

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of Frontier Communications)
Northwest Inc.'s Petition to be Regulated)
as a Competitive Telecommunications)
Company Pursuant to RCW 80.36.320)
_____)

Docket No. UT-121994

SETTLEMENT AGREEMENT

1 This Agreement ("Agreement") is entered into between Frontier Communications Northwest Inc. ("Frontier") and the U.S. Department of Defense and All Other Federal Executive Agencies ("DoD/FEA") (collectively "Parties" or individually a "Party").

A. Background

2 This docket concerns a Petition by Frontier to be classified as a competitive telecommunications provider pursuant to RCW 80.36.320. On December 21, 2012 Frontier filed a petition ("the Petition") with the Washington Utilities and Transportation Commission ("Commission") to be classified as a competitive provider pursuant to RCW 80.36.320. On January 23, 2013, Frontier filed an amended petition in the proceeding. On February 7, 2013, DoD/FEA filed a petition to intervene, which was granted on February 15, 2013. Frontier submitted testimony on February 28, 2013, and DoD/FEA submitted testimony on April 25, 2013. In its testimony, DoD/FEA raised a number of issues in connection with Frontier's Petition. DoD/FEA and Frontier engaged in settlement discussions to address DoD/FEA's issues and now enter voluntarily into this Agreement to resolve all contested issues between the Parties in the proceeding.

B. Nature of Agreement

3 This Agreement is a "Multiparty Settlement" within the meaning of WAC 480-07-730(3), and the Parties agree that the Agreement is in the public interest and should be accepted in resolution

of all issues in this docket as between Frontier and DoD/FEA. The Parties understand that this Agreement is subject to Commission approval and that any parties opposed to the Commission's adoption of this proposed settlement retain certain rights under WAC 480-07-740(2)(c). The Parties further understand that DoD/FEA has agreed to the terms of this Agreement based upon the substantive provisions included in Attachment 1 to this Agreement.

C. Positions Are Not Conceded

4 In reaching this Agreement, no Party accedes to any particular argument made by any other Party.

D. Agreement Subject to Commission Approval.

5 The Parties understand and agree that this Agreement in no manner binds the Commission in ruling on the pending proceeding until such a time as the Commission approves the Agreement. The Agreement is expressly subject to Commission approval except for Sections I and J below.

E. Agreed Conditions on Approval of the Transaction

6 The conditions agreed upon by the Parties are set forth in Attachment 1 to this Agreement. All conditions in Attachment 1 apply for five (5) years following July 1, 2013, unless otherwise specifically noted in the condition in Attachment 1.

F. Effective Date

7 The effective date of the Agreement is the date the Agreement is approved, without change, by Commission order. Notwithstanding the effective date of the Agreement as a whole, Sections I and J below, which require the Parties to support the Agreement before the Commission and govern publicity regarding the Agreement, are effective on the execution date of the Agreement. The execution date of the Agreement is the date of the latest signature.

8 If the Commission rejects the Agreement, the Agreement shall terminate, and the parties respectfully request that the Commission will instead enter an order on all contested issues. In the event the Commission accepts the Agreement upon conditions not proposed herein, the procedures set forth in Section K below shall apply.

G. Filing of the Agreement

9 The Parties agree to use the following procedures to seek Commission approval of the Agreement. Frontier will file this Agreement with the Commission on behalf of the Parties and the Parties will simultaneously file written testimony in support of the Agreement. The transmittal letter will recommend that the Commission accept this Agreement as the complete and final resolution of all issues raised by DoD/FEA in this proceeding.

H. Agreement Approval Procedures

10 The Parties understand the Commission has discretion, consistent with applicable law, to determine the appropriate procedures for determining whether it will approve this Agreement. Pursuant to WAC 480-07-740, the Parties urge the Commission to approve the settlement.

I. Support of the Agreement

11 The Parties agree to use their best efforts to support the Agreement as a settlement of all their contested issues in the pending proceeding. At a minimum, the Parties will provide supporting witnesses to sponsor the Agreement at a Commission hearing and recommend that the Commission issue an order adopting this Agreement as the resolution of their contested issues in this proceeding and to provide such other evidence or briefing that the Commission may require pursuant to WAC 480-07-740(2). No Party to this Agreement or their agents, employees, consultants or attorneys will engage in any advocacy contrary to the Commission's prompt

consideration of this Agreement or support any other party's opposition to this Agreement before the Commission or otherwise.

J. Publicity

12 All Parties agree: (1) to provide the other Party the right to review in advance of publication any and all announcements or news releases that the Party intends to make about the Agreement (with the right of review to include a reasonable opportunity to request changes to the text of such announcements) and (2) to include in any news release or announcement a statement that the Agreement is subject to Commission approval.

K. Procedure if the Commission Provides Less Than Full Approval

13 In the event the Commission rejects or alters this Agreement, the Parties propose that the Commission decide all their contested issues. In the event the Commission accepts the Agreement upon conditions not proposed herein, each Party reserves its right, upon written notice to the Commission and the parties within five (5) business days of the Commission's Order, to state its rejection of the conditions and withdrawal from the Agreement with the effect of respectfully requesting the Commission decide all contested issues as provided above.

L. The Agreement as Precedent

14 The Parties have entered into this Agreement to avoid further expense, inconvenience, uncertainty and delay. Nothing in this Agreement (or any testimony, presentation or briefing supporting the Agreement) shall be asserted or deemed to mean that a Party agreed with or adopted another Party's legal or factual assertions in this proceeding.

15 Because this Agreement represents a compromise position of the Parties in this Commission's proceeding, the Parties agree that no conduct, statements or documents disclosed in the

negotiation of the Agreement shall be admissible as evidence in this or any other proceeding. This paragraph does not apply to non-privileged, publicly available documents.

16 Furthermore, because this Agreement represents a compromise position of the Parties in this Commission's proceeding, no Party may use this Agreement or the supporting testimonies or supporting pleadings and briefs of the other Party in this proceeding as precedent on the appropriateness of the positions of that other Party in any other proceeding. The limitations in this paragraph shall not apply to any proceeding to enforce the terms of this Agreement or any Commission order adopting this Agreement in full.

M. Entire Agreement

17 The Parties acknowledge that this Agreement is the product of negotiations and compromise and shall not be construed against any Party on the basis that it was the drafter of any or all portions of this Agreement. This Agreement constitutes the Parties' entire agreement on all matters set forth herein, and it supersedes any and all prior oral and written understandings or agreements on such matters that previously existed or occurred in this proceeding, and no such prior understanding or agreement or related representations shall be relied upon by the Parties.

N. Integrated Agreement

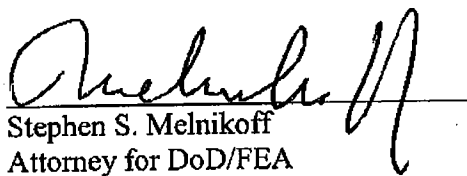
18 The Parties recommend that the Commission approve this Agreement with no material changes. The Parties have agreed to this Agreement as an integrated document.

O. Manner of Execution

19 This Agreement is considered executed when all Parties sign the Agreement. A designated and authorized representative may sign the Agreement on a Party's behalf. The Parties may execute this Agreement in counterparts. If the Agreement is executed in counterparts, all counterparts

shall constitute one agreement. A faxed signature page containing the signature of a Party is acceptable as an original signature page signed by that Party. Each Party shall indicate the date of its signature on the Agreement.

U.S. DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL EXECUTIVE AGENCIES


Stephen S. Melnikoff
Attorney for DoD/FEA

May 14, 2013
Date

FRONTIER COMMUNICATIONS NORTHWEST INC.

Date

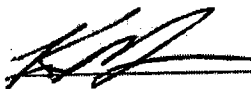
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U.S. DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL EXECUTIVE AGENCIES

Stephen S. Melnikoff
Attorney for DoD/FEA

Date

FRONTIER COMMUNICATIONS NORTHWEST INC.

_____

May 14, 2013
Date

ATTACHMENT 1

A. Master Service Arrangement (“MSA”) Volume and Term Plan: Immediately after the Washington Utilities and Transportation Commission (“WUTC”) issues its ruling on Frontier’s Petition in this proceeding, Frontier and DoD/FEA will execute a commercial individual case basis (“ICB”) - type MSA pursuant to which Frontier will provide certain services in its Washington operating territory to the DoD/FEA for a period of five (5) years at rates, terms and conditions that shall be no higher or less advantageous than now existing and subject to the following terms:

1. All DoD and FEA United States government entities will be allowed to maintain or order additional services covered under the MSA.
2. Services to be provided pursuant to the MSA are limited to Frontier’s intrastate WUTC regulated business services purchased by DoD/FEA as of July 1, 2013. These include, but are not necessarily limited to, the following: Centrex, PBX, Special Access and private line, ISDN (PRI and BRI), Retail Flat and Measured Rate Business Services (1FB and 1MB), Direct Inward Dial (DIDs), vertical features (e.g., call waiting, call forwarding, caller ID, and 3-way calling), foreign exchange service, and analog trunks, (“MSA Services”). DoD/FEA customer entities may move, change, terminate or add MSA services and DoD/FEA agrees to pay all standard applicable charges related to such changes. To the extent DoD/FEA customer entities are purchasing other categories of Washington intrastate WUTC regulated business services as of the effective date of this Settlement Agreement (*i.e.*, the date the Settlement Agreement is approved, either without change or with modification accepted by both Parties, by Commission order) those services will be included as MSA Services.
3. The initial MSA Services rates that will apply will be capped at the rates for the specific MSA Services reflected in Frontier’s intrastate tariffs on file with the WUTC and effective as of January 1, 2013 or the actual services rates applicable and billed as of July 1, 2013 to DoD/FEA for each of those specific MSA Services, whichever is lower. The initial associated terms and conditions for the MSA Services will be those likewise in effect either as of those January 1, 2013 tariffs or those applicable to the actual present specific services provided by Frontier to DoD/FEA as of July 1, 2013. If during the MSA’s duration any rates, terms or conditions for services covered under the MSA are identified by DoD/FEA as higher or less advantageous than those listed in the applicable Tariffs, Service Catalogs, or Price Lists, then those MSA rates, terms and conditions shall be adjusted going forward to reflect the applicable lower or more advantageous rates, terms or conditions.
4. The rates, terms and conditions identified in paragraph 3 above and the MSA will remain in effect as long as the DoD and FEA United States government entities collectively maintain Washington total service levels that result in Washington total annual direct retail service billings by Frontier that are at least eighty-five percent (85%) of the Washington total annual direct retail service billings by Frontier for the year preceding the effective date of the MSA (*i.e.*, July 1, 2013). As of the date of this Settlement, Washington total annual direct retail service billings from Frontier to DoD/FEA is estimated at between \$1.5 million and \$2 million. A more precise and updated figure

will be calculated by DoD/FEA and Frontier, and utilized when the MSA is executed on July 1, 2013. Within sixty (60) days after the end of each anniversary year (e.g., July 1, 2014) of the MSA's effective date, Frontier may notify DoD/FEA in writing if the purchase commitment has not been satisfied. If, after notice from Frontier, the Washington total annual direct retail service billings remain below the eighty-five percent (85%) level for one hundred eighty (180) days, then Frontier may, at its option, either terminate the MSA or negotiate different rates, terms and conditions for the MSA Services.

5. The MSA shall be executed and take effect July 1, 2013, with a five year term. At the end of the term, the MSA will automatically renew for another one year unless either party provides written notice of intent to terminate no less than 90 days prior to the expiration of the then current term.
6. To the extent the WUTC declines to grant Frontier's Petition to be classified as a competitive telecommunications provider or declines to classify as competitive any of the business services included in this MSA or Frontier is otherwise required to continue to comply with the WAC ICB filing requirements, Frontier will file with the WUTC the MSA for the MSA services impacted thereby as an ICB available to DoD/FEA with a proposed effective date of July 1, 2013.

B. Tariff Availability Commitments: In the event that a Frontier regulated retail local exchange business service that is currently provided by Frontier to DoD/FEA in Washington is declared "competitive" or deregulated and Frontier withdraws the tariff for the service during the duration of the MSA, Frontier agrees to retain a copy of the tariff that was in effect immediately preceding any detariffing or deregulation and will make that tariff available to DoD/FEA for review electronically upon request. This commitment will remain in place for the duration of the MSA.

C. Notice: To the extent that notice to DoD/FEA is required under the provisions of this Settlement Agreement, such notice should be made to: Chief, U.S. Army Legal Services Agency (JALS-RL/IP), 9275 Gunston Road, Fort Belvoir, Virginia 22060-5546; as well as to the applicable procurement officers of the individual DoD/FEA customer entities involved as appropriate.

D. No Restrictions on Competition: Nothing in this Settlement Agreement is intended to prevent either Frontier or potential alternative providers of local exchange services in Washington from aggressively and fairly competing (e.g., offering lower prices or more favorable terms and conditions) to be providers of the intrastate local exchange business services which DoD/FEA procures in Washington.

E. Relationship to Other Settlements: This Settlement Agreement is not impacted by and is independent of any other settlement(s), present or future, between Frontier and any other party(ies) in this proceeding unless expressly agreed to by both Parties in writing.