

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

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

Docket No. UM 2028

JOINT TESTIMONY IN SUPPORT OF STIPULATION

BY THE PARTIES TO THE STIPULATION

**NORTHWEST FIBER, LLC
FRONTIER COMMUNICATIONS CORPORATION
FRONTIER COMMUNICATIONS ILEC HOLDINGS, LLC
STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON
OREGON CITIZENS' UTILITY BOARD, AND CHARTER FIBERLINK
OR-CCVII, LLC**

December 4, 2019

1 **I. Introduction**

2 **Q. Who is sponsoring this testimony?**

3 A. This Joint Testimony is jointly sponsored by Northwest Fiber, LLC (“Northwest
4 Fiber”), Frontier Communications Corporation and Frontier Communications
5 ILEC Holdings LLC (collectively, “Frontier,” with Northwest Fiber and Frontier
6 being, collectively, the “Joint Applicants”), the Public Utility Commission of
7 Oregon Staff (“Staff”), the Oregon Citizens’ Utility Board (“CUB”), and Charter
8 Fiberlink OR-CCVII, LLC (“Charter”) (each a “Party,” and collectively, the
9 “Parties”).

10

11 **Q. Please state your names and qualifications.**

12 A. Our names are: Steve Weed, Chairman, Northwest Fiber; Allison Ellis, Senior
13 Vice President, Regulatory Affairs, Frontier; Bret Farrell, Utility Analyst, Staff;
14 Samuel Pastrick, Outreach Manager, CUB; and Michael Scanlon, Vice President,
15 Circuit Operations, Charter. Our qualifications are attached hereto as Attachment
16 A.

17

18 **Q. What is the purpose of your testimony?**

19 A. The purpose of our Joint Testimony is to describe the provisions of the stipulation
20 reached and signed by the Parties (the “Stipulation”), and to demonstrate why the
21 transaction that is the subject of Joint Applicants’ pending application (the
22 “Transaction”) satisfies the “no harm” standard for approval applied by the

Commission. Further, each of the Parties detail their individual support of the Stipulation and how it furthers the public interest.

Q. What is the recommendation of the Parties concerning this docket?

A. The Parties recommend that the Commission issue an order approving the Stipulation and the Joint Application in this docket subject to the terms and conditions agreed to in the Stipulation. The basis for this recommendation is that the Stipulation resolves all the Parties' concerns with respect to the Transaction and ensures that the Commission's "no harm" standard is satisfied and might confer benefits compared to the status quo. First, the Stipulation commits Northwest Fiber to spend \$50 million within five years to improve and expand fiber-based broadband infrastructure in Oregon, in order to deliver approximately 1 gigabit symmetrical service to customers, with 20% of that amount targeted for areas of the state outside of the Portland Metropolitan Area. Second, the Stipulation ensures continuity, committing Northwest Fiber to honor all existing agreements between Frontier and wholesale and retail customers and to continue to abide by existing regulatory requirements. Third, the Stipulation commits Northwest Fiber to comply with certain financial covenants, thereby maintaining the financial stability to deliver planned upgrades to the aging Frontier network in Oregon. In addition, the Stipulation contains a "Most Favored State" clause that allows for incorporation of certain conditions if adopted in other state commission proceedings.

1 **II. Background**

2 **Q. Please provide a brief background on the Transaction.**

3 A. Northwest Fiber will acquire from Frontier all of the issued and outstanding
4 equity interests of two ILECs in Oregon, Citizens Telecommunications Company
5 of Oregon (“Frontier Oregon”) and Frontier Communications Northwest Inc.
6 (which also provides services in Washington and Idaho) (“Frontier Northwest”)
7 (collectively “the Oregon ILECs”), as well as two ILECs that operate only in
8 Idaho and Montana (collectively, with the Oregon ILECs, the “Transferring
9 Companies”) for approximately \$1.352 billion in an all-cash Transaction. As
10 illustrated in pre- and post-closing diagrams attached as Exhibit L to the Joint
11 Application, the Oregon ILECs (and other Transferring Companies) will become
12 Delaware LLCs and will be 100% owned by Northwest Fiber. The Transaction is
13 further detailed in the Purchase Agreement referenced in the Joint Application.¹

14 In acquiring the Transferring Companies, Northwest Fiber will also
15 acquire the network and assets that the Transferring Companies own and use to
16 serve ILEC customers in Oregon, and other states. Upon completion of the
17 Transaction (“Closing”), each Transferring Company will continue to operate as
18 an ILEC in its respective territory.

19 Following the Closing, the Commission will maintain the same regulatory
20 authority over the Oregon ILECs that it had prior to the completion of the
21 Transaction. Frontier Northwest and Frontier Oregon will continue to operate as

¹ As described in the Joint Application, the Purchase Agreement filed with the Securities and Exchange Commission (SEC) is available for review online at <https://www.sec.gov/Archives/edgar/data/20520/000095015719000673/ex2-1.htm>. The Parties hereby request that the Commission take official notice of the referenced SEC filing.

1 ILECs in Oregon, subject to the same regulations post-Closing as pre-Closing.
2 Northwest Fiber plans to rebrand the Oregon ILECs and their service offerings
3 after Closing.

4
5 **Q. Please provide a brief history of this proceeding.**

6 A. On June 28, 2019, Northwest Fiber and Frontier filed a joint application seeking
7 an order from the Commission declining jurisdiction, or, in the alternative,
8 approving the indirect transfer of control of the Oregon ILECs pursuant to ORS
9 759.375, ORS 759.380, OAR 860-027-0025, and any other authority as may be
10 deemed necessary to effectuate the Transaction (the “Joint Application”). CUB
11 filed a Notice of Intervention on July 1, 2019, and one competitive local exchange
12 carrier (“CLEC”), Charter, filed a Petition to Intervene on August 9, 2019, which
13 was granted on August 14, 2019. In the interim, Northwest Fiber and Frontier
14 filed direct testimony and exhibits in support of the Joint Application on August
15 7, 2019. The Joint Applicants have also responded to discovery conducted by
16 Staff, CUB, and Charter.

17 The Parties engaged in numerous settlement discussions from September
18 2019 through October 2019. Specifically, the Parties participated in two in-
19 person settlement conferences in Salem, on September 18th and October 3rd,
20 followed by telephonic settlement conferences on October 8th, October 14th, and
21 October 16th. The Parties also engaged in additional settlement communications,
22 including the exchange of drafts, during and after this period, culminating in the

1 execution on October 31, 2019, of the Stipulation that is now before the
2 Commission.

3

4 **Q. What is the applicable law governing the Commission's review of the Joint**
5 **Application?**

6 **A.** ORS 759.375 and ORS 759.380 require Commission approval of certain
7 transactions. Staff, CUB, and Charter contend that those statutes provide the
8 Commission with jurisdiction to review the Transaction proposed here, in
9 accordance with OAR 860-027-0025, as any telecommunications utility doing
10 business in Oregon must obtain Commission approval before selling or otherwise
11 disposing of the right to maintain or operate such utility or utility property, selling
12 or otherwise disposing of the right to perform service as a utility, or selling or
13 otherwise disposing of that utility's property necessary or useful in the
14 performance of its duties.² The Joint Applicants contend that the Commission
15 lacks jurisdiction to review the Transaction. However, Joint Applicants have
16 agreed, in order to expedite this proceeding, and without waiving any right to
17 raise jurisdictional arguments if the Commission declines to adopt the Stipulation,
18 to support the Commission's review and approval of the Joint Application subject
19 to the terms and conditions agreed to in the Stipulation.

20

21

22

² ORS 759.375.

1 **Q. What is the standard for approval under ORS 759.375 and ORS 759.380?**

2 A. The standard for approval under ORS 759.375 and ORS 759.380, as applied by
3 the Commission in prior proceedings, is whether the Transaction satisfies the
4 public interest by causing “no harm.”³ This standard was applied in the
5 CenturyTel/Qwest merger in UM 1484, the CenturyTel/Embarq merger in UM
6 1416, and in Frontier’s acquisition of Verizon Northwest in UM 1431. The
7 Commission has recognized that “[t]his is a *lesser* standard than the ‘net benefits’
8 standard employed under ORS 757.511 for energy utility acquisitions.”⁴
9

10 **III. Satisfaction of the No Harm Standard**

11 **Q. What issues did Staff investigate in connection with this transaction?**

12 A. During the discovery process, Staff investigated several issues and potential risks
13 pertaining to this transaction to help inform what conditions would be necessary
14 to ensure the Transaction met the “no harm” standard. Staff investigated the
15 Oregon ILECs’ ability to provide continuity of service to Oregon customers and

³ *In the Matter of CenturyLink, Inc., Application for Approval of Merger between CenturyTel, Inc., and Qwest Communications International, Inc.*, OPUC Order No. 11-095, at 6 (Mar. 24, 2011) (“CenturyLink Order”); *In the Matter of Verizon Communications Inc. and Frontier Communications Corporation Joint Application for an Order Declining to Assert Jurisdiction, or, in the Alternative, to Approve the Indirect Transfer of Control of Verizon Northwest Inc.*, OPUC Docket UM 1431, Order No. 10-067 (Feb. 24, 2010) (“Verizon Order”), at 1, 6.; *In the Matter of Embarq Corporation and CenturyTel, Inc. Joint Application for Approval of Merger Between the Two Companies and their Regulated Subsidiaries*, OPUC Docket UM 1416, Order No. 09-169 (May 11, 2009) (“Embarq Order”), at 3, 6 (each citing *In the Matter of the Joint Application of U S West Communications, Inc., and Telephone Utilities of Eastern Oregon, Inc., dba PTI Communications, for an Order Authorizing the Sale and Purchase of Certain Telephone Exchange*, OPUC Docket UP 96, Order No. 95-526 (May 31, 1995)).

⁴ *CenturyLink Order* at 6, n. 12; *Verizon Order*, at 6, n. 5; *Embarq Order*, at 5, n. 5.

1 to maintain the existing network. Staff also investigated potential risks related to
2 the transition of the operational support systems (“OSS”) and business support
3 systems from Frontier to Northwest Fiber. Through the discovery process, Staff
4 also broadly investigated issues pertaining to long distance services, the Oregon
5 Telephone Assistance Program (“OTAP”)/Lifeline Program, broadband
6 investment and deployment, and the provision of standalone telephone services.
7 Staff believes that the conditions in the Stipulation collectively help ensure the
8 Transaction satisfies the standard.

9

10 **Q. Please summarize how the Transaction will meet the “no harm” standard.**

11 A. As the Joint Applicants explained in their Application and direct testimony of Mr.
12 Weed and Ms. Ellis, the Transaction satisfies the “no harm” standard in part
13 because the Joint Applicants will act to preserve the continuity of service to
14 Oregon consumers. To maintain the status quo and ensure no harm takes place as
15 a result of the Transaction, Northwest Fiber will maintain the full range of
16 traditional residential, business, and related telecommunications services and
17 functionalities currently provided to consumers and businesses in the Oregon
18 ILECs’ service area, subject to the Commission’s consumer protection
19 requirements and service quality standards set forth in OAR 860. Northwest
20 Fiber will continue to operate the business as an ILEC with substantially the same
21 regulated retail and wholesale telecommunications services under the same rates,
22 terms, and conditions that exist at Closing.

1 In addition, unlike the status quo, after Closing Northwest Fiber is
2 positioned to invest in the Oregon ILECs, improving the infrastructure and
3 services provided by the ILECs and consequently increasing the level of effective
4 competition in the Oregon marketplace. The Transaction will allow Northwest
5 Fiber to improve voice, data, and video services in Oregon and further enable
6 advanced services such as the Internet of Things, smart homes, smart cities, and
7 autonomous systems, for example. These improvements will benefit many
8 Oregon residents.

9 Specifically, after Closing, Northwest Fiber will begin to implement its
10 business plan to expand and upgrade the Oregon ILECs' network to improve
11 customer service and offer faster broadband speeds, in many instances
12 approximately 1 gigabit per second, to both residential and commercial
13 customers.

14 These improvements compare favorably to what Frontier appears able to
15 deliver. Unlike Northwest Fiber, Frontier is not currently positioned to make
16 comparable substantial investments in additional bandwidth and network
17 capacity. Because the Transaction will result in a more robust network and
18 improved services to customers, the Transaction meets the required "no harm"
19 standard and might bring benefits.

20 By improving its network and expanding fiber-based broadband in
21 Oregon, Northwest Fiber expects to boost competition for telecommunications
22 and broadband services in Oregon, to the benefit of wholesale and retail
23 consumers, which might additionally bring net benefits.

1 These conditions, taken together, ensure that the Transaction meets the no
2 harm standard and might provide for net benefits.

3

4 **Q. Describe how the planned upgrades to the Oregon ILECs' infrastructure**
5 **relate to the "no harm" standard.**

6 A. While maintaining the functionality of the Oregon ILECs' current networks,
7 Northwest Fiber plans to invest in the Oregon ILECs' facilities by upgrading the
8 core network and extending fiber to thousands of residential and business
9 premises currently served by legacy copper infrastructure. In addition to these
10 fiber deployment and core network upgrades, Northwest Fiber also plans to make
11 additional capital expenditures across the other Transferring Companies, which
12 will benefit the Oregon ILECs. This investment will enable Northwest Fiber to
13 offer faster broadband, improve service, and expand to retail and wholesale
14 customers throughout the state in excess of the status quo. The more robust
15 network will ensure that many more retail and business customers will benefit
16 from broadband speeds of approximately 1 gigabit per second, among other
17 enhanced services.

18

19 **Q. Will Northwest Fiber continue the Oregon ILECs investments under the**
20 **federal Connect America Fund Phase II program?**

21 A. Yes. Northwest Fiber will continue to honor the broadband deployment
22 obligations of the Oregon ILECs through ongoing participation in the Connect
23 America Fund Phase II ("CAF II") program to ensure that by the end of 2020, at

1 least 8,542 locations in the eligible census blocks in the Oregon ILECs' service
2 area have been upgraded to a minimum of 10/1Mbps broadband service (the
3 minimum performance target set by the Federal Communications Commission
4 ("FCC") in the CAF II program). Northwest Fiber's commitment to the CAF II
5 deployment is consistent with the "no harm" standard, as there will be no
6 reduction in deployment as a result in the Transaction. Moreover, under the
7 Stipulation, the extensive broadband deployment funded by CAF II does not
8 count towards Northwest Fiber's additional \$50 million commitment to improve
9 and expand fiber-based broadband in Oregon over five years. The \$50 million
10 investment, along with the ongoing CAF II deployment, represents a benefit
11 above and beyond the status quo and supports the Parties' conclusion that the
12 Transaction satisfies the "no harm" standard and might provide benefits in excess
13 of that standard.

14
15 **Q. Describe how the Stipulation ensures that approval is appropriate in light of**
16 **proceedings in other states.**

17 A. The Parties recognize that timely closing of the Transaction depends not only on
18 the current proceeding, but also on resolution of parallel proceedings before the
19 Washington Utilities and Transportation Commission ("WUTC") and the
20 Montana Public Service Commission ("MPSC"). The Parties also recognize that
21 time is of the essence with respect to the Transaction, and that all Parties benefit
22 from defining the conditions of the Stipulation now, rather than waiting for the
23 WUTC and MPSC to complete their review. Waiting on other state commissions

would create a substantial risk of additional delay, particularly if other commissions decide to wait for completion of the Oregon proceeding. In contrast, the risks associated with proceeding now appear to be minor. In the course of this docket and the settlement negotiations, the Parties have thoroughly discussed the potential risks and benefits of this Transaction, and the Parties have agreed to appropriate conditions that ensure the no harm standard is met and that positive benefits might end up being seen by consumers. Moreover, to address the possibility that the WUTC or MPSC may ultimately adopt conditions, not adopted in Oregon, that would nevertheless be beneficial to Oregon customers, the Parties have negotiated a “Most Favored State” clause to allow for certain types of conditions adopted by other state jurisdictions to be applied in Oregon as well. Such clauses have been adopted with respect to past transactions before the Commission.⁵

IV. Stipulated Conditions

Q. Please generally describe the Stipulated Conditions agreed to by the Parties.

A. The Stipulation includes 75 enumerated conditions, some of which have additional sub-conditions. The following conditions are grouped below into categories that assure the Commission that key customer-facing and service-related protections are implemented:

- General Conditions (Conditions 1 – 18)
 - o Continuity Conditions (Conditions 1 – 7, 12 – 17)

⁵ See, e.g., *CenturyLink Order* at 20-22; *In re Northwest Natural Gas Company*, OPUC Docket UM 1804, Order No. 17-526, at 4 (Dec. 28, 2017); *In re MidAmerican Energy Holdings Company*, OPUC Docket UM 1209, Order No. 06-082, Appendix A, at 5-7 (Feb. 24, 2006).

- o Reporting Conditions (Conditions 8 – 11)
- o Most Favored State Condition (Condition 18)
- Financial Conditions (Conditions 19 – 22)
- Safety Conditions (Conditions 23 – 25)
- Long Distance Conditions (Conditions 26 – 27)
- Wholesale and Support System Conditions (Conditions 28 – 47)
- Consumer Services Conditions (Conditions 48 – 52)
- Oregon Telephone Assistance Program/Lifeline/Tribal Lifeline Conditions (Conditions 53 – 60)
- Broadband Infrastructure Investment Conditions (Conditions 61 – 65)

General Conditions (Conditions 1 – 18)

Q. Please describe the General Conditions.

A. Generally, Conditions 1 – 18 protect consumers by ensuring that the Oregon ILECS shall maintain continuity of service and remain accountable via the same reporting mechanisms that are currently in place. As discussed below in additional detail, by ensuring that this Transaction will not disrupt or diminish customer service, by providing transparency throughout the transfer of control and beyond, and by providing additional appropriate protections, the Stipulation ensures that this Transaction meets the “no harm” standard for approval by the Commission. In addition, Condition 18 constitutes a “Most Favored State” clause.

A. Continuity Conditions (Conditions 1 – 7, 12 – 17)

Q. Please discuss the conditions ensuring that Northwest Fiber will maintain continuity of services provided to consumers.

A. Conditions 1 – 7 and 12 – 17 of the Stipulation impose a range of obligations so that consumers in Oregon continue to receive service subject to the previous

1 standards and obligations currently imposed on the Oregon ILECs. The key
2 commitments generally concern continuity of the ILECs' current practices,
3 including obligations with respect to record-keeping, maintenance of existing
4 service offerings, and reporting. These settlement conditions encompass the
5 Oregon ILECs' price plans, existing agreements, interconnection, status as an
6 Eligible Telecommunications Carrier ("ETC"), and Oregon Universal Service
7 Fund obligations.

8 The notice provisions of these conditions require Northwest Fiber to
9 provide notice to the Commission in the event of substantive material changes to
10 the Transaction terms and conditions (Condition 3), name changes (Condition 5),
11 or relinquishment of ETC status by the Oregon ILECs (Condition 17). Northwest
12 Fiber is additionally obligated to provide notice to customers in the event of a
13 name change (Condition 5), and to file a supplemental application should
14 substantive material changes to the terms and conditions of the Transaction affect
15 regulated services (Condition 3), or for material changes to the corporate
16 organizational structure of the Oregon ILECs (Condition 4). Frontier, in turn, is
17 required to ensure that its existing obligations with respect to surcharges, fee
18 collection, remittance, and reporting requirements have been timely executed
19 before Closing (Condition 15).

20

1 **Q. How do these conditions help to ensure that the Transaction meets the “no**
2 **harm” standard?**

3 A. As described above, subject to applicable laws, regulations, and Commission
4 orders, both Joint Applicants will act throughout the transfer of control to ensure
5 that consumers have access to the same caliber of service subject to the standards
6 and obligations currently imposed on the Oregon ILECs and to maintain reporting
7 mechanisms to provide transparency to the Commission. Consumers having
8 continued access to the same quality of services and the Commission having the
9 ability to monitor multiple aspects of the provision of services as described in the
10 previous answer helps ensure that the Transaction will result in no harm to
11 consumers.

12

13 **B. Reporting Conditions (Conditions 8 – 11)**

14 **Q. Please describe the conditions relating to reporting requirements.**

15 A. Under Condition 8, Frontier is subject to a requirement that it file a Form O and
16 Form L from January 1, 2020, until the date of the transfer of ownership on behalf
17 of the Oregon ILECs. Conditions 9 – 11 require Northwest Fiber to provide
18 annual reports to the Commission regarding wire center obligations (Condition 9),
19 investment in broadband infrastructure and availability of symmetrical gigabit
20 broadband speeds (Condition 10), any changes in the corporate structure of the
21 Oregon ILECs (Condition 10), and data related to broadband deployment and
22 usage that is subject to FCC reporting requirements (Condition 11).

23

1 **Q. What is the rationale for the reporting conditions (Conditions 8 – 11)?**

2 A. The purpose of these conditions is to ensure the Oregon ILECs and Northwest
3 Fiber remain accountable for both providing service at the current level and
4 meeting the additional requirements in the Stipulation regarding broadband
5 infrastructure investment and available symmetrical gigabit broadband speeds.
6 This transparency ensures the Commission will have adequate and timely
7 information to enable it to act to protect customers and ensure that the proposed
8 benefits of the Transaction can reach consumers as stipulated. The reporting
9 helps to ensure that customers in Oregon will not suffer from degraded or
10 disrupted services, but will continue to receive service at current levels, and will
11 ultimately benefit from the planned investments in broadband infrastructure.
12 Consequently, these conditions help ensure that the “no harm” standard is
13 satisfied and that the Transaction might result in benefits.

14

15 **C. Most Favored State Clause (Condition 18)**

16 **Q. What is the Parties’ proposed Condition 18?**

17 A. Condition 18, the “Most Favored State” clause, permits the Commission to
18 consider and adopt any reporting or service quality condition to which the
19 Applicants have stipulated or otherwise agreed in the proceedings before the
20 WUTC or MPSC. The Most Favored State clause provides that the Parties will
21 work together in good faith to adjust quantitative conditions to account for various
22 possible differences between jurisdictions. The Most Favored State clause
23 excludes from consideration those conditions adopted in other state commission

1 proceedings that are tied to state-specific regulation or geographic areas. Overall,
2 the Most Favored State clause represents a reasonable compromise that allows the
3 Parties to benefit from reaching an early settlement, while still allowing Oregon
4 consumers to benefit from pending proceedings in other states.

5
6 **D. Financial Conditions (Conditions 19 – 22)**

7 **Q. To what financial conditions has Northwest Fiber agreed?**

8 A. In the Stipulation, Northwest Fiber has agreed to refrain from encumbering the
9 necessary or useful assets of the Oregon ILECs (Condition 19). Should one or
10 more of the Oregon ILECs choose to become rate of return regulated in Oregon,
11 Northwest Fiber will also abstain from seeking to recover in Oregon intrastate
12 regulated retail or wholesale rates, or any acquisition premium paid for the
13 Oregon ILECs (Condition 20). Finally, Northwest Fiber will file annual financial
14 reports for not less than three years after the Closing (Condition 21). Northwest
15 Fiber has also agreed to satisfy specific financial covenants which are set forth in
16 a Term Sheet that is designated as Highly Confidential under the terms of the
17 Modified Protective Order in this docket UM 2028, Order No. 19-261. Northwest
18 Fiber will file the terms for those financial covenants at least 14 days prior to
19 Closing (Condition 22), and will then make an annual certification as to its
20 compliance with the then-current covenants. Condition 22 is discussed in further
21 detail in the Highly Confidential joint testimony of Steve Weed, Bret Farrell and
22 Sam Pastrick.

23

1 **Q. What is the purpose of these financial conditions (Conditions 19 – 22)?**

2 A. The above conditions permit the Commission to monitor several aspects of
3 Northwest Fiber’s financial fitness. The Joint Applicants assert that Northwest
4 Fiber has the financial capability to operate successfully and make the planned
5 investments in network infrastructure. Because these conditions provide
6 transparency with respect to Northwest Fiber’s financial well-being to ensure
7 continuity of services and improved infrastructure and services to customers, they
8 help ensure that the Transaction meets the applicable “no harm” standard.

9

10 **E. Safety Conditions (Conditions 23 – 25)**

11 **Q. Describe the safety-related conditions (Conditions 23 – 25).**

12 A. As is the case with Frontier today, Northwest Fiber has agreed to comply with all
13 applicable federal and state safety standards and requirements, including
14 affirmative explanations of its understanding of certain laws and orders related to
15 the state’s authority (Conditions 23 and 25). Northwest Fiber will also provide
16 primary and secondary points of contact within the company for safety and pole
17 attachment matters (Condition 24). The Parties are convinced that Northwest
18 Fiber is capable of meeting the various state and federal safety requirements to
19 which it has committed as part of the Stipulation.

20

21 **Q. How do the safety conditions (Conditions 23 – 25) help ensure that the**
22 **Transaction meets the applicable “no harm” standard?**

1 A. These conditions ensure that the Transaction will not result in harm to consumers
2 because Northwest Fiber is committed to satisfying existing safety requirements
3 to protect consumers. By affirming Northwest Fiber's obligation to comply with
4 the safety requirements currently imposed on the Oregon ILECs and preserving
5 the current safety provisions, the above conditions help ensure satisfaction of the
6 "no harm" standard.

7

8 **F. Long Distance Conditions (Conditions 26 – 27)**

9 **Q. What conditions in the Stipulation apply to long-distance services?**

10 A. In Condition 26, Northwest Fiber has agreed to maintain intrastate toll calling
11 services and rates substantially similar to those offered by Frontier for a minimum
12 of 120 days following Closing. This commitment includes bundled offerings at
13 rates that are the same as those currently provided by Frontier. Northwest Fiber
14 has also agreed in Condition 27, for 90 days after initial toll-customer transfers, to
15 waive any carrier change charges, e.g., PIC change charges, for interLATA and
16 intraLATA long distance service providers (Condition 27).

17

18 **Q. How do the proposed conditions protect Oregon consumers from harm?**

19 A. The Parties believe that these rate protections, notifications and waived fees
20 related to long distances services will ensure that prices remain stable for
21 wholesale and retail long-distance consumers of the Oregon ILECs during the
22 transition. The Parties believe that these conditions provide sufficient protection
23 to consumers and help ensure that the Transaction meets the "no harm" standard.

G. Wholesale and Support System Conditions (Conditions 28 – 47)

Q. Please describe the conditions relating to the transition of OSS from Frontier to Northwest Fiber.

A. Conditions 28 – 47 ensure that the systems being transferred to Northwest Fiber are functioning both before and after the Closing, with specific commitments to ensure continuity and avoid disruptions with respect to the Oregon ILECs' OSS. Prior to Closing, Frontier is required to replicate the existing OSS, both retail and wholesale, share the testing strategy and pre-production testing results with the Commission, and then use the replicated systems for up to 60 days prior to the Closing (unless Northwest Fiber validates that the OSS are operational sooner) (Conditions 42 – 43). An independent third-party reviewer of the Oregon results will be selected by Frontier and Northwest Fiber (Condition 44). Frontier must also provide retail service quality reports, prior to Closing, which demonstrate that the replicated OSS show no material degradation for previous benchmarks (Condition 45). Joint Applicants are required to provide CLECs with a reasonable opportunity to test the Oregon ILECs' replicated OSS (Condition 37). The replicated OSS will then be available for at least two years after Closing (Condition 34). Further ensuring continuity, the Oregon ILECs will (1) adhere to their exiting wholesale operations OSS Interface Change Management Process ("Change Management Process") with respect to the OSS and the Oregon ILECs' "Virtual Front Office ("VFO"), which wholesale customers use to order services, for at least 24 months after the Closing (Conditions 32 – 34), and (2) provide CLECs and the Commission with at least 180 days' notice of the Oregon ILECs'

1 intent to transition to a new VFO (Condition 36). Overall, these conditions help
2 ensure satisfaction of the “no harm” standard because they guarantee that both
3 prior to Closing, and for two years after Closing, there will be continuity with
4 respect to the OSS and VFO.

5 Additional conditions in this group also ensure continuity of service and
6 service quality. Northwest Fiber will ensure that the Oregon ILECs (1)
7 sufficiently staff their support centers (Condition 29), (2) honor all rates, terms,
8 and obligations under the current interconnection agreements with CLECs for
9 three years after the Transaction and the other existing agreements with CLECs
10 for the duration of their current terms (Conditions 30 and 39), and (3) meet
11 Commission and FCC LNP requirements with at least the same level of quality
12 and intervals prior to the Closing (Condition 31). Northwest Fiber will also
13 maintain updated escalation procedures and assign a single point of contact for
14 any particular CLEC to address issues related to interconnection agreements,
15 systems, and other matters (Condition 40). Moreover, Northwest Fiber will
16 ensure that the current terms and conditions applicable to wholesale services
17 remain in force per current contractual obligations, without being subject to
18 additional charges flowing from unrelated expenses related to the Transaction in
19 general (Conditions 38 and 47).

20 Finally, for a period of 24 months following the Transaction closing date,
21 neither Northwest Fiber nor the Oregon ILECs shall directly file a petition for
22 forbearance with the FCC concerning obligations set forth in Section 251 or 271
23 of the Federal Telecommunications Act (Condition 41).

1

2 **Q. How do those conditions concerning OSS and wholesale services help ensure**
3 **satisfaction of the “no harm” standard?**

4 A. As a result of these conditions, the Parties believe that the transition of systems
5 from Frontier to Northwest Fiber will ensure continuous service and protect
6 customers from interruptions to their service. The Parties believe that this set of
7 conditions provides Oregon retail and wholesale customers with important
8 additional protections. Both the general and wholesale-specific service conditions
9 ensure the continuity of service and preserve the current financial and
10 performance obligations of all parties involved in wholesale service agreements.
11 The Parties believe that the preservation of the status quo with respect to
12 wholesale services help ensure the Transaction meets the “no harm” standard.

13

14 **H. Consumer Services Conditions (Conditions 48 – 52)**

15 **Q. Please describe the consumer service-related conditions in the Stipulation.**

16 A. Conditions 48 – 51 require Northwest Fiber to maintain sufficient staff, among
17 them specific staff with adequate knowledge of the Oregon ILECs’ systems, to
18 work with the Commission’s Consumer Service Section to resolve consumer
19 complaints in compliance with the Commission’s Consumer Services policies.
20 Northwest Fiber will also ensure that the Oregon ILECs continue to address
21 broadband complaints received by the Commission’s Consumer Services Section,
22 consistent with the Oregon ILECs’ current practices.

23

1 **Q. Please describe how the consumer service-related conditions help meet the**
2 **“no harm” standard.**

3 A. Conditions 48 – 51 ensure that consumers and Staff alike can promptly contact
4 Northwest Fiber in the event that an issue with customer service arises, and
5 provide the Commission with transparency into Northwest Fiber’s resolution
6 process. Because these conditions minimize the impact on consumers from
7 service interruption or degradation, the Parties believe that the above conditions
8 maintain the current level of service quality and help meet the “no harm” standard
9 applied by the Commission.

10
11 **I. OTAP/Lifeline/Tribal Lifeline Conditions (Conditions 53 – 60)**

12 **Q. What are the conditions in the Stipulation to protect recipients of assistance**
13 **programs, specifically, the OTAP, Lifeline and Tribal Lifeline programs, and**
14 **the Tribal Link-up program?**

15 A. Conditions 53 – 60, which apply equally to all four assistance programs
16 (Condition 53), provide a range of protections to program recipients, including:

- 17 • Northwest Fiber will not enroll or re-enroll any customer previously de-
18 enrolled or reported as such without Commission approval (Condition 57).
- 19 • Northwest Fiber will maintain sufficient staffing levels or designate
20 contact points for daily communications with Staff regarding operational,
21 customer service, and reporting issues concerning the programs, and will
22 respond to Commission Staff inquiries in no more than 5 business days
23 (Condition 55). Northwest Fiber will also designate a contact for

escalation of compliance and customer service delivery issues raised by Commission Staff that will respond to Staff within no more than five business days (Condition 56).

- In accordance with OAR 860-033-0046(4), Northwest Fiber will report any discrepancy that prevents a customer from receiving program discounts (Condition 54), and upon request by Commission Staff, will provide a sample copy of a customer's bill listing all such discounts (Condition 60).
- Northwest Fiber will provide program-related customer service representative training materials for Commission Staff's review (Condition 58) and will timely cooperate with Staff in filing and reporting claims for federal universal service fund support. (Condition 59).

Q. What is the purpose of these conditions?

A. These conditions ensure the continuation of the benefits and protections afforded by OTAP and the federal low-income universal service programs. The Parties believe these conditions demonstrate that the Transaction will not result in harm to consumers because these conditions preserve the status quo for program recipients and help meet the applicable "no harm" standard.

J. Broadband Infrastructure Investment Conditions (Conditions 61 – 65)

Q. Please describe Condition 61.

A. This condition obligates Northwest Fiber to continue to honor the broadband

1 deployment obligations of the Oregon ILECs through participation in the CAF II
2 program to ensure that the 8,542 locations within these ILECs' eligible census
3 blocks have access to a minimum of 10/1 Mbps broadband service by the end of
4 2020.

5
6 **Q. Please summarize the other specific broadband commitments made by**
7 **Northwest Fiber in the Stipulation.**

8 A. Northwest Fiber commits to upgrade the fiber network in Oregon such that those
9 customers who received fiber-based services before Closing will have
10 symmetrical speeds of approximately 1 gigabit per second available to them
11 within one year of Closing (Condition 64). Furthermore, Northwest Fiber and the
12 Oregon ILECs will expend at least \$50 million on improving and expanding fiber-
13 based broadband infrastructure throughout the ILECs' Oregon service territories,
14 capable of delivering approximately 1 gigabit symmetrical service to those
15 locations and customers, within five years of Closing (Condition 62). Northwest
16 Fiber will ensure that at least \$20 million in expenditures toward this commitment
17 takes place in the first three years following the close of the Transaction
18 (Condition 62). Northwest Fiber will ensure that at least \$10 million will be
19 invested in improving and expanding the fiber-based infrastructure outside of the
20 Portland Metropolitan Area, with at least \$5 million in such expenditures to take
21 place within the first three years (Condition 62).

1 **Q. Where will Northwest Fiber improve and expand fiber-based broadband**
2 **infrastructure in the Oregon ILECs' service territories?**

3 A. These improvements will take place throughout the Oregon ILECs' Oregon
4 territories, such that at least 60 percent of those locations will have access to
5 fiber-based broadband infrastructure capable of delivering approximately 1
6 gigabit symmetrical service within five years of the close of the Transaction
7 (Condition 63).

8

9 **Q. What is the purpose of Conditions 61 – 65?**

10 A. The purpose of these conditions is to capture for Oregon consumers the benefits
11 of broadband infrastructure improvements that the Transaction promises to
12 deliver. These commitments will ensure that customers will benefit from
13 broadband deployment in excess of what could be conceived if the Oregon ILECs
14 were not transferred to Northwest Fiber. As a result, this Transaction will
15 improve both the level of service available to customers and the state of
16 competition in the Oregon marketplace, both of which ensure that the Transaction
17 not only results in “no harm” to consumers in accordance with the applicable
18 standard, but also might deliver significant benefits.

19

20 **V. The Stipulation Addresses the Initial Concerns of Staff and CUB**

21 **Q. Why does Staff support the Stipulation?**

22 A. Notwithstanding the 75 conditions contained in the stipulation, Staff believes that
23 there are four key areas of the agreement which benefit Oregon consumers, and

1 demonstrate why Northwest Fiber's ownership of the Oregon ILECs does not
2 harm, and might benefit, Frontier's customers and the public at large.

3 First, Staff believes that consumers and the public benefit from Northwest
4 Fiber's commitments to invest in fiber-based broadband infrastructure
5 (Conditions 62 and 63). In addition to CAF II spending, Northwest Fiber has
6 agreed to expend \$50 million on improving and expanding fiber-based broadband
7 infrastructure to locations and customers in the ILECs' Oregon territories within
8 five years of the close of the transaction. This fiber-based broadband
9 infrastructure will be capable of delivering approximately 1 gigabit symmetrical
10 service to locations and customers. Northwest Fiber has also agreed to expend at
11 least \$10 million outside of the Portland Metropolitan Area.

12 Furthermore, Northwest Fiber has also agreed to invest in the combined
13 ILEC territories such that no less than 60 percent of locations in the combined
14 ILEC territories have access to fiber-based broadband infrastructure capable of
15 delivering approximately 1 gigabit symmetrical service within five years of the
16 close of the transaction. Staff believes that these commitments will benefit
17 Oregon consumers living in the combined ILEC territories.

18 The second key area pertains to Northwest Fiber's financial standing and
19 Condition 22. Staff believes that Northwest Fiber is financially solvent with a
20 low debt burden and is in a significantly stronger financial position than Frontier
21 Communications is in currently. To further ensure the financial stability of
22 Northwest Fiber in Oregon, Condition 22 requires Northwest Fiber to adhere to
23 the covenants put in place in their loan agreement. These covenants are discussed

1 further in additional highly confidential testimony. In addition to being
2 financially stronger than Frontier, Northwest Fiber has also committed to offering
3 stand-alone voice service for a period of no less than five years and complying
4 with applicable price plans. A stronger financial outlook and a commitment to
5 providing voice service helps ensure Oregon customers are not harmed by the
6 transaction.

7 Third, to assuage concerns by wholesale or retail customers over the
8 transition of Frontier's territory to a less-experienced Northwest Fiber, conditions
9 have been agreed to that help ensure a seamless transition. For example, OSS
10 responsible for ordering and provisioning of services will be replicated and
11 Northwest Fiber and Frontier Communications have agreed to a Transition
12 Services Agreement which sets forth an OSS transition and testing plan that is
13 designed to ensure that Northwest Fiber will assume control of a fully replicated
14 and functioning OSS with all of the functionality currently provided to existing
15 retail and wholesale telecommunications customers. Additional OSS conditions
16 (Conditions 28 – 47) will help ensure a smooth transition.

17 Lastly, the Most Favored State clause (Condition 18) allows Staff to
18 request conditions put forth in other jurisdiction's proceedings (i.e., Washington
19 and Montana) to be adopted in Oregon should they benefit Oregonians.

20 While, in Staff's view, the entire package of conditions is necessary to the
21 recommendation that the Commission approve this transaction, these four areas
22 are key to ensuring customers are not harmed and might benefit from the
23 transaction.

1

2 **Q. Why does CUB support the Stipulation?**

3 A. The CUB supports the Stipulation because the conditions therein ensure that the
4 Transaction satisfies the “no harm” standard for approval as established by the
5 Commission. Specifically, Conditions 61 – 65 are in the public interest and
6 benefit both existing Frontier Oregon voice and internet access service customers,
7 as well as prospective Northwest Fiber voice and internet access service
8 customers. The cumulative evidence born of the Joint Application, subsequent
9 joint-party settlement conferences, and additional communications that
10 culminated in the Stipulation satisfy CUB’s concerns. CUB believes Northwest
11 Fiber will uphold Frontier’s provision of fair and reasonable standard and stand-
12 alone voice service and invest sufficiently in Oregon for the benefit of Frontier’s
13 existing voice and internet access service customers, as well as prospective
14 Northwest Fiber voice and internet access service customers.

15 Of particular interest and concern to CUB was Northwest Fiber’s potential
16 commitment to invest in Oregon communities and customers outside of the
17 Portland Metropolitan area. The Stipulation defines the Portland Metropolitan
18 area as Clackamas, Multnomah, and Washington Counties. Ensuring that existing
19 Frontier Oregon voice and internet access service customers, as well as
20 prospective Northwest Fiber voice and internet access service customers outside
21 of the Portland Metropolitan Area benefit from the Transaction was and remains
22 of paramount importance to CUB.

1 Conditions 62 and 63 ensure significant investments in fiber-based
2 broadband infrastructure capable of supporting approximately 1 gigabit
3 symmetrical service in that Condition 62 sets aside no less than \$10 million to be
4 invested by Northwest Fiber in improving and expanding fiber-based broadband
5 infrastructure capable of supporting 1 gigabit symmetrical service outside of the
6 Portland Metropolitan Area within five years of the close of the transaction. \$5
7 million of this allocation must be spent within three years of the Close of the
8 transaction. This level of infrastructure buildout benefits residential customers
9 and helps ensure the Stipulation, as a total package, meets the Commission’s “no
10 harm” standard.

11 The above commitments are separate from an additional \$40 million
12 investment by Northwest Fiber in fiber-based broadband infrastructure capable of
13 delivering approximately 1 gigabit symmetrical service to locations and
14 customers irrespective of state geography. \$20 million of this allocation must
15 similarly be spent within three years of the close of the transaction.

16 Condition 63 requires that Northwest Fiber ensure that no less than 60
17 percent of all locations in Frontier Oregon territories have access to fiber-based
18 broadband infrastructure capable of 1 gigabit symmetrical service within five
19 years of the close of the transaction. All told, these commitments will represent a
20 significant investment in Oregon communities and customers that may otherwise
21 not occur but for the completion of the Transaction under consideration.

22 The Stipulation further ensures the provision of fair and reasonable
23 standard voice service consistent with Frontier’s existing price plan and prohibits

1 Northwest Fiber from requesting authorization to discontinue standalone voice
2 service for a period of five years following the close of the transaction. These two
3 points, combined with the fiber-based infrastructure investments mentioned
4 above, indeed buoy CUB's support for the Stipulation.

5 Ultimately, CUB believes the Stipulation represents a fair and reasonable
6 resolution of all outstanding issues in this proceeding; meets the "no harm"
7 standard for approval of the Transaction under consideration as established by the
8 Commission; and advances the public interest.

9

10 **VI. CONCLUSION**

11 **Q. Please summarize your testimony.**

12 A. The Stipulation conditions ensure that the Transaction will satisfy the "no harm"
13 standard set forth above. Accordingly, the Parties request that the Commission
14 issue an order approving the Stipulation and the Joint Application, subject to the
15 conditions set forth in the Stipulation.

16

17 **Q. Does this conclude the Parties' testimony in support of the Stipulation?**

18 A. Yes, thank you.

ATTACHMENT A
WITNESS QUALIFICATIONS

WITNESS QUALIFICATION STATEMENT – STEVE WEED, NORTHWEST FIBER

NAME: Steve Weed
EMPLOYER: Northwest Fiber, LLC
TITLE: Chairman of the Board
ADDRESS: 135 Lake Street South,
Suite 1000
Kirkland, WA 98033

EXPERIENCE: I have over 38 years of experience in telecommunications. Since 1988, I have been involved in building, operating, and managing network-based businesses in Washington and Oregon. Over the course of my career, I oversaw the development and construction of the fiber network for Electric Lightwave, Inc., the first major fiber network build in the Northwest; the first broadband business over a cable network in the Northwest for Summit Communications; and the highly successful development of Wave Broadband, which grew to be one of the largest broadband fiber companies on the West Coast during my tenure as CEO. During my long career, I have worked in many roles in the telecommunications industry including as an investor, operator, and consolidator of telecommunication businesses.

WITNESS QUALIFICATION STATEMENT – ALLISON ELLIS, FRONTIER

NAME: Allison Ellis
EMPLOYER: Frontier Communications Corporation
TITLE: Senior Vice President, Regulatory Affairs
ADDRESS: 3833 S. Alston Avenue, Durham, NC 277713
EDUCATION: B.A. University of Florida
Major: Political Science, 1992

J.D. Loyola University Chicago School of Law, 1996

EXPERIENCE: I have 20 years of experience in the telecommunications industry working in private practice, for telecommunications providers, and for a telecommunications equipment manufacturer. Since joining Frontier in 2010, I have held positions of increasing responsibility, in both the legal and regulatory functions. As Senior Vice President, Regulatory Affairs, I am responsible for Frontier's regulatory compliance function, and I oversee regulatory and governmental affairs in Oregon, and 19 other states.

WITNESS QUALIFICATION STATEMENT – BRET FARRELL, STAFF

NAME: Bret Farrell
EMPLOYER: Public Utility Commission of Oregon
TITLE: Utility and Energy Analyst 2, Universal Service & Regulatory Analysis Division
ADDRESS: 201 High Street SE, Suite 100 Salem, OR 97301-3398
EDUCATION: B.S. Illinois State University, Normal, Illinois
Major: Economics; 2017

M.S. Illinois State University, Normal, Illinois
Major: Applied Economics; 2018

EXPERIENCE: Starting in April 2019, I have been employed by the Public Utility Commission of Oregon. I am currently a Utility and Energy Analyst 2 in the Universal Service & Regulatory Analysis Division.

OTHER EXPERIENCE: From 2017 to 2018 I served as a graduate research assistant at Illinois State University where I assisted faculty with research and worked for the Institute for Corruption Studies within the Illinois State University Economics Department. From 2016 to 2017 I served as an undergraduate research assistant at Illinois State University, where I assisted on faculty research projects.

WITNESS QUALIFICATION STATEMENT – SAMUEL PASTRICK, CUB

NAME: Samuel Pastrick
EMPLOYER: Oregon Citizens' Utility Board
TITLE: Outreach Manager
ADDRESS: 610 SW Broadway
Suite 400
Portland, OR 97205
EDUCATION: B.S. University of Maine,
School of Resource Economics
Major: Environmental Management and Policy, 2009
EXPERIENCE: I have a decade of combined nonprofit and utility customer advocacy experience. Prior to joining CUB in 2014, I supported, coordinated, and deployed home health and safety programs for Portland Oregon based nonprofit, Community Energy Project. Since joining CUB, I have advocated successfully for residential customers of both energy and telecommunications utilities in Oregon regarding energy, telecommunications, and information and communications technology policy issues before the Oregon legislature, Oregon Public Utility Commission, and other political or administrative bodies.

WITNESS QUALIFICATION STATEMENT – MICHAEL SCANLON, CHARTER

NAME: Michael L. Scanlon
EMPLOYER: Charter Communications
TITLE: Vice President, Circuit Operations
ADDRESS:
EDUCATION: B.A. Miami University (OH)
Major: Accountancy, 2005

M.S. Miami University (OH)
Major: Accountancy, 2006

M.B.A. Washington University, St. Louis, 2014

EXPERIENCE: In July 2018, I was appointed to my current position upon the retirement of my predecessor. In this role, I have oversight for the procurement, administration and cost management of direct third-party network services used in the operation of the company's internet and landline voice services. I joined Charter in 2016 in a leadership role in the company's St. Louis-based controllership organization, having most recently served as Senior Director of Technical Accounting for the company.

OTHER EXPERIENCE: Prior to joining Charter, I held various senior finance and accounting positions with some of St. Louis's largest employers, including Centene, Peabody Energy and Solutia. Before moving into industry, I worked for Ernst and Young LLP in the audit practice of their Chicago and St. Louis offices.