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BEFORE THE ARIZONA CORPORATION COMMISSION

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7  
8 IN THE MATTER OF THE APPLICATION OF  
9 QWEST CORPORATION D/B/A  
10 CENTURYLINK-QC ("CENTURYLINK") TO  
11 CLASSIFY AND REGULATE RETAIL LOCAL  
12 EXCHANGE TELECOMMUNICATIONS  
13 SERVICES AS COMPETITIVE, AND TO  
14 CLASSIFY AND DEREGULATE CERTAIN  
15 SERVICES AS NON-ESSENTIAL

Docket No. T-01051B-11-0378

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Testimony of Jodi A. Jerich in support of the Settlement Agreement, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 25th day of May, 2012.

19  
20   
21 Daniel W. Pozefsky  
22 Chief Counsel

Arizona Corporation Commission  
DOCKETED

MAY 25 2012

23  
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1 AN ORIGINAL AND THIRTEEN COPIES  
2 of the foregoing filed this 25th day  
3 of May, 2012 with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington  
6 Phoenix, Arizona 85007

5 COPIES of the foregoing hand delivered/  
6 mailed this 25th day of May, 2012 to:

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**QWEST CORPORATION D/B/A CENTURYLINK QC  
DOCKET NO. T-01051B-11-0378**

**TESTIMONY  
OF  
JODI A. JERICH**

**IN SUPPORT OF  
SETTLEMENT AGREEMENT**

**ON BEHALF OF  
THE  
RESIDENTIAL UTILITY CONSUMER OFFICE**

**MAY 25, 2012**

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1 **INTRODUCTION**

2 **Q. Please state your name, occupation and business address for the**  
3 **record.**

4 A. My name is Jodi Jerich. I am the Director of the Arizona Residential Utility  
5 Consumer Office (RUCO). My business address is 1110 W. Washington  
6 Street, Suite 220, Phoenix, Arizona 85007.

7

8 **Q. Please state your educational background and qualifications in the**  
9 **utility regulation field.**

10 A. My educational background and qualifications are set forth in Exhibit A.

11

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

13 A. The purpose of my testimony is to explain RUCO's support of the  
14 Settlement Agreement.

15

16 **Q. What was your role in the settlement negotiations?**

17 A. As Director of RUCO, I led the negotiations on behalf of the agency. With  
18 me in the negotiations was RUCO counsel, Dan Pozefsky, and RUCO  
19 witness, Pat Quinn.

20

21 ...

22

1 **Q. Have you in your role as RUCO Director, participated in other**  
2 **settlement negotiations?**

3 A. Yes. As Director, I have participated in settlement negotiations in other  
4 matters that have come before the Corporation Commission.<sup>1</sup> The majority  
5 of these negotiations have resulted in RUCO reaching an accord with the  
6 utility and the other settling parties and signing a settlement agreement. On  
7 the other hand, I have walked away from settlement talks when negotiations  
8 produced a result that RUCO found was not in the best interest of  
9 residential ratepayers. RUCO does not enter into settlements lightly.  
10 RUCO will not agree to settle simply as a means of avoiding litigation.  
11 However, in this matter, negotiations did produce reasonable and fair terms  
12 that RUCO can and does support.

13  
14 **THE SETTLEMENT PROCESS**

15 **Q. Was the negotiation process that resulted in the Settlement**  
16 **Agreement a proper and fair process?**

17 A. Yes. The negotiations were conducted in a fair and reasonable way that  
18 allowed each party the opportunity to participate. Beginning on April 5,  
19 2012, the Parties met several times in an effort to reach consensus. All  
20 intervenors had an opportunity to participate in every step of the

---

<sup>1</sup> 2008 APS Rate Case, Docket No. E-01345A-08-0172 (Decision No. 71448); 2010 Qwest/  
CenturyLink Merger, Docket No. T-04190A-10-0194 (Decision No. 72232); 2010 Southwest Gas  
Corporation Rate Case, Docket No. G-01551A-10-0458 (Decision No. 72723); Goodman Water  
Company Rate Case, Docket No. W-02500A-10-0382 (Decision No. 72897); Arizona-American rate  
case, Docket No. A-01303A-10-0448 (Decision No. 73145).

1 negotiation. Persons were able to participate via teleconference if  
2 necessary. All parties were allowed to express their positions fully.

3  
4 Settlement negotiations began only after each Party had the opportunity  
5 to analyze the Company's Application, file its Direct Testimony and read  
6 the Direct Testimony of other Intervenors. Of course, the Settlement  
7 Agreement in no way eliminates the Commission's constitutional right and  
8 duty to review this matter and to make its own determination whether the  
9 Settlement Agreement is truly balanced.

10  
11 **Q. Did all the parties sign the proposed Settlement Agreement?**

12 **A.** No. Two parties did not sign the Settlement Agreement. The United  
13 States Department of Defense did not sign the Settlement Agreement and  
14 has filed a Request to Withdraw from the proceeding. tw telecom has  
15 indicated that although it did not wish to sign, it does not oppose the  
16 Settlement Agreement. Both Parties participated in and contributed to the  
17 crafting of the Settlement Agreement.

18  
19 In the end, four Parties signed the Settlement Agreement: Commission  
20 Staff, RUCO, the Arizona Investment Council (AIC), and Qwest  
21 Corporation dba Cenutry Link-QC.

22

1 **Q. What was RUCO's litigated position?**

2 A. RUCO filed testimony finding that CenturyLink has met its burden of proof,  
3 that it is operating in a competitive telecommunications marketplace and  
4 that it is providing competitive retail telecommunications services.  
5 RUCO's written testimony concluded that CenturyLink's Application should  
6 be granted.

7

8 **Q. Does Commission Rule define "competitive telecommunications  
9 service"?**

10 A. Yes. R14-2-1102(4) defines "competitive telecommunications service" as  
11 "any telecommunications service where customers of the service within  
12 the relevant market have or are likely to have reasonably available  
13 alternatives."

14

15 RUCO submitted evidence that shows that residential customers within  
16 CenturyLink's service territory "have or are likely to have reasonably  
17 available alternatives."

18

19

20

21 ...

22

1 **Q. Why did RUCO recommend that CenturyLink's retail local exchange**  
2 **services be found to be competitive services when RUCO finds that**  
3 **not every customer has the ability to choose an alternative**  
4 **telecommunications option?**

5 A. RUCO identified a handful of wire centers where neither a cable company  
6 nor a wireless provider offered telecommunications services. RUCO filed  
7 testimony finding that residential customers in three out of the 132  
8 CenturyLink wire centers did not have access to at least one alternative  
9 provider. Although not every customer has an alternative provider, RUCO  
10 agrees with CenturyLink that its services should be classified as  
11 competitive. First, Commission Rules do not require every customer to  
12 have a robust array of providers from which to choose. Rule 1108(B) sets  
13 forth the six criteria to analyze when a company requests a change in the  
14 classification of its services. Rule 1108(B) does not require competition in  
15 100% of the service territory. Second, as a practical matter, if 100%  
16 competition is the standard, then it is highly likely that CenturyLink would  
17 never be able to meet it. CenturyLink would be at the mercy of its  
18 competitors' decisions to purposefully stay out of one or two tiny, remote  
19 wire centers to keep its competitor ILEC in a different – and more stringent  
20 – regulatory environment. Third, while not every customer in  
21 CenturyLink's service territory has an alternative option, the vast, vast  
22 majority of customers do. Finally, the customers in these few wire centers

1 are protected because the Settlement Agreement requires CenturyLink to  
2 charge the same rate throughout its territory. So if we assume that robust  
3 competition in urban Phoenix will force CenturyLink to charge a  
4 competitively attractive rate in order to keep its existing customers and to  
5 acquire new customers, then people in remote areas with few choices or  
6 no choice will receive the benefit of that same rate.

7  
8 **SETTLEMENT AGREEMENT IS IN THE PUBLIC INTEREST**

9 **Q. Please summarize your testimony.**

10 **A.** The Settlement Agreement reflects an outcome that is fair to both the  
11 consumer and the Company and is in the public interest. This is a  
12 comprehensive Settlement Agreement. Its terms not only resolve the  
13 issues involved in this docket, but it restricts the Company to express rate  
14 increase limits for the next three years if it requests a rate change in the  
15 future.

16  
17 In short, the Settlement Agreement finds that all CenturyLink Commission-  
18 regulated retail local exchange services shall be classified as competitive  
19 pursuant to Commission Rule R14-2-1108. Furthermore, Signatories  
20 agree that this competitive classification is subject to certain conditions  
21 that provide additional benefits to residential customers. Finally, the

1 Signatories agree to adopt Staff's identification of specified services that  
2 should be deregulated.

3  
4 **Q. Why does RUCO support the Settlement Agreement?**

5 RUCO supports the Settlement Agreement because its terms are largely  
6 consistent with the position taken by RUCO in litigation. The Settlement  
7 Agreement finds that CenturyLink's retail local exchange services are  
8 competitive, which is the position RUCO took in litigation. The Settlement  
9 Agreement further requires CenturyLink to comply with certain conditions.  
10 In RUCO's opinion, these conditions favor the customer and further  
11 strengthen the public interest requirement of the Settlement Agreement.

12  
13 **A. CONDITIONS OF SETTLEMENT AGREEMENT**

14 **Q. What conditions do the Settlement Agreement impose on**  
15 **CenturyLink?**

16 **A.** These conditions are found in paragraphs 2.2, 2.3 and 2.4 of the  
17 Settlement Agreement.

- 18 1. CenturyLink shall not request to increase its *maximum* rates for  
19 residential or small and medium business services more than 25%  
20 over the next three years in request to increase rates pursuant to  
21 Rule 1110.

22

1           2.     Any increase in the *actual* rates pursuant to Rule 1109 may not  
2           exceed 10% in any one year for the next three years.

3           3.     RUCO is not obligated to support any rate increase request made  
4           under Rule 1110.

5           4.     CenturyLink agrees to charge statewide uniform rates for the next  
6           three years and may not execute geographic pricing unless  
7           specifically authorized by the Commission.

8           5.     CenturyLink shall file semiannual reports with the Commission  
9           showing the state of competition in its territory.

10  
11   **Q.     Why are the conditions limiting rate increases in the public interest?**

12   A.     These conditions provide rate stability to CenturyLink's residential and  
13           small and medium business customers by providing a cap on the amount  
14           on the potential increase. These customers now are on notice that rates  
15           will not increase more than 25% over the next three years and no more  
16           than 10% in any single year. This provides customers rate level reliability.  
17           Families have security in setting their budgets. Businesses have a more  
18           accurate ability to construct budgets and business plans.

19  
20   **Q.     How long do these conditions remain in effect?**

21   A.     The Settlement contemplates that the conditions will terminate at the end  
22           of the three year period when CenturyLink makes a filing showing that

1 "competition for voice services in Arizona is the same or greater than the  
2 level CenturyLink's testimony and evidence claim exist at the time of the  
3 filing of the Application in this docket." Staff must verify this filing.

4

5 **Q. What if CenturyLink does not make this filing or Staff cannot verify**  
6 **it?**

7 A. The conditions remain in effect and CenturyLink's services continue to be  
8 classified as competitive. However, the Commission may take into  
9 account CenturyLink's inability to comply with these conditions if  
10 CenturyLink files for another rate increase pursuant to Rule 1110.

11

12 **Q. Can the Commission revoke CenturyLink's competitive classification**  
13 **and return it to a traditionally regulated ILEC utility?**

14 A. Yes. The Commission has the inherent authority, subject to the due  
15 process rights of the utility, to find the existence of changed circumstances  
16 and that CenturyLink is no longer offering competitive telecommunications  
17 services.

18

19 **B. ADDITIONAL CONSUMER PROTECTIONS**

20 **Q. What other terms provide additional consumer protections that**  
21 **benefit the ratepayer?**

22 A. The Settlement Agreement provides other benefits as follows:

- 1           1. CenturyLink continues to be bound to state statutes and
- 2           Commission Rules regarding the provision of services to qualifying
- 3           low income customers.
- 4           2. CenturyLink continues to be bound by Commission Rules R14-2-
- 5           503(c) which delineates CenturyLink's obligation to provide retail
- 6           telecommunications services.
- 7           3. CenturyLink agrees to continue to comply with its Service Quality
- 8           Plan.

9

10 **Q. Discuss paragraph 2.10 addressing services to low income**  
11 **customers.**

12 **A.** The Settlement Agreement commits CenturyLink to continue its "Life  
13 Line" and "Internet Basics" programs for low income customers.  
14 Essentially, these programs provide heavily discounted land line and  
15 internet services to qualifying low income customers. These programs  
16 are more fully described on CenturyLink's website at  
17 <http://www.centurylink.com/Pages/Support/LifeLine/>.

18

19 **Q. Discuss paragraph 2.10 addressing R14-2-503(c).**

20 CenturyLink is currently obligated to comply with this Rule. The  
21 Settlement Agreement continues this obligation. This Commission Rule

1 sets forth the limited conditions under which CenturyLink may refuse  
2 service to a customer.

3

4 **Q. Discuss paragraph 2.12 addressing service quality.**

5 A. The Settlement Agreement commits CenturyLink to continue to comply  
6 with its Service Quality Plan.

7

8 If the Commission grants CenturyLink a competitive classification for its  
9 retail local exchange services, CenturyLink must comply with the  
10 provisions of Article II of the Commission's Rules for telecommunications  
11 companies offering competitive services including Rule 1114 which sets  
12 forth service quality requirements. RUCO believes paragraph 2.12 is in  
13 addition to the obligation to comply with Rule 1114.

14

15 **Q. Does this conclude your testimony?**

16 A. Yes.

# **EXHIBIT A**

# **Statement of Qualifications**

**Jodi A. Jerich  
Director  
Arizona Residential Utility Consumer Office ("RUCO")**

Governor Jan Brewer appointed Jodi Jerich to serve as the Director of RUCO in February 2009. The Arizona State Senate found her qualifications to meet the statutory requirements to be Director found in Arizona Revised Statutes §40-462 and confirmed her appointment. As Director, Ms. Jerich oversees and approves all testimony and briefs filed by RUCO. In consultation with her staff, she directs the public policy direction of the office.

From 2003 through 2005, Ms. Jerich was employed at the Arizona Corporation Commission as the Policy Advisor to Commissioner Mike Gleason. In that role, she advised the Commissioner on matters coming before the Commission and was actively involved in the policy-making decisions of that Commissioner's office. In 2006 when Governor Janet Napolitano appointed Barry Wong to fill the Commission seat vacated when Marc Spitzer was appointed to serve on the Federal Energy Regulatory Commission (FERC), she took a short leave of absence from the Legislature to assist Commissioner Wong to establish his office.

Except for the time she was employed at the Commission, from 1997 through 2008, Ms. Jerich was employed at the Arizona House of Representatives. She

held numerous positions of ascending duties, eventually becoming Chief of Staff to the Speaker of the House and Counsel to the Majority Caucus. Relevant to utility regulation, Ms. Jerich advised Legislators on matters involving water, energy, Commission jurisdiction and utility infrastructure security.

Jodi Jerich is a Phi Beta Kappa graduate of Indiana University. She also is a graduate of the Indiana University Maurer School of Law and is a member of the Arizona and Tennessee state bars.

As RUCO Director, Ms. Jerich has sponsored testimony in several dockets involving policy positions regarding rate consolidation, decoupling and rate case expense. She has also filed testimony regarding settlement agreements that RUCO has signed and supported.