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February 10, 2022

**Via Electronic Filing**

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Re: Joint Application of The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink; CenturyTel Broadband Services, LLC; Connect Holding LLC; and Lumen Technologies, Inc. for All Approvals of a General Rule Transfer of Control and Registration of Securities; Docket Nos. A-2021-3028668; A-2021-3028669

Dear Secretary Chiavetta:

On behalf of The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink; CenturyTel Broadband Services, LLC; Connect Holding LLC; and Lumen Technologies, Inc. (collectively "Joint Applicants"); the Office of Consumer Advocate; and the Office of Small Business Advocate, enclosed please find the *public version* of the Joint Petition for Settlement of All Issues in the above-referenced matter. The Office of Small Business Advocate will submit its Statement in Support (Appendix B) to the Commission on or before February 23, 2022. **Please note that confidential Attachment 1 to the Joint Petition for Settlement will be filed via Federal Express in a separate sealed envelope.**

The Joint Applicants urge the Commission to take action on the Joint Application on or before the May 26, 2022 public meeting, so that the transaction may be finalized timely for purposes of business and consumer benefits.

Copies to be served in accordance with the attached Certificate of Service.

Sincerely,

*Sarah C. Stoner*  
Sarah C. Stoner

SCS/lww  
Enclosure

cc: Hon. Marta Guhl w/enc.  
Cert. of Service w/enc.

**CERTIFICATE OF SERVICE**

I hereby certify that this day I served a copy of the **Joint Petition for Settlement of All Issues** upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

**Via Email**

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Dated: February 10, 2022

*Sarah C. Stoner*  
\_\_\_\_\_  
Sarah C. Stoner, Esq.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of The United Telephone :  
Company of Pennsylvania LLC d/b/a :  
CenturyLink; CenturyTel Broadband : Docket No. A-2021-3028668  
Services, LLC; Connect Holding LLC; and : Docket No. A-2021-3028669  
Lumen Technologies, Inc. for All :  
Approvals of a General Rule Transfer of :  
Control and Registration of Securities :

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**JOINT PETITION FOR SETTLEMENT OF ALL ISSUES**

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**TO ADMINISTRATIVE LAW JUDGE MARTA GUHL:**

Pursuant to 52 Pa. Code § 5.232, The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink (“United Telephone”); CenturyTel Broadband Services, LLC (“CTBS”); Connect Holding LLC (“Connect Holding”); and Lumen Technologies, Inc. (“Lumen”) (collectively “Joint Applicants”); the Office of Consumer Advocate (“OCA”); and the Office of Small Business Advocate (“OSBA”) (with Joint Applicants, collectively “Parties”) submit this Joint Petition for Settlement to Administrative Law Judge Marta Guhl and the Pennsylvania Public Utility Commission (“Commission”). The Parties seek to resolve and settle in full the above-referenced proceeding pursuant to the unanimous agreement among all parties in this proceeding, as described below (“Settlement”). The Parties respectfully request that Administrative Law Judge Marta Guhl and the Commission approve this Settlement. In support thereof, the Parties state as follows:

**I. BACKGROUND**

1. On September 22, 2021, Joint Applicants filed a Joint Application with the Commission for approval of a general rule transaction pursuant to Sections 1102 and 1103 of

the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 1102 and 1103, and the Commission’s Statement of Policy—Utility Stock Transfers Under 66 Pa.C.S. § 1102(a)(3), 52 Pa. Code § 69.901 and its Abbreviated Procedures for Review and Approval of Transfer of Control for Telecommunications Public Utilities, 52 Pa. Code § 63.324.

2. The Joint Application seeks approval for Connect Holding, an entity affiliated with funds managed by Apollo Global Management, Inc. (“Apollo”), to acquire United Telephone, Lumen’s Incumbent Local Exchange Carrier (“ILEC”) in Pennsylvania, and CTBS, which will primarily resell long distance and interexchange services from Lumen to United Telephone customers. The transfer in Pennsylvania is part of a \$7.5 billion transaction in which Connect Holding will acquire Lumen’s ILEC subsidiaries in twenty states. A true and correct copy of the Purchase Agreement, which fully describes the underlying transaction giving rise to the Joint Application, was attached to the Joint Application as Exhibit B.

3. On October 9, 2021, notice of the Joint Application was published in the *Pennsylvania Bulletin*. Protests and petitions were noticed as due on or before October 25, 2021. The Notice also provided that the matter was assigned to the Office of Administrative Law Judge and that a prehearing was scheduled for November 12, 2021. On October 25, 2021, the OCA filed a Protest, and OSBA filed a Notice of Intervention and Protest.

4. On November 5, 2021, Joint Applicants submitted pre-filed Direct Testimony of Thomas Maguire (Statement No. 1) and Aaron Sobel (Statement No. 2) on behalf of Connect Holding and the pre-filed Direct Testimony of Michael J. Balhoff (Statement No. 3) on behalf of Connect Holding and Lumen.

5. On November 12, 2021, a prehearing conference was held via-teleconference. On December 14, 2021, a Procedural Order was issued establishing a procedural schedule.

6. On January 3, 2022, presiding Judge Marta Guhl entered a Protective Order in this docket.

7. On January 5, 2022, pursuant to the established procedural schedule, OCA served Direct Testimony of Dr. Trevor Roycroft. Also on January 5, 2022, OSBA served Direct Testimony of Joseph Gillan.

8. On January 18, 2022, Joint Applicants served Rebuttal Testimony of Thomas Maguire (Statement No. 1-R), Michael Balhoff (Statement No. 3-R), and Joshua Motzer (Statement No. 4-R).

9. During the course of this proceeding, the Parties engaged in formal and informal discovery, to clarify their respective positions. The Joint Applicants provided responses to over 140 interrogatories.

10. The Parties have undertaken settlement discussions and have arrived at settlement terms and conditions, as set forth below, to resolve all issues claimed and arising in this litigated proceeding. This Settlement consists of compromises and concessions regarding the respective litigation positions of the Parties so as to reach an amicable settlement in lieu of further protracted and expensive litigation.

## **II. TERMS AND CONDITIONS OF THE SETTLEMENT**

11. In consideration of the mutual promises and provisions contained in this Settlement, the Parties desire to conclude litigation at the above-docketed matter and to settle all contested issues. Pursuant to the Settlement, the Parties respectfully request the Commission to issue all approvals required under the Public Utility Code, including the authorizations required under Sections 1102 and 1103 of the Code and registration of securities under Section 1901 of the Code as requested in the Joint Application. Accordingly, United Telephone and CTBS commit to the terms and conditions set forth herein.

## **Fiber Build Commitment**

12. For each year between 2022 and 2027, inclusive, United Telephone will deploy fiber optic cable to pass the number of premises set forth below (“Fiber Passings Commitment”) by December 31 of the designated year. Any passings deployed in excess of the requirement in one year shall count toward satisfaction of subsequent years’ requirements. The annual Fiber Passing Commitment, broken out by residential and business premises passed, is attached as CONFIDENTIAL Attachment 1.<sup>1</sup> The sum of the Fiber Passing Commitments for 2022-2023 is 38,500, for 2024-2025 is 116,700, and for 2026-2027 is 35,500. The fiber commitment applies separately to business and residential premises and any passings deployed in excess for one class of customer shall not count against the commitment for the other customer class.

13. For the purposes of the Fiber Passings Commitment, “premises passed” means a premises to which United Telephone could, without an extraordinary commitment of resources, provide fiber-based broadband service.

14. The Fiber Passings Commitment is not predicated on public funds, including but not limited to grants through the Department of Economic and Community Development, the Pennsylvania Broadband Development Authority, or other Pennsylvania or federal sources. Premises passed with new fiber funded by public grants will not count towards Connect Holding’s Fiber Passings Commitment under this Settlement, unless Connect Holding committed more than 50% of the cost (monetary and in-kind) as a condition of the grant.

15. For each of the years covered by the Fiber Passings Commitment, United Telephone will submit to OSBA and OCA and file with the Commission a report (“Annual

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<sup>1</sup> The expected expenditures for the buildout, which also are attached as part of CONFIDENTIAL Attachment 1, are illustrative and not an enforceable part of the Settlement.

Certification”), subject to confidentiality, detailing the number and locations of residential and business premises passed with fiber during that year. The Annual Certification will identify each public grant which supported that year’s tally of premises passed. The Annual Certification shall be filed by February 1 (or the next business day), and the final Annual Certification shall be filed on February 1, 2028.

- a. If OSBA or OCA believes United Telephone has failed to meet its obligation, OSBA or OCA may notify United Telephone within 30 days of receiving the Annual Certification, at which point United Telephone will have 30 days to cure or dispute the OSBA or OCA notification.
- b. If the failure is not cured or the dispute is not resolved within the following 30 days, OSBA or OCA may petition the Commission for any appropriate relief or remedy.

16. The Fiber Passings Commitment is subject to circumstances beyond the control of United Telephone, including but not limited to supply chain disruptions, materials shortages, right of ways issues, access to third-party poles, permitting delays, weather, labor shortages, delays in obtaining all required regulatory approvals for the transaction by August 1, 2022, and terrain or access issues (“Special Circumstances”). If United Telephone reasonably believes that failure to meet a Fiber Passing requirement is the result of Special Circumstances, it shall so attest in a sworn statement as part of its Annual Certification. OSBA or OCA may petition the Commission for appropriate relief if either wishes to challenge that determination of Special Circumstances.

### **Rate Commitments**

17. United Telephone will not increase standalone R1 and B1 rates for local voice service in its 2022 annual price filing to be made on or before September 1, 2022. United

Telephone will not add to its bank the value of any allowed increase in revenues calculated by the 2022 annual price filing. In each of its 2023 and 2024 annual price filings, United Telephone will not increase standalone R1 and B1 monthly voice service rates by more than \$1.00 each. If the annual price filing for any of these years indicates that a decrease in non-competitive service revenues is required, United Telephone shall implement the decrease proportionally among all non-competitive services.

18. United Telephone will adjust the banked revenues under its PSP when United Telephone files its 2022 annual price filing. Mathematically, the total aggregate reduction would be \$7 million in the banked revenues of United Telephone's PSP, calculated as follows:

- a. United Telephone, at the time of its 2022 annual PSP filing, will zero out the banked revenues for 2018, 2019, and 2020 to implement the Commission's Opinion and Order entered January 13, 2022 at Docket Nos. R-2018-3004019, C-2018-3005400, R-2019-3012238, and C-2019-3012876. Mathematically this adjustment will reduce its banked revenues by \$1,253,531. This adjustment is not a bargained for term to settle this Application proceeding.
- b. United Telephone, at the time of its 2022 annual PSP filing, will propose to reduce further its banked revenues by \$5,746,469 on a one-time basis. This amount will be reduced starting with the year 2006 banked amount and working through sequential years until the reduction specified in this subparagraph is reached.
- c. The amount of the bank reduction set forth in subparagraph b. above is predicated on the availability in United Telephone's bank of sums at least equal to that amount of reduction. In the event that the banked sums available are less than the \$5,746,469, the amount of the bank reduction required by

subparagraph b. shall be decreased by the amount of any such deficiency so that this provision does not result in a negative bank balance.

### **Low-Income Services**

19. United Telephone will develop and implement a program to offer its available broadband service to low-income households at a rate below the generally available rate for its lowest tier of service, with rates and on terms to be determined by United Telephone in its sole discretion.

20. United Telephone will participate in the Affordable Connectivity Program created by the Infrastructure and Jobs Act for the benefit of eligible consumers in areas served by United Telephone.

21. To promote the availability of its broadband offering to low-income households and participation in the Affordable Connectivity Program, United Telephone will provide outreach materials to the Commission, the OCA, and other relevant state agencies, such as electronic copies of brochures and applications.

22. CTBS will participate in the Affordable Connectivity Program for the benefit of eligible consumers in the areas served by CTBS where CTBS provides an internet service offering to residential households.

### **Service Quality**

23. Upon request by OCA or OSBA for one or more meetings, United Telephone will schedule and hold the meetings, to occur between 6 months after closing of the transaction and the end of 2025, to address service quality issues, if any. The meetings will provide the Parties an opportunity to discuss any consumer concerns regarding service quality, the transition from Lumen operations to Connect Holding's operations, the transition under any changes to regulations, and the like.

### **Standalone Broadband**

24. United Telephone will provide its available broadband service available on a standalone basis for 3 years from close of the transaction.

### **Marketing Basic Telephone Service**

25. United Telephone will advertise the availability of basic local exchange service, sold on a standalone basis, through its website.

### **Section 3014(h) and United Telephone's Right of First Refusal**

26. United Telephone will provide the OCA and OSBA with notice each time United Telephone accepts or declines a political subdivision's request that United Telephone or an affiliate deploy and offer broadband services at the speeds requested.

### **Agreements in Principle**

27. United Telephone, CTBS, and OCA set forth the following statements to reflect their current intentions ("Goals"). The Goals are not legally binding and failure to meet any Goal, in whole or in part, does not constitute a breach of this Settlement and is not enforceable by the Commission or through any other forum or means.

- a. United Telephone intends to continue a significant level of community involvement, charitable giving, and corporate sponsorship throughout its service territory.
- b. United Telephone intends to seek funds from state and federal broadband deployment and connectivity programs, as appropriate, to expand its network and service offerings.
- c. CTBS acknowledges that OCA encourages it to expand its network and provide broadband service outside of United Telephone's service territory so long as CTBS can do so consistent with its other commitments and obligations.

### **United Telephone's Chapter 30 Plan**

28. The provisions of United Telephone's Amended Chapter 30 Plan, which this Settlement does not alter, remain in force for services covered by Chapter 30.

### **Reservation of Rights/Limitations**

29. The Parties agree nothing in this Settlement conveys Commission jurisdiction over provisioning, rates, or any other aspect of broadband services other than the authority to enforce this Settlement according to its express terms. The location and manner of any buildout required under this Settlement, and any and all buildout after December 31, 2027, is at United Telephone's sole discretion. With respect to any provision of this Settlement without an express termination date, the termination date is December 31, 2027.

30. This Settlement is expressly conditioned upon the entry of a final Commission order approving all specific terms and conditions contained herein without modification as well as approval of the transaction by all other necessary regulatory bodies. The terms and conditions set forth in this Settlement will go into effect only upon transaction close and the Commission's entry of a final order, which is not stayed on appeal, approving this Settlement and all the Settlement terms and conditions without modification.

- a. Commission approval of this Settlement shall not be construed or cited as binding precedent on any issue in this proceeding, or in any other Commission proceeding, or in any appeal from a Commission proceeding, except to effectuate the terms and conditions of this Settlement. This paragraph shall be effective regardless of whether the Settlement is accepted and adopted by the Commission. Joint Applicants, OCA, and OSBA have each served testimony making arguments and claims and raising issues in support of their respective positions in this proceeding. The Settlement is made without any admission

against, or prejudice to, any position that any Party may adopt in the event of any subsequent litigation of this proceeding, or in any other proceeding. The Settlement cannot and should not be used as precedent or as a statement of a Party's interest in this jurisdiction or elsewhere and does not constitute precedent regarding a position that any Party may have or might make in any other proceeding or matter.

- b. If this Settlement is rejected by the Commission or is withdrawn by any of the Parties, then this Settlement and the terms and conditions herein are deemed to be made without any admission against or prejudice to any position that any of the Parties may have advanced or will advance in this docket or in any other proceeding. If this Settlement is not approved as proposed, no adverse inference shall be drawn and no precedent shall be deemed to exist as a consequence of any term or condition set forth herein.

31. If the Commission should not approve, or should condition its approval on modification of, any of the terms and conditions herein, this Settlement may be withdrawn by a Party upon written notice to the Commission and all other Parties within ten business days of receipt of the Commission's Order. In such withdrawal event, this Settlement shall be of no force and effect, except paragraphs 30 and 31 and Parties reserve their respective rights to conduct cross-examination, briefing and argument, and to take, without prejudice, positions different from the terms of this Settlement. In the event of such withdrawal, this Settlement shall be terminated without admission against or prejudice to any position, which any Party might adopt during any subsequent hearing.

32. Parties agree that this Settlement constitutes a negotiated resolution of all issues raised in Docket Nos. A-2021-3028668 and A-2021-3028669, with bargained-for concessions

supporting the terms and conditions contained herein. The Parties acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any party's position with respect to any issue raised in this proceeding.

33. The Parties specifically agree that the Commission's approval of this Settlement without modification resolves, with prejudice, all issues raised in this docketed proceeding and/or specifically addressed herein.

34. This Settlement constitutes the entire Settlement among the Parties. The Parties agree that it supersedes and controls all prior communications, correspondence, Settlements, or prior drafts of Settlements existing among the Parties or their representatives, relative to the matters contained herein. This Settlement is determinative and conclusive of issues addressed herein and, upon the entry of a final Commission order approving the Settlement (which is not stayed on appeal), constitutes a final adjudication as to the Parties.

35. Except as explicitly set forth in this Settlement, there are no representations, warranties, or inducements, whether oral, written or expressed or implied, that in any way affect or condition the validity of this Settlement or alter its terms and conditions.

36. The existence of this Settlement and the terms and conditions of the same do not require, and shall not be construed as requiring, that any Party extend this Settlement or any provision set forth in this Settlement to any other entity or person.

37. Parties agree to make best efforts to support expeditious Commission approval of this Settlement without modification. If the ALJ adopts the Settlement without modification, the Parties waive their right to file Exceptions.

38. In conjunction with the entry of a final Commission Order approving this Settlement without modification, the Parties request that the Commission shall mark the proceeding closed.

39. This Settlement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the principles of conflicts of law.

40. This Settlement may be executed in one or more counterparts, each of which shall be considered an original, and all of which taken together shall constitute one and the same instrument and shall be effective on the latest date signed.

### **III. PUBLIC INTEREST CONSIDERATIONS**

41. Settlements conserve litigation and administrative costs to the Parties and to the Commission. Settlements allow Parties to negotiate outcomes that are mutually acceptable to them, subject to Commission approval. Moreover, the Commission's rules and regulations encourage settlements. 52 Pa. Code § 69.401.

42. In recognition of the Commission's policy in favor of seeking negotiated settlements to contested proceedings, the Parties have reached an amicable resolution to this dispute as embodied herein.

43. Approval of this Joint Petition is in the public interest. The Settlement, in conjunction with the Joint Application, provides for numerous affirmative public interest benefits that support Commission approval of the Settlement and the issuance of certificates of public convenience evidencing Commission approval of the transaction. Based upon the terms and conditions set forth above, and for the reasons set forth in the Statements in Support provided by Parties, this Settlement is in the public interest.

44. The Settlement establishes commitments regarding the build out of fiber facilities to increase broadband availability for United Telephone customers. The Settlement also establishes rate commitments and adjustments for certain United Telephone services, reduces established banked revenue amounts under United Telephone's price plan, and makes

certain low-income service commitments for United Telephone and CTBS customers. In addition, the Settlement provides commitments related to service quality, standalone broadband, marketing basic telephone services, and notice related to United Telephone's right of first refusal under Section 3014(h) of the Public Utility Code.

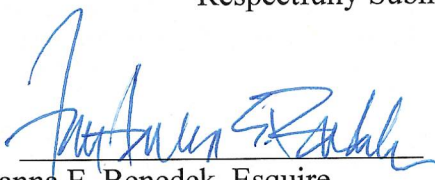
45. Approval of the Joint Petition is in the public interest in lieu of the Parties (and the Commission) incurring the time, expense, and uncertainty of further litigation regarding the specific facts and circumstances of this case.

46. OCA, OSBA, Connect Holding, and Lumen (along with its affiliates United Telephone and CTBS) have each submitted Statements in Support which are attached hereto as Appendix A, Appendix B, Appendix C, and Appendix D, respectively.

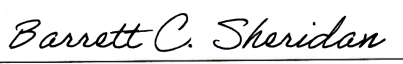
#### **IV. CONCLUSION**

**WHEREFORE**, the Parties respectfully request that Presiding Judge Marta Guhl and the Commission: (1) approve the Settlement terms and conditions set forth herein without modification; (2) enter an order consistent with this settlement providing all required approvals; (3) register the securities as requested in the Joint Application; and (4) terminate the proceeding and take any such other actions as are necessary and appropriate.

Respectfully Submitted,

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**On behalf of Lumen and its affiliates,  
United Telephone and CTBS**

By:   
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**On behalf of Patrick Cicero, Acting  
Consumer Advocate**

By: \_\_\_\_\_  
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**On behalf of Connect Holding LLC**

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**On behalf of The Office of Small  
Business Advocate**

Dated: February 9, 2022

Respectfully Submitted,

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**On behalf of Connect Holding LLC**

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**On behalf of Patrick Cicero, Acting  
Consumer Advocate**

By: \_\_\_\_\_  
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**On behalf of The Office of Small  
Business Advocate**

Dated: February 9, 2022

Respectfully Submitted,

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Admitted *Pro Hac Vice*

**On behalf of Connect Holding LLC**

By: \_\_\_\_\_  
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**On behalf of Patrick Cicero, Acting  
Consumer Advocate**

By: /s/ Steven C. Gray  
Steven C. Gray, Esquire  
PA Attorney ID No. 77538  
Senior Supervising  
Assistant Small Business Advocate  
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**On behalf of The Office of Small  
Business Advocate**

Dated: February 10, 2022

# **ATTACHMENT 1**

**[CONFIDENTIAL]**

# **APPENDIX A**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of The United Telephone :  
Company of Pennsylvania LLC, CenturyTel :  
Broadband Services, LLC, Connect Holding : Docket Nos. A-2021-3028668,  
LLC, and Lumen Technologies, Inc. for All : A-2021-3028669  
Approvals of a General Rule Transfer of Control :  
and Registration of Securities :

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STATEMENT OF THE OFFICE OF  
CONSUMER ADVOCATE IN SUPPORT OF  
JOINT APPLICATION FOR APPROVAL OF  
INTERCOMPANY RESTRUCTURING

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The Office of Consumer Advocate (OCA), a signatory party to the Joint Petition for Settlement (Settlement) in this proceeding, respectfully requests that the terms and conditions of the Settlement be approved by Administrative Law Judge Marta Guhl as well as the Pennsylvania Public Utility Commission (Commission). The OCA submits that the proposed Settlement is in the public interest and in the interests of the residential customers of United Telephone and prospective residential customers of CenturyTel Broadband Services:

**I. INTRODUCTION**

On September 22, 2021, The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink (United Telephone); CenturyTel Broadband Services, LLC (CTBS) (collectively the “Acquired Companies”); Connect Holding LLC (Connect Holding), an affiliate of Apollo Global Management, Inc., and its subsidiaries (Apollo); and Lumen Technologies, Inc. (Lumen) (all

collectively “Joint Applicants”) filed a Joint Application. The Joint Applicants request that the Commission grant authority, approvals, and any necessary certificates of public convenience pursuant to Sections 1102 and 1103 of the Public Utility Code and related Commission regulations and statement of policy to allow the Joint Applicants to undertake the proposed transfer of control of the telecommunications public utilities. Additionally, the Joint Petitioners request Commission registration of securities to the extent as may be necessary, pursuant to Section 1102(a)(3) of the Public Utility Code. The Joint Application is styled as a “General Rule Transfer,” subject to the Commission’s regulation at 52 Pa. Code § 63.324.

United Telephone is a certificated local exchange carrier (LEC) and interexchange telecommunications carrier (IXC). The Application states that United Telephone has approximately 73,000 jurisdictional telecommunications service customers. App. ¶ 6. United Telephone’s network is primarily copper-based DSL plant. Only 1.4% of residences and 5.5% of business locations receive fiber-to-the-premises broadband. App. ¶¶ 8, 27. The Commission has designated United Telephone as an Eligible Telecommunications Carrier (ETC) in its ILEC service area.

CTBS is a newly certificated competitive LEC (CLEC) and IXC.<sup>1</sup> The Commission has granted CTBS designation as an ETC in a specific service area comprised of 126 census blocks awarded to Lumen through the Rural Digital Opportunity Fund (RDOF) Auction 904.<sup>2</sup>

The Purchase Agreement between Lumen and Apollo would result in the acquisition by Apollo of all equity interest in Lumen’s ILEC subsidiaries in 20 states, including United Telephone

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<sup>1</sup> On October 7, 2021, the Commission granted CTBS’ Applications to provide detariffed IXC Reseller service, detariffed Facilities-based IXC service, and CLEC service (residential and business) in the Commonwealth, in Docket Nos. A-2021-3028246, A-2021-3028251, and A-2021-3028254, respectively.

<sup>2</sup> Petition of CenturyTel Broadband Services, LLC for Designation as an Eligible Telecommunications Carrier, Docket No. P-2021-3024219, Order (Nov. 18, 2021).

in Pennsylvania, as well as ownership of CTBS in Pennsylvania. Apollo Global Management, Inc. is a publicly traded U.S. company and a large asset manager. To bring about the transfer of control of United Telephone and CTBS into the Apollo investment portfolio, Apollo has created a number of special purpose entities. App. ¶¶ 2, 5, 17-19. Connect Holding II LLC is the Apollo entity which will receive 100% of Lumen's equity interests in the Acquired Companies. The result of this multi-layered transaction will be the transfer of 100% of control (equity and voting rights) of United Telephone and newly certificated CTBS to Apollo. App. Exh. A. To finance the acquisition, Connect Holding II expects to incur new debt and also enter into a new revolving credit facility for working capital and general corporate purposes, collectively "Acquisition Debt." United Telephone and all of its material assets would be pledged to guarantee the Acquisition Debt.

The Commission published notice of the proposed change of control transaction in the Pennsylvania Bulletin on October 9, 2021. 51 Pa. B. 6501.

The Office of Consumer Advocate (OCA) filed a Protest and Public Statement on October 25, 2021, to ensure that the proposed restructuring is in accordance with Section 1103 of the Public Utility Code and all other applicable statutes, regulations, and Commission orders. The Office of Small Advocate filed a Protest, Public Statement, and Notice of Appearance on October 25, 2021.

The Application was assigned to Administrative Law Judge Marta Guhl for investigation and hearings to determine whether it complies with the standards set forth in Section 1103 of the Public Utility Code. A Prehearing Conference was held on November 12, 2021, at which a procedural schedule was adopted.

The Parties submitted a proposed Protective Order on November 23, 2021.

The OCA retained the services of an expert witness, Dr. Trevor R. Roycroft, to assist in its review of the case.<sup>3</sup> The OCA served six sets of interrogatories. The Parties also engaged in informal discovery. The OCA submitted the Direct Testimony of Dr. Roycroft on January 5, 2022.

Prior to the filing date for surrebuttal testimony, the Joint Applicants reached an agreement in principle to resolve the Joint Application by settlement. At the request of the Parties, ALJ Guhl agreed to suspend the procedural schedule.

For the reasons set forth below, the OCA submits that the proposed Settlement is in the public interest. The OCA requests that the Presiding Officer and the Commission adopt the Settlement as an appropriate resolution of this contested change of control proceeding.

## **II. SETTLEMENT**

### **A. Legal Standard.**

In its Protest, the OCA set forth the standard for approval of a change of control through the sale of all equity interest and assets of a public utility. See, OCA Protest at ¶¶ 4-8. Section 1102 of the Public Utility Code requires that the Commission issue a certificate of public convenience as a legal prerequisite to offering service, abandoning service, and certain property transfers by public utilities or their affiliated interests. See, OCA Protest at ¶ 4; 66 Pa. C.S. §1102(a)(1)-(3). The Public Utility Code requires that a certificate shall only be granted upon findings that the granting of such certificate is “necessary or proper for the service,

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<sup>3</sup> Dr. Trevor R. Roycroft is an independent consultant providing economic and policy analysis related to telecommunications, public utility, and information technology industries. Dr. Roycroft received his Ph.D in Economics from the University of California, Davis. Dr. Roycroft’s full Curriculum Vitae and list of testimonies before the Pennsylvania Public Utility Commission and agencies in other states set forth as Exhibit A to OCA Direct Statement No. 1.

accommodation, convenience or safety of the public.”<sup>4</sup> Section 1103 explicitly allows the Commission to impose conditions upon the issuance of a certificate of public convenience. See, OCA Protest at ¶ 6; 66 Pa. C.S. § 1103(a). Section 1103(a) of the Public Utility Code provides that “[t]he Commission, in granting such a certificate, may impose such conditions as it may deem to be just and reasonable.” Id. Section 3011 also sets forth the Commonwealth’s policy goals regarding preservation of universal telephone service, as well as encouragement of deployment of broadband networks and increased availability of advanced and broadband services. OCA Protest at ¶ 8; 66 Pa.C.S. § 3011(1)-(8), (12). Further, Section 3019(b) reserves the Commission’s power “[t]o condition the sale, merger, acquisition or other transaction required to be approved under section 1102(a)(3)” of United Telephone and its “facilities used to provide telecommunications services to ensure there is no reduction in the advanced service or broadband deployment obligations of the affected property or facilities.” OCA Protest at ¶ 7; 66 Pa.C.S. § 3019(b)(4).

The Settlement terms and conditions address these statutory requirements and public policy considerations. The Settlement terms and conditions are in the public interest and should be adopted as a part of the Commission’s approval of this proposed change of control of United Telephone and CTBS.

B. Settlement.

The OCA filed its Protest in order “to ensure that the transfer is only approved if it is (1) in the public interest; (2) it is necessary or proper for the service, accommodation, convenience, or safety of the public; and (3) it is in accordance with the Public Utility Code.” OCA Protest at 3-4. As a part of its review of the Joint Applicants’ filing and testimony, the OCA examined whether

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<sup>4</sup> See, OCA Protest at ¶ 5; 66 Pa. C.S. § 1103(a); City of York v. Pa. PUC, 295 A.2d 825 (Pa. 1972); Popowsky v. Pa. PUC, 937 A.2d 1040 (Pa. 2007).

Lumen's proposed transfer of control of United Telephone and new competitive affiliate CTBS to Apollo's Connect Holding subsidiary met these three requirements and what the impact of the proposed transaction would be on United Telephone's residential customers and the public served by the facilities to be transferred.

### Fiber Passing Commitment

The Settlement's Fiber Passing Commitment describes Connect Holding's plans to invest capital to upgrade portions of United Telephone's voice and broadband services network to fiber, commencing in 2022 and continuing through 2027. Settlement ¶¶ 12-16, Exhibit 1 (Confidential). Connect Holdings' five-year plan sets annual goals to bring fiber to pass a certain number of residential and business locations. The Confidential Exhibit 1 provides the annual goals and a rough estimate of the possible annual investment. The estimated cost of investment associated with the annual Fiber Passing Commitment is for illustration and is not a binding term. Settlement, ¶ 12, fn. 1.

The OCA submits that the Fiber Passing Commitment provides an important public benefit, as it sets minimum goals for Connect Holding to upgrade portions of United Telephone's network to fiber. As set forth in the Joint Application, United Telephone's voice and broadband services are currently provisioned over a network which is largely copper-based. App. ¶ 8. The Fiber Passing Commitment should result by the end of 2027 in roughly 190,700 additional locations, residential and business, being passed by fiber in United Telephone's service area. Settlement ¶ 12. For those locations to be connected to the new fiber network, Connect Holdings would need to make a further investment. Settlement ¶ 13. If Connect Holdings would need to make an

extraordinary investment to connect the location, then it does not qualify to count as a “fiber passed” premise. Id.

The terms of the Fiber Passing Commitment recognize the dynamics of the times. Connect Holding may not count premises passed by new fiber if the project is supported by public grant money – unless Connect Holding contributes more than 50% of the project cost, in kind or capital.<sup>5</sup> Settlement ¶ 14. Connect Holding will provide to the OCA and OSBA an Annual Certification of the prior year’s progress. Settlement ¶ 15. The OCA and OSBA will have the opportunity to address underperformance reported in an Annual Certification, whether due to a claim of “Special Circumstances” or other grounds. Settlement ¶ 15. a, b., c. This includes the possibility of an OCA or OSBA petition to the Commission for a remedy. Settlement ¶ 15.b.

The Fiber Passing Commitment terms will benefit the residential and business locations passed by the upgraded network. Connect Holding will have incentive to deploy where there is need and demand, to meet each year’s commitment. By settling followed by timely review and approval, United Telephone should have more time commence work on the 2022 Fiber Passing commitment. As a whole, the Fiber Passing Commitment advances the Commonwealth’s policy goals of promoting broadband deployment, as set forth in Section 3011 and summarized above.

### Rate Commitments

The Settlement provides important rate protections for United Telephone’s residential and business basic local exchange service customers. Settlement ¶¶ 17, 18. The Settlement describes United Telephone’s upcoming 2022 Price Stability Mechanism filing. Specifically, there will be

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<sup>5</sup> As a non-binding term, United Telephone states one goal is to “seek funds from state and federal broadband deployment and connectivity programs, as appropriate, to expand its network and service offerings.” Settlement ¶ 27.b.

no increase to “R1 and B1” rates for basic voice service. Settlement ¶ 17. If the 2022 PSM identifies an increase in revenues is allowed, then United Telephone will not bank that revenue increase. Id. The Settlement also describes the adjustments to United Telephone’s existing bank of allowed increases. The first accounts for the mathematical value of the decrease already required by the Commission’s January 2022 approval of a different settlement between United Telephone, OCA, and OSBA.<sup>6</sup> Settlement ¶ 18.a. The second adjustment is a bargained for term of this Settlement and requires United Telephone to make a reduction to its existing bank by over \$5.7 million. Settlement ¶ 18.b, c. Accordingly, United Telephone residential and business basic local service customers will be protected against rate increases for the 2022 PSM period. Further, United Telephone’s ability to implement future increases to generate banked increases will be diminished by over \$5.7 million. Settlement ¶¶ 17, 18.

The Rate Commitments also limit the annual increase which United Telephone might impose on R1 and B1 standalone voice service customers to \$1 per month as part of the 2023 PSM filing and again as part of the 2024 PSM filing. Settlement ¶ 17. In the event, the 2022, 2023, and/or 2024 PSM filings calculate that a decrease in annual revenues is required, the Settlement requires United Telephone to implement the revenue decrease, through ratable reductions to charges for non-competitive services. Settlement ¶ 17.

The OCA submits that the Rate Commitments provide important protections for all United Telephone residential and business standalone voice service customers. Settlement ¶¶ 17, 18. The Rate Commitments limit United Telephone’s ability to increase rates for these voice service customers, regardless of increased costs associated the change of control transaction or United

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<sup>6</sup> The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink 2018 Price Stability Index/Service Price Index Filing, Docket Nos. R-2018-3004019, C-2018-3005400, R-2019-3012238, C-2019-3012876, Opinion and Order (Jan. 13, 2022) (Approving settlement of complaints against United Telephone’s 2018 and 2019 PSI Filings).

Telephone's annual progress in meeting the Fiber Passing Commitment. These Rate Commitments are in the public interest and further the Commonwealth's Section 3011 policy goals, as discussed above.

### Low Income Services

As a condition of settlement, United Telephone commits to offer to low-income households broadband service at a rate below the cost of its lowest tier broadband service offering. Settlement ¶ 19. United Telephone will develop and design the specifics of this low-income household offering. This proposal will benefit households that fit United Telephone's eligibility criteria by providing a low cost option for broadband service. United Telephone also commits to participate in the federal Affordable Connectivity Program. Settlement ¶ 20. United Telephone will provide the Commission, the OCA, and other relevant agencies with information and outreach materials, to help broaden customer awareness of these options to help low-income households obtain broadband service on more affordable terms. Settlement ¶ 21.

Additionally, CTBS commits to participate in the Affordable Connectivity Program in the areas where it offers residential broadband service. Settlement ¶ 22. This commitment benefit households who are eligible for the Affordable Connectivity Program and have access to CTBS broadband service.

### Other Beneficial Settlement Terms

The Settlement includes additional terms and conditions which provide public benefits and certainty as to United Telephone's conduct in several key areas.

United Telephone, OCA, and OSBA agree to engage in future discussions of service quality concerns, as the need might arise. The scope of possible future meetings may include matters related to post-transaction changes in operations or other service quality concerns. Settlement ¶ 24.

Further, United Telephone commits to provide its available broadband service on a standalone basis for 3 years, following close of the transaction. Settlement ¶ 24. United Telephone will also advertise through its website the availability of basic local exchange services, sold on a standalone basis. Settlement ¶ 25.

As an ILEC, United Telephone is provided with a right-of-first refusal before a political subdivision might proceed with its own ‘municipal broadband’ project. 66 Pa.C.S. § 3014(h). As a term of the Settlement, United Telephone will provide notice to OCA and OSBA each time United Telephone accepts or declines such a request. Settlement ¶ 26. These notices, if any, will provide useful information for OCA and OSBA to monitor the role played by the statutory provision in the deployment of broadband networks by United Telephone, an affiliate, or political subdivisions.

For the reasons set forth above, the OCA submits that the Settlement regarding the proposed change of control of United Telephone and CTBS from Lumen to Apollo’s Connect Holding subsidiary will provide affirmative benefits for a variety of residential and business consumers of voice or broadband services over the next several years. The Settlement is in the public interest and should be approved.

### III. CONCLUSION

For the reasons detailed above, the OCA respectfully requests that the Commission approve the Settlement in its entirety, as it is in the public interest.

Respectfully Submitted,

/s/ Barrett C. Sheridan

Barrett C. Sheridan

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February 9, 2022  
323912

# **APPENDIX B**

**[to be filed by OSBA separately on or before February 23, 2022]**

# APPENDIX C

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of The United Telephone	:	
Company of Pennsylvania LLC d/b/a	:	
CenturyLink; CenturyTel Broadband	:	Docket No. A-2021-3028668
Services, LLC; Connect Holding LLC; and	:	Docket No. A-2021-3028669
Lumen Technologies, Inc. for All Approvals	:	
of a General Rule Transfer of Control and	:	
Registration of Securities	:	

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**STATEMENT OF CONNECT HOLDING LLC  
IN SUPPORT OF SETTLEMENT**

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Connect Holding LLC (“Connect Holding”), one of the Joint Applicants and an individual signatory to the Joint Petition for Settlement, respectfully submits this Statement in Support of Settlement. Connect Holding recommends that the Commission find that the settlement agreement (“Settlement”) is in the public interest and issue an order approving the Settlement without modification. The Transaction—which will deliver significant, much-needed network upgrades—is overwhelmingly in the public interest even without the Settlement, which provides a number of additional public interest benefits, as explained below.

**I. INTRODUCTION**

On September 22, 2021, The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink (“United Telephone”); CenturyTel Broadband Services, LLC (“CTBS”); Connect Holding; and Lumen Technologies, Inc. (“Lumen”) (collectively “Joint Applicants”) filed a Joint Application with this Commission requesting approval for a general rule transaction (the “Transaction”) wherein Connect Holding LLC, an affiliate of funds managed by Apollo Global Management, Inc. (“Apollo”), will acquire Lumen Technologies, Inc.’s (“Lumen”) Incumbent

Local Exchange Carrier (“ILEC”) subsidiaries in twenty states, including United Telephone.<sup>1</sup> After extensive negotiation, discovery, and testimony, the parties reached the Settlement with the Office of Consumer Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”). For the reasons discussed below, the Settlement is in the public interest and should be approved without modification.

## **II. THE TRANSACTION AS PROPOSED PROVIDES SUBSTANTIAL BENEFITS**

The Transaction as proposed would deliver substantial public interest benefits even without the Settlement. As set forth in the Joint Application<sup>2</sup> and in the testimony of Joint Applicants’ witnesses Thomas Maguire, Michael Balhoff, and Aaron Sobel, Connect Holding plans to upgrade significant portions of United Telephone’s network to fiber, bringing faster and more reliable internet service to its markets, as well as delivering best-in-class customer service. These substantial investments will offer the households, businesses, and communities in United Telephone’s Pennsylvania region the broadband connectivity they will need to flourish in the 21st Century.

These investments would not occur absent the Transaction.<sup>3</sup> United Telephone currently makes fiber-based broadband service available to only 1.4% of residences and 5.5% of business locations. OCA witness Dr. Trevor Roycroft characterizes United Telephone’s current broadband facilities as “inadequate for modern uses,” “antiquated,” and “abysmal.”<sup>4</sup> Dr. Roycroft concludes

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<sup>1</sup> See Sections 1102 and 1103 of the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 1102 and 1103, and the Commission’s Statement of Policy—Utility Stock Transfers Under 66 Pa.C.S. § 1102(a)(3), 52 Pa. Code § 69.901 and its Abbreviated Procedures for Review and Approval of Transfer of Control for Telecommunications Public Utilities, 52 Pa. Code § 63.324.

<sup>2</sup> The Joint Application was admitted into the record as Joint Applicants Exhibit 1.

<sup>3</sup> Drew Fitzgerald and Miriam Gottfried, *Lumen Technologies to Sell U.S. Telecom Assets to Apollo for \$7.5 Billion*, Wall Street Journal (Aug. 3, 2021), <https://www.wsj.com/articles/lumen-technologies-to-sell-u-s-telecom-assets-to-apollo-for-7-5-billion-11628020916> (quoting Lumen CEO stating “[i]f you look at the markets that we’re transferring to Apollo, these are markets that Lumen would not have invested as heavily in.”).

<sup>4</sup> Roycroft Dir. at 9, 14.

that “[t]he ability of individuals and businesses residing in [United Telephone’s] service area to work, learn, seek medical care, and participate in society has been hindered by Lumen’s failure to invest.”<sup>5</sup> This Transaction is in the public interest because it seeks to rectify the very conditions Dr. Roycroft laments. And it will do so regardless of whether any conditions are placed on the Transaction approval—the record overwhelmingly demonstrates that Connect Holding will make these fiber investments in light of its committed financing, economic incentives, and reputational interests at stake.<sup>6</sup>

The proposed Transaction will significantly improve the percentage of fiber-enabled locations in United Telephone’s network by coupling Connect Holding and Apollo’s extensive capital resources and experienced management team with United Telephone’s existing infrastructure and service capabilities, including its experience with serving customers receiving copper-based services and its deep experience managing fiber builds. These resources will accelerate the significant expansion of fiber deployment in United Telephone’s rural service area, including in many small towns and rural areas that would not receive fiber-based service absent this Transaction. These investments would not occur—at least not to the same extent—without the Transaction.

The Joint Application and the testimonies demonstrate that, following the Transaction, United Telephone will be financially strong and well positioned to provide a higher quality of service to rural areas. At closing of the Transaction, Connect Holding, United Telephone’s parent,

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<sup>5</sup> Roycroft Dir. at 10.

<sup>6</sup> See Maguire Reb. at 8-10; Maguire Dir. at 9, 10-15 (“Apollo has the financial resources, the managerial expertise, and the commitment to broadband investment that will provide improved services for customers, stable, and attractive opportunities for employees, and a more vigorous competitive environment.”; “Our plan calls for a very significant, multi-year investment designed to address Pennsylvania customers’ requirements and improve their existing experiences by deploying advanced technologies.”); Sobel Dir. at 5-8 (“Apollo plans to improve United Telephone’s existing infrastructure through the expanded deployment of fiber and associated network equipment to customers’ homes and businesses. This investment will provide for a more competitive set of broadband services which will significantly improve the customers’ choice and service experience.”); see also Balhoff Dir. at 8, 15.

will have \$1.5 billion of cash on its balance sheet earmarked for capex, along with \$600 million of credit available for investment. In addition, Apollo is one of the largest alternative asset managers in the world, with over 1,000 employees, managing money for some of the largest endowments, educational institutions, and pension funds. As of March 31, 2021, Apollo managed \$461 billion in credit, private equity, and real assets funds. Connect Holding will be managed by an experienced management team that collectively has about a century of overall telecom experience, each holding senior positions with Verizon.

Apollo and Connect Holding are committed to continuing United Telephone's history of excellence and expertise in the provision of communications service in the Commonwealth, including by retaining existing United Telephone employees to continue operating the business on a day-to-day basis. This will help ensure a seamless transition for United Telephone's customers and the continued provision of high-quality services. Connect Holding and Lumen are diligently working on an agreement under which Lumen will continue to provide the operations support systems and business support systems to United Telephone, ensuring the uninterrupted provision of service for United Telephone customers.

In addition to the increased fiber deployment, United Telephone's network will benefit from repairs and investment in existing non-fiber facilities. Further, the Transaction will not have any adverse impact on United Telephone's continued provision of safe, adequate and proper service at just and reasonable rates, as required under Pennsylvania law. Additional attributes of the proposed transaction are addressed in the Joint Application and the testimonies of Connect Holding and Lumen.

### III. THE SETTLEMENT PROVIDES ADDITIONAL BENEFITS

The Settlement further enhances and supplements the affirmative benefits of the Transaction by establishing measurable commitments related to the beneficial fiber builds and supplemental public interest benefits to consumers in Pennsylvania, while conserving litigation and administrative resources.

OCA and OSBA in their respective testimonies raised perceived concerns with the Transaction and claimed possible adverse impacts if the transaction were not subject to conditions. *See, e.g.*, OCA Direct at p. 43; OSBA Direct at p. 5. Connect Holding disagrees with the claims and the various forms of relief requested by OSBA and OCA, as set forth in direct and rebuttal testimonies of Connect Holding and Joint Applicants. Nonetheless, as part of the Settlement in this matter, Connect Holding, OSBA, and OCA have developed mutually acceptable terms and conditions to fully resolve any issues OCA and OSBA may have with the Transaction. As addressed in greater detail below, the Settlement provides additional benefits by adding measurable commitments and reporting requirements to Connect Holding's fiber build-out commitments, placing restrictions on United Telephone's ability to increase rates, and addressing additional other commitments.

Fiber Build Commitment: The Settlement provides firm commitments regarding fiber buildout to residential and business premises for each year between 2022 and 2027. Further, for each of the years covered by the Fiber Passings Commitment, United Telephone will submit to OSBA and OCA and file with the Commission a report, subject to confidentiality, detailing the number and locations of premises passed with fiber during that year.

Rate Commitments: The Settlement provides that United Telephone will not increase standalone R1 and B1 rates for local voice service in its 2022 annual price filing to be made on or

before September 1, 2022. Further, United Telephone will not add to its bank the value of any allowed increase in revenues calculated by the 2022 annual price filing, and in each of its 2023 and 2024 annual price filings, United Telephone will not increase standalone R1 and B1 monthly voice service rates by more than \$1.00 each. If the annual price filing for any of these years indicates that a decrease in non-competitive service revenues is required, United Telephone will implement the decrease proportionally among all non-competitive services. The Settlement also provides that United Telephone will adjust its current banked revenues when it files its 2022 annual price filing.

Low-Income Services: The Settlement provides low-income service commitments for United Telephone and CTBS customers.

Other Provisions: The Settlement also provides commitments related to service quality, standalone broadband, marketing basic telephone services, and notice related to United Telephone's right of first refusal.

The conditions provided in the Settlement reinforce the overall affirmative benefits of the Transaction: customers will benefit from increased investment with no interruption of service. On day one, Connect Holding will possess the committed capital and experienced management team to execute this network improvement plan, which will begin at consummation and extend over a multi-year period. And the Transaction, which does not combine existing communications providers or involve cutting employee rolls or other costs, poses no tangible risk of harm to the public.

### **III. CONCLUSION**

For the foregoing reasons, Connect Holding supports the Settlement and urges the Commission to issue an order adopting the Settlement without modification. In addition to the

affirmative benefits of the Transaction as proposed, the Settlement provides affirmative benefits that address the concerns of the two other parties to this proceeding. Connect Holding urges the Commission to find the Settlement to be in the public interest, to issue all certificates of public convenience, and to approve the Settlement without modification.

Respectfully submitted,

/s/ John L. Flynn

John L. Flynn, Esquire

D.C. Bar No. 484793

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Admitted *Pro Hac Vice*

**On behalf of Connect Holding LLC**

DATED: February 9, 2022

# APPENDIX D

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink; CenturyTel Broadband Services, LLC; Connect Holding LLC; and Lumen Technologies, Inc. for All Approvals of a General Rule Transfer of Control and Registration of Securities

Docket No. A-2021-3028668  
Docket No. A-2021-3028669

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**STATEMENT IN SUPPORT OF SETTLEMENT  
OF  
CENTURYLINK**

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The United Telephone Company of Pennsylvania LLC d/b/a CenturyLink (“United Telephone”); CenturyTel Broadband Services, LLC (“CTBS”); and Lumen Technologies, Inc. (“Lumen”) (collectively “CenturyLink” for purposes of this Statement), (all entities collectively, “Joint Applicants”),<sup>1</sup> hereby respectfully submit this Statement in Support to presiding Administrative Law Judge Marta Guhl regarding the Joint Petition for Settlement (“Settlement”) of the Joint Application seeking all approvals and certificates of public convenience for the transaction as described in the Joint Application (the “Transaction”). CenturyLink respectfully requests that the Pennsylvania Public Utility Commission (“Commission”) promptly issue a final order approving the Settlement without modification.

**I. INTRODUCTION**

On September 23, 2021, the Joint Applicants filed with the Commission a Joint Application seeking all approvals and certificates required under the Pennsylvania Public Utility Code for the

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<sup>1</sup> Connect Holding LLC is also a Joint Applicant in this proceeding. Connect Holding LLC is separately filing its separate Statement in Support.

transfer of control of United Telephone and CTBS to Connect Holding. Litigation ensued after the filing of a Protest by the Office of Consumer Advocate (“OCA”) and an Intervention by the Office of Small Business Advocate (“OSBA”) (collectively, “Advocates”). Joint Applicants submitted pre-filed written direct testimony on November 5, 2021, and timely responded to seven sets of discovery propounded by the Advocates. The Advocates and Joint Applicants pre-filed additional rounds of written direct and rebuttal testimonies on January 5, 2022 and January 18, 2022, respectively.

Consistent with the Commission’s regulations encouraging settlements, 52 Pa. Code § 5.231, the Advocates and Joint Applicants engaged in settlement negotiations. On February 9, 2022, Joint Applicants and the Advocates submitted this Settlement to Presiding Judge Marta Guhl.

## **II. SUBSTANTIAL AFFIRMATIVE BENEFITS**

The Joint Application and the testimonies of Joint Applicants demonstrate that the Transaction as proposed would bring substantial affirmative benefits to United Telephone’s consumers, to the public, and to the Commonwealth of Pennsylvania. Notably, the proposed Transaction will significantly expand the deployment of Fiber-To-The-Premise (“FTTP”) in United Telephone’s rural service areas that would not receive FTTP absent the Transaction.<sup>2</sup> These substantial investments will offer the households, businesses, and communities in United Telephone’s Pennsylvania region the broadband connectivity they will need to flourish in the 21st Century.

In addition to advancing extensive fiber deployment in Pennsylvania, the Transaction will benefit customers in areas not covered by fiber deployment. Connect Holding’s leadership will

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<sup>2</sup> Joint Application at ¶ 8.

consist of an experienced management team.<sup>3</sup> The team plans to take steps to improve United Telephone's existing copper plant, including undertaking targeted repairs; conducting a detailed analysis of the state of the plant and upgrading the plant where necessary; and improving installation and maintenance activities.<sup>4</sup>

The substantial affirmative benefits arising from the fiber buildout and network components of the Transaction were succinctly summarized in Joint Applicants' Rebuttal Testimony as follows:

Connect Holding has committed to a major short-term and long-term upgrade of the United Telephone network—exceeding Lumen's plans for the State—through significant new fiber deployments and improvements to the legacy copper plant with a view to improving long-lasting broadband and traditional voice services;

Apollo/Connect Holding expects that the network upgrades will create a more stable service provider within the United Telephone and CTBS service regions and in out-of-region service areas through improved product introductions, reduced maintenance costs, growth in revenues, and stable-to-improving margins;<sup>5</sup>

As a result, customers, employees, and local economies will receive substantial affirmative benefits from the immediate and long-term capital commitments to be made from the Transaction as proposed.<sup>6</sup>

The proposed Transaction also will enhance competition in Pennsylvania by positioning United Telephone and CTBS as stronger competitors and providers of broadband services. The significant upgrades to United Telephone's network will increase competition by the company to compete for customers who want enhanced high-speed broadband, giving residences and

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<sup>3</sup> *Id.*, at ¶¶ 17, 33.

<sup>4</sup> *Id.*, at ¶ 31.

<sup>5</sup> Joint Applicants Statement No. 3-R at pages 3-4.

<sup>6</sup> *Id.*, at p. 4.

businesses in United Telephone's footprint more choice for high-speed, low-latency service. These investments would not occur—at least not to the same extent—without the Transaction.

Furthermore, the proposed Transaction will enable Connect Holding to maximize capital and resources to focus on local communications services rather than compete for capital and resources within Lumen, thus affirmatively benefitting the company and its local Pennsylvania customers. As Joint Applicants' Rebuttal Testimony explained:

Connect Holding's strategic priority is the local telecommunications business; the important insight is that, while Lumen has other operations/opportunities (e.g., enterprise and global services) that compete for limited capital and other resources, Connect Holding will be focused on local communications services, such as United Telephone, along with the competitive local and other services to be provisioned by CTBS; there are no competing interests or opportunities within the company, meaning the "highest-and-best-use" of capital and other resources will be local telecommunications."<sup>7</sup>

The Transaction is structured to be seamless for United Telephone's customers, who will continue to receive high-quality services from United Telephone. The retail and wholesale services provided by United Telephone and the rates, terms, and conditions of those services will not change as a result of the Transaction.<sup>8</sup> To effectuate a seamless transition and to maintain continuity of operations, an agreement will enable Lumen to continue to provide the operations support systems and business support to United Telephone. Connect Holding also committed to no planned reductions in United Telephone's workforce. Finally, the Transaction will have no impact on any collective bargaining arrangements with any organized labor group.

The Settlement further enhances these substantial affirmative benefits while conserving litigation and administrative resources and bringing this matter to a timely conclusion. The additional affirmative benefits arising under the Settlement are as follows:

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<sup>7</sup> Joint Applicants Statement No. 3-R at pages 3-4.

<sup>8</sup> Joint Application at ¶ 35.

1. **Fiber Build Commitment:** The Settlement sets forth in detail annual fiber deployment commitments. The fiber buildout commitments and associated provisions in the Settlement provide additional benefits in the proposed Transaction.

2. **Rate Commitments and Reductions to United Telephone's Bank:** The Settlement forecloses increases to standalone R1 and B1 rates in United Telephone's 2022 annual price filing, i.e., United Telephone's Price Stability Plan ("PSP") which is submitted to the Commission on or before September 1, 2022 in accordance with United Telephone's Alternative Regulation Plan.<sup>9</sup> As a result, customers of United Telephone with standalone R1 and B1 rates will not see an increase in those rates through mid-December 2023, which is when the September 1, 2023 PSM filing will be reviewed by the Commission. Furthermore, in each of its 2023 and 2024 annual price filings, United Telephone further committed to not increase rates for standalone R1 and B1 monthly voice services by more than \$1.00 each. As a result of these multi-year rate commitments, a reasonable level of rate stability inures to customers of United Telephone with standalone R1 and B1 services through mid-December 2025.

The Settlement also requires United Telephone in its upcoming September 1, 2022 PSP filing to implement two banking-related commitments. First, United Telephone agreed to reduce its banked revenues by \$5,746,469 due to the Settlement, for an aggregate of \$7 million reduction to its bank.<sup>10</sup> This commitment effectively means that United Telephone has agreed to forgo approximately \$5.746 million in banked amounts to increase rates of non-competitive services in the future.

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<sup>9</sup> See, *Petition for Amended Alternative Regulation and Network Modernization Plan of The United Telephone Company of Pennsylvania d/b/a CenturyLink*, Docket No. P-00981410F1000 (Order entered June 23, 2005).

<sup>10</sup> A portion of the \$7 million reduction (approximately \$1.25 million) to United Telephone's bank is attributable not to the Settlement, but rather arising from implementation of the Commission's Opinion and Order entered January 13, 2022 at Docket Nos. R-2018-3004019, C-2018-3005400, R-2019-3012238, and C-2019-3012876.

In addition, in its upcoming September 1, 2022 PSP filing, United Telephone committed to forgo adding to its existing bank the revenues associated with any allowable increase in other rates as calculated by United Telephone's 2022 PSP filing. These commitments to reduce United Telephone's aggregate bank going forward – thereby relinquishing the ability to use such banked revenues to raise rates for non-competitive services – are substantial and affirmative benefits arising from the Settlement.

3. **Low-Income Services**: The Settlement requires United Telephone to develop and implement a program to offer its available broadband service to low-income households at a rate below the generally available rate for its lowest tier of service, with rates and terms to be determined by United Telephone in its sole discretion. In addition, the Settlement requires United Telephone to participate in the Affordable Connectivity Program created by the Infrastructure and Jobs Act for the benefit of eligible consumers in areas served by United Telephone. The Settlement also requires CTBS to participate in the Affordable Connectivity Program for the benefit of eligible consumers in the areas served by CTBS where CTBS provides an internet service offering to residential households.

Finally, the Settlement requires United Telephone to promote the availability of its broadband offering to low-income households and participation in the Affordable Connectivity Program. Outreach materials will be provided to the Commission, the OCA, and other relevant state agencies, as addressed in the Settlement. These provisions in the Settlement directly benefit Pennsylvania customers and the public interest.

4. **Service Quality**: As addressed above, the Transaction is being structured to be seamless to retail and wholesale customers, as well as employees. The continuity of systems and employees ensures that activation, provisioning, billing, and service management will not be

disrupted.<sup>11</sup> The Settlement includes a requirement to meet with OCA and OSBA, upon a request, to address service quality issues, if any, arising from implementation of transition plans. The first meeting could occur 6 months after closing of the Transaction, with possible additional meetings to occur through the end of 2025 to address any service quality issues. Thus, Settlement establishes a process for updating the Advocates regarding the transition and for addressing service quality matters, if any. These measures are over and above what is required under the Commission's regulations and ensures that CenturyLink's consumers benefit from a seamless transition.

5. **Standalone Broadband:** The Settlement requires United Telephone to provide its available broadband service on a standalone basis for 3 years from close of the Transaction. Standalone broadband service is not a jurisdictional service. This commitment therefore is an additional affirmative benefit arising from the Settlement.

6. **Marketing Basic Telephone Service:** The Settlement also includes an added benefit whereby United Telephone will advertise the availability of basic local exchange service, sold on a standalone basis, through its website.

7. **Section 3014(h) and United Telephone's Right of First Refusal:** United Telephone through Settlement has agreed to provide the OCA and OSBA with notice of when United Telephone accepts or declines a political subdivision's request that United Telephone or an affiliate deploy and offer broadband services at the speeds requested. This Settlement provision is over and above what is required under Act 183 and thus is a benefit arising due to the Settlement. 66 Pa. C.S. § 3014(h).

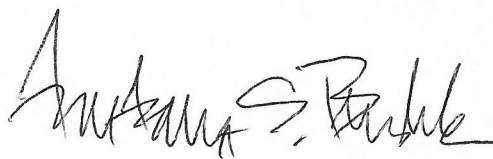
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<sup>11</sup> Maguire Direct at pages 6-7.

### III. CONCLUSION

For the foregoing reasons, CenturyLink submits that the Settlement is in the public interest. Through the Settlement's various terms and conditions as highlighted herein, CenturyLink's Pennsylvania customers are directly and substantially impacted with additional affirmative benefits arising from Commission approval of the Settlement. CenturyLink respectfully requests that Presiding Judge Guhl recommend approval of the Settlement as proposed and that the Commission issue an order adopting the Settlement without modification and grant all approvals and certificates of public convenience as necessary to close the Transaction.

Respectfully submitted,



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