

BEFORE THE WASHINGTON  
UTILITIES & TRANSPORTATION COMMISSION

IN THE MATTER OF THE PETITION OF FRONTIER COMMUNICATIONS NORTHWEST  
INC., TO BE REGULATED AS A COMPETITIVE TELECOMMUNICATIONS CO.

PURSUANT TO RCW 80.36.320

DOCKET UT-121994

DIRECT TESTIMONY OF STEFANIE A. JOHNSON (Exhibit No. SAJ-1T)

IN SUPPORT OF STAFF, FRONTIER AND PUBLIC COUNSEL SETTLEMENT

MAY 23, 2013



1       **Q:     Please explain Public Counsel’s involvement in this case.**

2       A:     Public Counsel actively participated in this case, reviewing testimony, issuing  
3             data requests, reviewing discovery by Staff and other parties, communicating with  
4             other parties about issues, filing testimony and participating in settlement  
5             discussions. Dr. Trevor Roycroft filed testimony and exhibits on behalf of Public  
6             Counsel on April 25, 2013. The testimony and exhibits detail the findings of Dr.  
7             Roycroft’s evaluation of whether Frontier’s request for competitive classification  
8             is in the public interest.

9       **Q:     What did Public Counsel find in its review of Frontier’s request for**  
10            **competitive classification?**

11      A:     Public Counsel examined whether the Company met the statutory standards  
12             necessary for statewide competitive classification of the entire company under  
13             RCW 80.36.320. Specifically, Dr. Roycroft’s analysis and testimony focused  
14             largely on whether residential customers throughout Frontier’s entire Washington  
15             service territory have reasonably available alternatives to the services provided by  
16             the Company, as well as whether the Company has a significant captive customer  
17             base.<sup>1</sup> He found that competitive forces are not uniform across Frontier’s service  
18             area and that the market for residential services is geographically segmented.<sup>2</sup>

19                   Based on Dr. Roycroft’s findings, Public Counsel recommended the  
20             request be denied, unless Frontier was willing to limit its request to services that  
21             were subject to effective competition.

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

<sup>2</sup> Exhibit No. TRR-1HCT, p. 8.

1       **Q:    Why does Public Counsel support the Settlement Agreement?**

2       A:    The Settlement Agreement is narrower in scope than the Company’s original  
3           request under RCW 80.36.320, and is better tailored to the evidence. It also offers  
4           important protections to residential and small business customers, two segments  
5           of the market that do not have reasonable access to alternative providers in all  
6           parts of Frontier’s Washington service territory. These protections are discussed  
7           in further detail below.

8                         First, the Settlement Agreement retains in tariff basic stand-alone  
9           residential and small business local exchange service (and some of the associated  
10          services) which Dr. Roycroft, and Ms. Jing Roth, on behalf of Staff, found were  
11          not subject to “effective competition” throughout the service territory.<sup>3</sup> Under the  
12          Settlement Agreement, the rates for these services will now operate under a  
13          “banded rate” tariff. This type of tariff sets a minimum and maximum rate for  
14          these services that can be altered by the Company with notice to the Commission,  
15          although there are restrictions on how frequently rates can change, and by how  
16          much.

17                        The banded rates allow Frontier rate flexibility, while at the same time  
18          protect customers by limiting rates to a certain level, and limiting how much they  
19          can change at any time. These components provide rate predictability and  
20          stability that complete competitive classification of the Company would not have  
21          provided.

22                        Second, these rates cannot be deaveraged, so customers in portions of  
23          Frontier’s service territory where competition does not exist or is limited will

1 have the same rate available to them as customers who do have greater access to  
2 alternative services.

3 Third, the Settlement Agreement preserves rate protection for small  
4 business customers. Business customers with one to three access lines are less  
5 likely to have access to competitive services than businesses with a higher number  
6 of access lines.<sup>4</sup> In order to protect these smaller customers, rates for business  
7 customers with one to three access lines will remain under tariff, while allowing  
8 competitive classification for other business customers.

9 Fourth, the Settlement agreement retains in tariff a number of important  
10 public interest services, including Caller ID blocking and Call Trace, which the  
11 Commission retained in tariff in the Qwest AFOR,<sup>5</sup> as well as E-911 Emergency  
12 Services, Lifeline, and the Washington Telephone Assistance program.  
13 Additionally, service charges, such as the line connection charge, restoral charge,  
14 and the late payment charge, will remain in tariff.

15 Fifth, also modeled after the Qwest AFOR, while most features will be  
16 removed from tariff, the settlement guarantees that customers will be able to buy  
17 all features on an a la carte basis.<sup>6</sup> Additionally, if customers do purchase features  
18 in bundles, the cost of that bundle cannot exceed the total cost of the features if  
19 purchased on an a la carte basis.

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<sup>3</sup> Exhibit No. JYR-1T, p. 2:9-14.

<sup>4</sup> *Id.*, p. 7:3-15.

<sup>5</sup> *In the Matter of the Petition of QWEST CORPORATION, For an Alternative Form of Regulation Pursuant to RCW 80.36.135*, Docket UT-061625, Order 06, ¶¶ 120-121 (July 24, 2007).

<sup>6</sup> *Id.*, ¶ 122.

1                    Finally, the Settlement Agreement guarantees that the Company will  
2                    continue to offer Stand-Alone DSL (or comparable service) to its customers  
3                    through at least 2016.

4                    **Q: Do you believe the settlement is in the public interest?**

5                    A: Yes. The Settlement Agreement grants Frontier the flexibility it sought in its  
6                    petition where appropriate, but maintains protections for residential and small  
7                    business customers who lack access to competitive services.

8                    **Q: Does this conclude your testimony?**

9                    A: Yes.