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**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

In the Matter of the Application of QWEST
CORPORATION

Docket No. UT-021120

Regarding the Sale and Transfer of Qwest Dex
to Dex Holdings LLC, a nonaffiliate

**SUPPLEMENTAL TESTIMONY OF
WILLIAM E. KENNARD
ON BEHALF OF
DEX HOLDINGS LLC**

IN SUPPORT OF THE STIPULATION AND SETTLEMENT AGREEMENT

MAY 16, 2003

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE
2 RECORD.

3 A. My name is William E. Kennard. I am employed as Managing Director of the
4 Telecommunications and Media Group of The Carlyle Group ("Carlyle"). My
5 business address is 1001 Pennsylvania Avenue, N.W., Washington, D.C. 20004.

6 Q. DID YOU PREVIOUSLY OFFER TESTIMONY IN THIS CASE?

7 A. Yes. I filed direct testimony on January 17, 2003, and rebuttal testimony on
8 April 17, 2003.

9 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

10 A. I offer Dex Holdings LLC's ("Dex Holdings"), full support of the stipulation and
11 settlement agreement, ("Settlement Agreement"), executed May 16, 2003, by Qwest
12 Corporation, ("QC"), on behalf of its affiliates Qwest Dex, ("Dex"), and Qwest
13 Services Corporation, ("QSC"), and its ultimate parent company, Qwest
14 Communications International, Inc., ("QCII"), (collectively, "Qwest"); Dex
15 Holdings; the Public Counsel Section of the Attorney General of Washington,
16 ("Public Counsel"); Washington Electronic Business and Telecommunications
17 Coalition, ("WeBTEC"); Department of Defense/Federal Executive Agencies,
18 ("DOD"); and AARP. I also submit that the Settlement Agreement is in the public
19 interest.

20 Q. ARE YOU FAMILIAR WITH THE TERMS AND CONDITIONS OF THE
21 SETTLEMENT AGREEMENT?

22 A. Yes.

23 Q. IS THE SETTLEMENT AGREEMENT IN THE PUBLIC INTEREST?

24 A. Yes. As I have made clear in my testimony, I believe that the sale of Dex is in the
25 public interest. This settlement will facilitate the closing of the sale. There has been
26

1 a wide range of opinion as to the approach the Commission should take in reviewing
2 the sale of Dex in light of precedents established by the Washington Supreme Court
3 in Qwest's last general rate case¹ and this Commission in *Centralia*.² This settlement
4 agreement represents a reasonable application of those precedents. It brings to a
5 close two decades of litigation surrounding the status of Dex and the protection of
6 any ratepayer interest in Dex. It offers ratepayers the assurance of a defined set of
7 benefits now and in the future, while allowing Qwest to solidify its financial
8 condition. It avoids the uncertainty for Qwest Corporation and Dex customers alike
9 that would result from a failure of the sale to close. The Settlement Agreement will
10 not negatively impact Dex Holdings' directory publishing operations.

11 Q. SHOULD THE COMMISSION APPROVE THE SETTLEMENT AGREEMENT?

12 A. Yes. The Settlement Agreement unquestionably is in the public interest. It provides
13 ratepayers with substantial financial benefits, both immediately and over the long
14 term. For the reasons set forth above, in my previous testimony, in Dr. Kalt's
15 rebuttal testimony, and the other parties' testimony supporting the Settlement
16 Agreement, the Commission should approve the sale of Dex in accordance with the
17 terms of the Settlement Agreement.

18 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

19 A. Yes. Thank you.
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23 ¹ *U S WEST Communications, Inc. v. Washington Utilities and Transportation Commission*,
24 134 Wn.2d 74 (1997).

25 ² *In the Matter of the Application of Avista Corporation for Authority to Sell its Interest in*
26 *the Coal-Fired Centralia Power Plant, etc.*, Docket Nos. UE-991255, UE-991262 and UE-
991409, Second Supplemental Order; Order Approving Sale with Conditions (March 6,
2000).