF TO ETCS**
17 **DESIGNATED BY THE COMMISSION TO RECEIVE HIGH-COST SUPPORT?**

18 A. Yes. FCC rules require that an ETC must offer telephony services as set forth below in
19 order to receive federal universal service support.²³

20 Services designated for support. Voice Telephony services shall
21 be supported by federal universal service support mechanisms.
22 Eligible voice telephony services must provide voice grade access

²² Calculated from Universal Service Administrative Company’s website, HC01- High Cost Support Projected by State by Study Area- 1Q2013, ll. 1631-1635. 1Q 2013 support for U.S. Cellular, \$851,184; Washington No. 8 Limited Partnership, \$507,816; Eastern Sub. RSA LP, \$160,176; T-Mobile Corp., \$442,755; Cingular Wireless, DBA AT&T Wireless, \$4,198,752, annualized.

²³ 47 CFR 54.101

1 to the public switched network or its functional equivalent;
2 minutes of use for local service provided at no additional charge to
3 end users; access to the emergency services provided by local
4 government or other public safety organizations, such as 911 and
5 enhanced 911, to the extent the local government in an eligible
6 carrier's service area has implemented 911 or enhanced 911
7 systems; and toll limitation services to qualifying low-income
8 consumers as provided in subpart E of this part.²⁴ (emphasis
9 added)

10
11
12 **Q. HAS THE FCC TAKEN ANY RECENT ACTION THAT AFFIRMS WIRELESS**
13 **SERVICE AS A SUBSTITUTE FOR WIRELINE SERVICE?**

14 A. Yes. In addition to prior actions in which the FCC made wireless carriers eligible for
15 lifeline programs and high-cost support, this was further affirmed this when the FCC
16 implemented rule changes on June 21, 2011 that limited lifeline support to only one
17 subsidy per customer and one subsidy per household, effectively requiring lifeline
18 customers to choose between wireless and wireline services.²⁵ Furthermore, in that
19 Order, the FCC noted, "according to USAC's most recent annual report, competitive
20 ETCs, including wireless ETCs, now have more Lifeline subscribers than incumbent
21 ETCs."²⁶

22
23
24 **Q. WHY ARE AT&T'S, T-MOBILE'S AND THE THREE OTHER WIRELESS**
25 **CARRIER'S DESIGNATION AS COMPETITIVE PROVIDERS IN FRONTIER'S**
26 **SERVICE AREA SIGNIFICANT IN THIS PROCEEDING.**

27
28 A. The fact that two large national wireless carriers, and three regional carriers have been
29 designated as ETCs across Frontier's service area demonstrates that there is a viable

²⁴ 47 CFR 54.101(a)

²⁵ 47 CFR 54.409

²⁶ FCC Report and Order, In the Matter of Lifeline and Link Up Reform and Modernization (WC Docket No. 11-42), June 21, 2011, footnote 11.

1 competitive alternative to Frontier’s basic telephone services. In its most recent ETC
2 eligibility reported filed July 30, 2012 AT&T Mobility explained that it offers a Lifeline
3 service with 300 anytime minutes, 1000 night and weekend minutes and nationwide long
4 distance included for \$24.99 per month before lifeline discounts of up to \$8.25 per
5 month. AT&T’s compliance filing also included several advertisements for its service
6 and further explained that other non-lifeline plans were available for \$39.99 per month.
7 See Exhibit No.__(JP- 41).

8
9 In its most recent ETC filing on July 31, 2012, T-Mobile showed that it has a non-lifeline
10 plans of \$34.99 per month with 500 “whenever minutes” with unlimited nights and
11 weekends. See Exhibit No.__(JP-42). T-Mobile included a copy of its newspaper ad in
12 the July 31, 2012 ETC filing showing its lifeline service offering of \$6.49 per month:

T-Mobile

**Get T-Mobile® service
for \$6.49 a month**

T-Mobile keeps you connected affordably.

Just \$6.49 per month includes:

- 145 Whenever Minutes®
- 500 Night Minutes +
500 Weekend Minutes
- **Nationwide coverage** on
America's Largest 4G Network®
- Additional minutes for \$0.05 each

Are you eligible?

You may qualify based on your income, or if you're currently receiving assistance from Medicaid, Food Stamps (SNAP) or Supplemental Security Income (SSI). Your eligibility varies by state. If you're a resident of federally recognized Tribal Lands, you can get Lifeline for just \$1 per month.

**To see if you qualify and to apply,
call 1-800-937-8997**

Discounted wireless service is provided under the Lifeline Assistance program and a one-time reduced activation fee under the Link Up program. T-Mobile currently offers Lifeline/Link Up service only in areas where the company has Eligible Telecommunications Carrier status.

Limited-time offer, subject to change. Taxes and fees additional; other fees may apply. Domestic only. **General Terms:** Activation on a qualifying rate plan, \$35 per line activation fee and one-year agreement required; early cancellation fee may apply. Coverage extra; partial minutes rounded up. **Nights and Weekends:** Weekends are midnight Friday to midnight Sunday, and nights are 9:00 p.m. to 6:59 a.m. Monday-Friday, based upon start time of call. Time of call usually based on location of equipment transmitting call; if location is not available, time of call based on time zone associated with your phone number. **Coverage:** Coverage not available everywhere. **Abnormal Usage:** Service may be limited or terminated for misuse, abnormal usage or significant roaming. See brochures and **Terms and Conditions (including arbitration provision)** at www.T-Mobile.com for additional information regarding T-Mobile service and products. © 2011 T-Mobile USA, Inc.

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Q. WHAT CONCLUSION CAN BE DRAWN FROM THIS WITH RESPECT TO AVAILABILITY OF WIRELESS VOICE SERVICE IN FRONTIER'S SERVICE AREA?

A. AT&T, T-Mobile and the other wireless ETCs that have received federal USF support are required by federal law to provide service to any customer requesting service in the area they are designated as an ETC. As a result, there can be no question that AT&T, T-Mobile and the other carriers offer a service which competes with Frontier basic

1 telephone service in Washington. Two of these five carriers alone collectively serve
 2 99.3% of Frontier’s service area on the basis of the ETC designation.

3
 4 Based on the existence of five wireless carriers in Frontier’s service area that have been
 5 granted ETC status and are eligible for federal high-cost support, I conclude that the
 6 Commission has already determined that voice grade service (or its functional equivalent)
 7 is broadly available in Frontier’s service area.

8
 9 **Q. WHAT IS THE AVAILABILITY OF PRE-PAID CELLULAR TELEPHONES IN**
 10 **FRONTIER’S SERVICE TERRITORY?**

11 **A.** Pre-paid and no-contract cellular telephone service is the strongest growing segment of
 12 retail cell phone subscribership. According to various news outlets, pre-paid
 13 subscribership grew approximately 6% over 2011-2012.²⁷ Pre-paid options often give
 14 consumers a lower price point than post-paid (traditional contract) cellular services. The
 15 table below provides information on various pre-paid cellular services available in
 16 Washington.

Provider	Phone Prices	Plan Prices (monthly)	Entry Plan Minutes	Available Features
Tracfone	\$14.99 – \$89.99	\$9.99+	30+	Number portability, voicemail, text messages, data, caller ID, call waiting, long distance
Virgin Mobile	\$9.99 - \$449.99	\$20 (400 min.) \$35 (300 min + unlimited text/data)	300+	Voicemail, number portability, long distance

²⁷ Chetan Sharma, “US Mobile Data Market Update Q4 2012” available at: <http://www.chetansharma.com/usmarketupdateq42012.htm>

Net10 Wireless	\$29.99 - \$349.99	\$15 \$25	200 750 (incl. text/data)	Number portability, voicemail, long distance
AT&T Go	\$14.99 - \$299.99	\$25	250 (incl. unlimited text)	Voicemail, long distance, number portability, caller ID, call forwarding, three-way calling
Boost Mobile	\$29.99 - \$329.99	\$45+	Unlimited talk and text	Voicemail, call waiting, caller ID, call forwarding, number portability
StraightTalk	Free - \$850	\$30	1,000	Number portability, mobile web, voicemail, text, caller ID, call waiting, long distance

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In addition to the carriers identified above, the large national carriers also sell pre-paid services of their own.

Q. WHERE DO PRE-PAID OR NO-CONTRACT WIRELESS SERVICES WORK?

A. Most pre-paid or no-contract cellular service providers (called Mobile Virtual Network Operators, or MVNOs) do not own their own facilities but operate on excess capacity available through the large cellular telephone providers. Essentially, the larger facilities-based cellular providers (AT&T, T-Mobile, Sprint and Verizon Wireless) act as wholesalers to these MVNOs, which then turn around and sell no-contract or prepaid services to consumers – meaning consumers have access to the same wireless coverage as if they were to purchase services straight from the large wireless carriers.

Q. WHERE CAN CONSUMER PURCHASE THESE PRE-PAID OR NO-CONTRACT CELLULAR TELEPHONE SERVICES?

1 A. Depending on which provider of pre-paid service or no contract service provider a
2 consumer wants, most can be purchased at retail outlets such as national chains (Target,
3 Wal-Mart, etc.) grocery stores, electronics or computer stores, office supply stores, and
4 even mom-and-pop-style mini-marts and gas stations. Consumers can also purchase
5 prepaid service or no contract service from the retail stores for the national carriers
6 located in many malls and other shopping venues. Purchasers of these services can then
7 activate and control their monthly allotment of minutes and features online and some
8 services provide the ability to do so over the phone itself.

9

10 **Q. WHAT CAN BE CONCLUDED WITH RESPECT TO WIRELESS SERVICE**
11 **BEING COMPETITIVELY PRICED COMPARED TO FRONTIER'S WIRELINE**
12 **SERVICE?**

13 A. Wireless is a price competitive alternative to Frontier's wireline service, both for lifeline
14 and non-lifeline customers. Frontier's basic residential rate is \$16.90 per month, plus a
15 \$6.50 federal subscriber line charge for a total of \$23.40. Frontier's basic business rate is
16 \$33.60 per month, plus a \$6.50 federal subscriber line charge for a total of \$40.10.
17 Considering the wireless price plans discussed earlier in my testimony include some
18 features such as voice mail and nationwide calling, the wireless services are very
19 comparably priced.

20

21 **Q. DR. ROYCROFT STATES THERE ARE LIMITATIONS WITH WIRELESS**
22 **SERVICE THAT MAY RESTRICT A CONSUMER'S ABILITY TO REPLACE**
23 **WIRELINE SERVICE CITING SOME TECHNOLOGIES THAT ARE**

1 **INCOMPATIBLE WITH WIRELESS MOBILITY SERVICES SUCH AS FAX**
2 **MACHINES, ALARM SYSTEMS, AND MEDICAL AND PERSONAL**
3 **MONITORING DEVICES.²⁸ SHOULD THIS BE OF CONCERN TO THE**
4 **COMMISSION IN DETERMINING WHETHER TO DESIGNATE FRONTIER**
5 **AS A COMPETITIVE TELECOMMUNICATIONS COMPANY?**

6 A. No. There is movement away from analog-based fax machines to digital documents. A
7 survey conducted by Linked-in of 7,000 office professionals found that 71% believe the
8 fax machine “will disappear” within five years.²⁹ Likewise, alarm systems are trending
9 away from wireline-based systems:

10 In addition to the features of alarm systems that are changing with
11 the times, so to is how they communicate with central stations. As
12 more and more people have ditched their landline telephones in
13 recent years, cellular communicators are becoming the primary
14 means of communication in numerous alarm systems.³⁰

15
16 More importantly, Frontier does not have either the desire or any practical ability to
17 distinguish between those relatively few customers that may be reliant upon wireline
18 voice service for a particular application and those that have no such reliance. Nor has
19 Frontier stated anywhere in this proceeding that we intent to discontinue offering stand-
20 alone voice service. As a result, all customers realize the benefits of alternative

²⁸ Roycroft, p. 23, l. 17-22.

²⁹ Linked-in press release, “The Cubicle Dinosaurs: Tape Recorders and Fax Machines Top LinkedIn’s List of Office Endangered Species” (<http://press.linkedin.com/News-Releases/131/The-Cubicle-Dinosaurs-Tape-Recorders-and-Fax-Machines-Top-Linkedin-s-List-of-Office-Endangered-Species>) (September 25, 2012)

³⁰ Griffin, Joel (“Shifting trends in alarm technology on display at ISC West”), Security InfoWatch.com (<http://www.securityinfowatch.com/article/10684481/shifting-trends-in-alarm-technology-on-display-at-isc-west?Page=2>)

1 competitive modes such as wireless even though those that may be reliant on a wireline
2 carrier's voice service.

3 Cable Voice Competition

4 **Q. DR. ROYCROFT STATES THAT OF FRONTIER'S 102 WIRE CENTERS, 35 DO**
5 **NOT HAVE PORT-OUTS TO CABLE VOICE PROVIDERS IN THE MARCH –**
6 **DECEMBER 2012 PERIOD. DO YOU AGREE?**

7 A. No. Three of the 35 wire centers did, indeed, have port-outs to cable voice providers
8 indicated on Frontier response to Staff Request No. 111. Coupeville had port-outs to
9 both Astound Broadband (d/b/a Wave) and Comcast. Everson had port-outs to both
10 Astound Broadband and Comcast. Sedro Woolley GTE had port-outs to Comcast.
11 Additionally, the Everett Casino's cable voice port-outs to Comcast are included in the
12 Everett wire center counts.

13
14 **Q. DOES UPDATED PORTING DATA SHOW ADDITIONAL WIRE CENTERS**
15 **WITH PORTING TO CABLE VOICE PROVIDERS?**

16 A. Yes. Reviewing porting data through March 2013, Edison had port-outs to Astound
17 Broadband (Wave) during the January through March 2013 period. Snohomish had port-
18 outs to both Astound and Comcast and Washougal had port-outs to Comcast during this
19 period.

20
21 **Q. DR. ROYCROFT INDICATES THAT THIS SUGGESTS THAT CABLE VOICE**
22 **SERVICES ARE NOT AVAILABLE IN THOSE 35 WIRE CENTERS. DO YOU**

1 **AGREE THAT CABLE VOICE SERVICES ARE NOT AVAILABLE IN THE 35**
2 **WIRE CENTERS IDENTIFIED BY DR. ROYCROFT?**

3 A. No. In addition to the seven exchanges, discussed above, that had port-outs to cable
4 voice providers through the updated period of March 2013, there are at least two factors
5 that are noteworthy in use of recent porting information as a measure of effective
6 competition. First, cable voice providers have been prevalent in the service area in which
7 Frontier operates for several years and Frontier has already lost over 60% of its access
8 lines so Frontier's customer base available to port-out to cable voice providers continues
9 to decline. Second, many new households, both as a result of migration into a wire center
10 and formation of new households by young adults, both of which may initially establish
11 service with the cable voice or another provider so port-out data has become less reliable
12 over time as a sole measure of the level of competition. Third, Frontier conducted a
13 review of LocalTel's (a provider of cable, voice and high-speed Internet) website³¹ and
14 found that it offers voice service in Bridgeport, Entiat, George, Mansfield, Manson,
15 Quincy, and Waterville.

16
17 With respect to the remaining 22 exchanges which Dr. Roycroft identified as not having a
18 cable voice provider represent 2,969 business lines and 10,614 residential lines. Of
19 Frontier's 321,370 access lines, this represents only 13,583 access lines or 4.2% of access
20 lines in wire centers in which Dr. Roycroft identified as not having a cable voice
21 provider. Conversely, 95.8% of Frontier access lines are within exchanges with a cable
22 voice competitor.

23

³¹ http://www.localtel.net/dev/oecgi3.exe/O4W_PAGE?page_id=LandingPageTiles_Counties

1 VoIP

2 **Q. MS. JING LIU STATES THAT VOIP IS A VIABLE SUBSTITUTE ONLY IF THE**
3 **CUSTOMER ALREADY SUBSCRIBES TO BROADBAND INTERNET ACCESS.**
4 **IS THAT A DETERENT TO VOIP BEING A VIABLE VOICE SUBSTITUTE IN**
5 **FRONTIER’S SERVICE AREA?**

6 A. No. While VoIP may not be an economically viable voice service alternative if a
7 customer does not have broadband service, Washington had the third highest broadband
8 adoption rate in the nation with a 76.7% adoption as of 2010.³² That adoption rate is
9 undoubtedly higher now, three years later, making this an economically viable alternative
10 provider for a large segment of the market. As the Commission is aware, broadband is
11 widely available in Frontier’s service area. Frontier has made wireline broadband
12 available to 93.2% of the households in its service territory. This is in addition to
13 broadband availability from other service providers further making VoIP a broadly viable
14 alternative for Frontier’s voice service.

15 CLEC Competition

16 **Q. TO WHAT EXTENT ARE CLECS COMPETING WITH FRONTIER USING**
17 **FRONTIER FACILITIES?**

18 A. The quantity of resold lines unbundled network element (UNE) loop and wholesale
19 advantage (formerly UNE-P) services purchased by CLEC providers to compete with
20 Frontier’s retail basic business and residential services provides further support for the
21 breadth and extent of competitive service offerings available to consumers in Frontier’s
22 Washington service territory. There are 40 CLECs purchasing 4501 resold lines from

³² U.S. Department of Commerce National Telecommunications & Technology Administration, “Digital Nation- Expanding Internet Usage- NTIA Research Preview”, February 2011, Figure 11.

1 Frontier as of December 31, 2012. In addition, as explained in the accompanying
2 testimony of Billy Jack Gregg, as of December 31, 2012 competitive carriers leased over
3 80,000 UNE loops (on a DS0 basis) which are used to provide service to end users in
4 Washington. See Exhibit No.____(JP-33) HC_Resale Summary and Exhibit No.____(JP-
5 32) HC_UNE Loop Summary. CLECs may combine Frontier’s resold services or
6 unbundled network elements (UNEs) (i.e. unbundled loops) with their own elements or
7 those of a third party to provide service to end user customers. Frontier’s rates for UNEs
8 and the resale discount have been established by the Commission in various cost dockets
9 and Frontier will continue to provide UNEs and resale at the rates set by the Commission
10 in accordance with the 1996 Act.³³

11
12 **Q. DO CLECs HAVE OTHER ALTERNATIVES BEYOND RESALE AND UNES TO**
13 **PURCHASE WHOLESALE SERVICES FROM FRONTIER TO UTILIZE IN**
14 **SERVING END USER CUSTOMERS.**

15 A. Yes. CLECs are not limited to or dependent upon resale or UNEs in terms of the
16 wholesale services they may purchase from Frontier. Frontier offers and has several
17 commercially negotiated agreements with competitive providers pursuant to which it
18 offers wholesale services. For example, although it is not required to do so from a legal
19 or regulatory perspective, Frontier provides a UNE-P service to certain competitive
20 service providers in Washington. These competitive providers may provision retail
21 services utilizing UNE-P, which provides a complete retail service using Frontier

³³ See, e.g., *In the Matter of the Review of Unbundled Loop and Switching Rates; the Deaveraged Zone Rate Structure; and Unbundled Network Elements, Transport, and Termination (Recurring Costs)*, Twenty-Fourth Supplemental Order, Docket UT-023003 (Feb. 9, 2005).

1 unbundled network elements. There are 22 CLECs purchasing 10,150 UNE-P lines
2 pursuant commercial agreements with Frontier in Washington as of December 31, 2012.
3 See Exhibit No.__(JP-34) HC_UNE-P Summary. As with resale, using UNE-P, the
4 competitive provider can reach every location to which Frontier has facilities and provide
5 a functionally equivalent service to the retail service Frontier provides.
6

7 **Q. DO CLECS HAVE OTHER OPTIONS FOR SERVING END USER**
8 **CUSTOMERS.**

9 A. Yes. It is important to note, however, that the quantities and information regarding
10 alternative providers purchasing resale lines, UNE loops and UNE-P does not include any
11 competitive activity in which the CLEC is providing service utilizing its own network or
12 another third party's network other than Frontier's network to provide service. CLECs
13 and other providers have deployed and maintain their own fiber networks and data
14 facilities and offer services independent of Frontier's network. In some instances these
15 companies are either CLECs or affiliates with CLECs, or cable companies, Washington
16 Public Utility Districts ("PUDs") or local or national telecommunications companies.
17 These providers include, but are not limited to, Comcast, Level 3 Communications,
18 Integra, World Communications, Charter Communications, AT&T and Verizon. These
19 providers offer services ranging from dark fiber, network bandwidth, Ethernet, IP/MPLS
20 and other end user business and residential services.
21
22
23

1 **IV. RESPONSE TO MISCELLANEOUS ISSUES.**

2 **Q. JING LIU INDICATES THAT GRANTING COMPETITIVE CLASSIFICATION**
3 **TO FRONTIER MAY LEAD TO AN INCREASE IN PRICES FOR BASIC**
4 **TELEPHONE SERVICE AND A DECREASE IN SERVICE QUALITY.³⁴**
5 **COULD YOU RESPOND?**

6 A. The existing level of competition in the marketplace is a sufficient safeguard to limit
7 significant increases in basic telephone service rates. It is important to note that Frontier
8 needs to compete not only on the basis of price but also on service quality. Maintaining
9 reliable service quality is essential to retention of customers, whether under the current
10 form of regulation or as a carrier designated as competitive.

11

12 **Q. DR. ROYCROFT STATES THAT OVER 37,000 HOUSEHOLDS IN**
13 **FRONTIER’S SERVICE AREA ARE LOCATED IN WIRE CENTERS WITH A**
14 **FRONTIER MARKET SHARE OF 50 PERCENT OR GREATER. WHAT**
15 **PERCENTAGE OF HOUSEHOLDS IN FRONTIER’S SERVICE AREA DOES**
16 **THIS 37,000 HOUSEHOLDS REPRESENT?**

17 A. Census data indicates there are 649,274 households in Frontier’s service area. Thus,
18 responding to Dr. Roycroft’s analysis, only about 5.7% of households are located in a
19 Frontier wire center in which Frontier has greater than 50% market share. Conversely,
20 94.3% of households in Frontier’s service are in wire centers where Frontier has less than
21 50% market share.

22

³⁴ Liu, p. 2, 18-20.

1 **Q. HAVE YOU REVIEWED DR. ROYCROFT’S TESTIMONY WITH RESPECT TO**
2 **THE HERFINDAHL-HIRSCHMAN INDEX (“HHI”)?**

3 A. Yes. However, neither Dr. Roycroft nor I have market share for competitors in each
4 market to reliably calculate the HHI value for the markets in which Frontier serves.

5
6 **Q. DO YOU HAVE CONCERNS ABOUT DR. ROYCROFT’S CONCLUSIONS**
7 **WITH RESPECT TO THE HHI IN MARKETS IN WHICH FRONTIER**
8 **SERVES?**

9 A. Yes. The first concern is the fact that Dr. Roycroft did not actually calculate the HHI
10 value for the markets in which Frontier offers service.

11
12 Second, even if he were correct in his conclusion that the HHI exceeds a value of 2500,
13 one cannot conclude that Frontier does not face effective competition in the market. Dr.
14 Roycroft finds that Frontier’s household-weighted average market share is 32%.³⁵ This
15 value squared produces a value of 1024. For purpose of illustration, if another competitor
16 has 40% market share and a third competitor has a 28% share, the HHI is a value of 3408
17 indicating, according the HHI, that the market is highly concentrated. However, one
18 cannot conclude that a high HHI is an indication that the number two competitor,
19 Frontier, doesn’t face effective competition. While RCW 80.36.320 requires the
20 Commission to consider the number and size of alternative providers of services, I don’t
21 believe the legislative intent was that the incumbent should be denied competitive
22 designation because market concentration is the result of the relatively high market share
23 of an alternative provider of service in the market.

³⁵ Roycroft, p. 34, l. 20.

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Third, the HHI is a measure of market concentration at a point in time. It is not a measure of effective competition. Frontier began with nearly 100 percent market share in 1996 and this share has declined substantially since, as we have already shown. Since 2000 Frontier has lost 64% of its access lines in Washington.

Regulatory Impediments

Q. DR. ROYCROFT STATES THAT FRONTIER’S TECHNOLOGICAL LIMITATIONS, RATHER THAN REGULATORY IMPEDIMENTS ARE TO BLAME FOR FRONTIER’S ACCESS LINE LOSSES. HE SPECIFICALLY FOCUSES ON THE RESIDENTIAL MARKET IN EVERETT. DO YOU AGREE?

A. No. Frontier offers FiOS, a fiber-based service, in the Everett market that is comparable, if not superior, to competitive offerings in that market. Frontier offers the fiber-based service in 15 wire centers³⁶ in Washington. Frontier offers video services ranging from 225 channels to 385 channels; high-speed Internet ranging from 15 Mbps to 35 Mbps and various voice service options, including unlimited long distance. In the combined 15 FiOS markets, Frontier lost 16.7% of its business access lines from year-end 2010 to year-end 2012 versus a 12.1% loss for its non-FiOS markets. Residential access lines also experienced a larger loss in the FiOS markets, losing 24.2% of lines over the same time period versus 23.0% for the non-FiOS markets. Clearly, Dr. Roycroft’s alleged lack of investment, technology or product is not the cause of Frontier’s line losses.

³⁶ Arlington, Bothell, Camas, Everett Casino, Everett Main, Halls Lake, Juanita, Kirkland, Manor Way, Marysville, Mount Vernon, Redmond, Richmond Beach, Silver Lake, and Washougal.

1 **Q. ARE THERE REASONS FRONTIER WILL RETAIN ITS ETC DESIGNATION**
2 **EVEN IF FRONTIER RECEIVES COMPETITIVE DESIGNATION?**

3 A. Yes. First, Frontier stated in its Petition that granting it competitive classification as
4 requested in this proceeding would not impact its ETC or COLR obligations. Second,
5 Frontier has sunk investment in its wireline network and will continue to offer voice
6 services to maximize the use of that investment, and thus, revenue, from the network.
7 Second, ETC designation provides very significant benefits to Frontier by qualifying it to
8 offer life-line services and qualifying it to receive federal support. Frontier currently
9 receives approximately \$17 M in federal support in 2012⁴⁰ which provides considerable
10 incentive to fulfill the ETC and COLR obligations associated with this funding.

11

12 Evidence of Broad Competition

13 **Q. THE REPLY WITNESSES HAVE CITED VARIOUS EXAMPLES WHERE A**
14 **PARTICULAR MODE OF COMPETITION IS NOT AVAILABLE TO**
15 **CUSTOMERS IN THE WIRE CENTERS SERVED BY FRONTIER. IS THIS AN**
16 **INDICATION THAT THERE IS A LACK OF EFFECTIVE COMPETITION?**

17 A. No. A broad and overlapping patchwork of competitive voice alternatives exist across
18 the areas Frontier serves. I would like to reiterate that the determination of competition
19 should not be made on the basis of wireless, CLEC cable or VoIP as individual
20 competitors, but the combination of all forms of competition in aggregate, which clearly
21 shows that Frontier is facing real and effective competition across its Washington service
22 area.

23

⁴⁰ Frontier response to Staff DR No. 81.

1 **Q. ARE THERE “HOLES” IN WHAT YOU REFERRED TO AS THE**
2 **PATCHWORK OF COMPETITIVE VOICE ALTERNATIVES OR AREAS FOR**
3 **WHICH THERE IS NO COMPETITION?**

4 A. It is reasonable to conclude that not each and every one of the 649,274 households⁴¹
5 within Frontier’s service territory has multiple competitive alternatives to Frontier.
6 Nevertheless, there is solid evidence that effective competition exists in Frontier’s service
7 territory. Frontier serves merely a fraction of the customers it once served when it had
8 nearly 100% market share. At year-end 2012, Frontier had 207,657 residential access
9 lines⁴² indicating an approximate residential market share of 32.0%.⁴³ While business
10 market share is much more difficult to estimate because of the unknown number of
11 business access lines, channel equivalents or VoIP equivalents, Frontier business access
12 lines have declined from 243,755⁴⁴ in 2000 to 113,713⁴⁵ in 2012, representing a loss of
13 130,042 business access lines or 53.3%.

14
15 **Q. IS THERE ANY OVERALL INDICATOR OF THE AVAILABILITY OF**
16 **ALTERANTIVE SERVICES IN FRONTIER’S WIRE CENTERS?**

17 A. Yes. Porting data provides an indication of existence of competition in a wire center
18 although not necessarily an indication of lack of competition. For reasons I explained
19 earlier in my testimony when discussing Dr. Roycroft’s use of porting data to determine
20 availability of competition in a wire center, porting data tends to understate the
21 availability of competition because not all customers port-out from Frontier when

⁴¹ Frontier response to Staff DR No. 94.
⁴² Frontier response to Staff DR No. 91 (revised)
⁴³ 207,657 residential access lines divided by 649,274 households.
⁴⁴ JP1T, p. 22, 11.
⁴⁵ Frontier response to Staff DR No. 91.

1 electing service from a competitor. The existence of port-outs in a wire center clearly
2 indicate there is an alternative carrier of some mode (cable voice, CLEC, wireless or
3 VoIP) available in that wire center.

4
5 Reviewing porting data for the thirteen months ended March 31, 2013, all but three of
6 Frontier's wire centers (Loomis with 234 Frontier access lines, Nile with 577 Frontier
7 access lines, and Stevens Pass with 83 Frontier access lines⁴⁶) had port-out activity during
8 this thirteen-month period. These three wire center represent less than .3%⁴⁷ of Frontier's
9 access lines.

10
11 **Q. IS THERE EVIDENCE OF COMPETITION IN ANY OF THESE THREE WIRE**
12 **CENTERS THAT HAD NO PORT-OUT ACTIVITY?**

13 A. Yes. Earlier in my testimony, I discussed the wireless ETC designations granted by the
14 Commission. Wireless voice service is available in each of these exchanges (Loomis,
15 Nile and Stevens Pass) as demonstrated by the Commission's ETC designation of these
16 exchanges.

17
18 **Q. IS HIGH-SPEED INTERNET AVAILABLE TO CUSTOMERS IN THE THREE**
19 **WIRE CENTERS THAT HAD NO PORT-OUT ACTIVITY?**

20 A. Frontier has high-speed Internet available in Nile and Stevens Pass.

21

⁴⁶ Ibid.

⁴⁷ Sum of Loomis, Nile and Steven's Pass access lines divided by 321,370 total access lines, as of 12/31/12.

1 **Q. WOULD HIGH-SPEED INTERNET AVAILABILTY IN NILE AND STEVENS**
2 **PASS PROVIDE AN ADDITIONAL OPTION FOR VOICE**
3 **TELECOMMUNICATIONS SERVICES IN THOSE TWO WIRE CENTERS?**

4 A. Yes. Availability of high-speed internet access in those wire centers makes VoIP a
5 competitive option in those wire centers in addition to wireless availability in all three of
6 these exchanges.

7
8 **Q. PLEASE SUMMARIZE THE AVAILABILITY OF COMPETITION IN**
9 **FRONTIER'S SERVICE AREAS.**

10 A. As an overview, Frontier has lost 574,065 access lines, representing a loss of 64% from
11 2000 through year-end 2012. This includes a loss of 444,023 or 66% of residential
12 access lines and 130,042 or 53% of business access lines. The access line losses are
13 geographically broad. Each and every Frontier wire center experienced a loss of access
14 lines from 2000 through year-end 2012. The losses continue with Frontier experiencing
15 a loss of 35,978 or 10% of its access lines in 2012. Competitive losses continue in 2013
16 with Frontier porting-out 7,997 numbers to competitors in the first three months of 2013.
17 These losses are also geographically broad with each and every Frontier exchange
18 experiencing both business and residential access line losses from year-end 2010 to year-
19 end 2012. Exchanges serving 95.8% of Frontier's access lines have a cable voice
20 provider. At a minimum, exchanges serving 99.3% of Frontier's access lines have at
21 least AT&T or T-Mobile voice service reflecting the Commission's ETC designation for
22 these exchanges for which they have been granted ETC designation. Additionally, three
23 other carriers have been designated ETC status in Frontier's service area although the

1 specific exchanges could not be gleaned from publicly available data on the
2 Commission's website. These three wireless providers further overlap the services of
3 AT&T and T-Mobile and provide further alternative voice service offerings that compete
4 with Frontier.

5
6 Frontier has broadband availability to 93.2% of its households in addition to availability
7 from others such as cable providers. Washington has the third-highest broadband
8 adoption rate in the nation making VoIP an alternative service provider for a vast
9 proportion of households and businesses in Frontier's service area.

10
11 In the past thirteen months, Frontier has had port-out activity to competitors in all but
12 three wire centers (Loomis with 234 access lines, Nile with 577, and Stevens Pass with
13 83). As indicated earlier in my testimony, all three of these wire centers have at least
14 one ETC designated wireless carrier and two have high-speed Internet making VoIP an
15 another alternative mode of competition.

16
17 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

18 There is effective competition in Frontier's service area.

- 19
- Every Frontier wire center has effective competition.
 - Each wire center has experienced access line losses from 2000 to 2012 with
20 Frontier losing 574,065 or 64.1% of its access lines during this period. Each
21 wire center experienced both business and residential access line losses from
22

1 2010 to 2012. In 2012 Frontier experienced a loss of 4.9% of its business
2 access lines and 12.7% of its residential lines.

3 • Frontier had port-outs to competitors in all but three exchanges for the thirteen
4 month period ended March 31, 2013. These three wire centers represent .3%
5 of Frontier's access lines. Each of these three wire centers has at least one
6 wireless carriers designated as an ETC with a voice alternative to Frontier.
7 Additionally two of these exchanges, Nile and Stevens Pass have high-speed
8 Internet available making VoIP an alternative voice offering.

9 • Wireless carriers are formidable competitors for voice telecommunications
10 services. According to the FCC's data, between 2001 and 2011, the number
11 of wireless subscribers increased from 2,706,033 to 6,259,000 in Washington.
12 AT&T and T-Mobile, which have been granted ETC designation, collectively
13 offer coverage in exchanges representing 99.3% of Frontier's service area. In
14 approving these ETC designations, it made a finding that these carriers offer
15 voice grade service or its functional equivalent throughout the designated
16 service area. Additionally, three other wireless carriers have been granted
17 ETC status in Frontier's service area. These wireless providers offer
18 residential and business service offerings, in addition to lifeline service for
19 low-income individuals. T-Mobile offers a lifeline service offering for \$6.49
20 per month. Verizon Wireless, T-Mobile and Sprint offer wireless services
21 targeted to small businesses.

22 • Cable voice providers are also formidable competitors for voice
23 telecommunications services. Cable service providers have a broad

1 geographic reach with 95.8% of Frontier's access lines in exchanges with a
2 cable voice provider. As detailed in my testimony, cable voice providers have
3 broad range of services for residential customers and business customers of
4 every size, small and large.

- 5 • CLECs have a formidable presence in Frontier's service area, offering
6 residential service and a very deep offering of business services. These
7 carriers both provide service over their own facilities and through wholesale
8 arrangements with Frontier- arrangements that are protected not only under
9 federal law but would be covered by the CLEC settlement reached with these
10 carriers as a condition of the Commission approving Frontier's petition.
- 11 • VoIP is an available service option for a vast number of residential and
12 business customers in Frontier's service area. As of 2010, Washington had
13 the third highest broadband adoption rate of 76.7% (which is undoubtedly
14 higher today) making VoIP an economically viable voice service alternative.

15
16 The broad level of competition that exists in Frontier's service area assures that
17 affordable rates and universal service will be maintained if Frontier is granted
18 competitive designation. Settlement conditions for wholesale services ensure rates for
19 noncompetitive services do not subsidize competitive services. Competitive designation
20 of Frontier will promote diversity of services by providing Frontier with greater pricing
21 flexibility to more quickly respond to market conditions and innovations. Frontier has
22 demonstrated that there is widespread competition for comparable services, both
23 geographically and for the entire spectrum of services. The evidence presented by

1 Frontier in this proceeding fulfills the statutory conditions necessary for the Commission
2 to grant Frontier competitive designation as a “competitive” telecommunications
3 pursuant to accordance with RCW 80.36.320.

4

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

6 A. Yes, it does.

7