

**Testimony of
CenturyLink
Senate Transportation Committee
Public Hearing on
The Delay and Delivery of Transportation Projects
Tuesday, February 2, 2016**

Offered by:

James Roberts

State Regulatory and Legislative Affairs Director

Pennsylvania, New Jersey, and Maryland

717.245.6502

James.P.Roberts@centurylink.com

This testimony is offered on behalf of CenturyLink. My name is Jim Roberts, State Regulatory and Legislative Affairs Director for CenturyLink. I want to thank the Chairman and the Committee for the opportunity to testify on these important issues.

CenturyLink is a leading provider of high-quality broadband, entertainment and voice services to both consumers and businesses in all or parts of 25 predominantly rural areas in Pennsylvania. At present, we currently serve approximately 197,000 retail access lines and employ over 500 individuals in the Commonwealth of Pennsylvania.

CenturyLink recognizes that transportation projects, mainly road moves and changes, are a necessary evil as they are costly and onerous to all involved. CenturyLink also fully recognizes that project delays are inherent in this process. We understand that there will be

project changes and timeline changes for justifiable causes. CenturyLink has had a history of working cooperatively with the Department of Transportation (DOT). We will continue to do so in the future so long as opportunities to do so exist.

CenturyLink, however, estimates that over 90% of the time that projects are not completed by the scheduled due date because communication and ROW issues still remain. We would like to correct this situation and minimize costs to both impacted utilities and to DOT. We believe increasing opportunities for cooperative communication among all project participants is the key to improving the process rather than legislation.

We are already incented to complete road moves and facility changes in a timely manner.

CenturyLink already has incentives to complete projects in a timely manner. When we minimize costs, the benefits also flow to the DOT project. The funds that CenturyLink budgets for projects remain allocated to those projects until spent. Sitting idle, the funds create an opportunity cost (a cost of money) such that the funds could be used elsewhere to provide an immediate benefit to the company and our customers. Therefore, while CenturyLink already has an incentive to complete projects on a timely basis, CenturyLink is unable to manage or control when project timelines and expectations are not properly communicated.

Essentially, the moving of utility facilities benefits neither the company nor its customers. The facilities are already in place and are in use. Therefore, there is no financial or competitive benefit to the company. The costs of road moves and changes adversely impact consumers and the company by taking away funds from other capital projects that would provide a benefit to our customers. It is in the utility customer's interest to be as efficient as possible in completing these changes. DOT projects detract labor and funds from CenturyLink's focus to provide enhanced or news services to customers such as higher speed broadband.

CenturyLink, as an incumbent local exchange carrier, is already incented to complete projects on a timely basis is our carrier-of-last-resort (COLR) obligation which requires us to provide telephone service throughout our service territory, even to the most rural and costly locations. Other competitive providers are either not in all of these rural areas or can simply

choose to no longer provide service in a rural area on the basis of no return on their investment. This means that we, as the incumbent local exchange carrier with COLR obligations, are more likely than competitive providers of telecommunication services to be asked to move facilities and, in turn, expend capital and incur expenses without benefit to our customers.

DOT projects are difficult to budget for companies like CenturyLink as the quantity of DOT moves and changes can vary greatly each year. Historically, CenturyLink has spent on road moves and changes an average of \$837,000 each year for the last five years. So far in 2016, the number of requested moves and changes has far exceeded the average. Obviously, it is important for any agency, the state, or a company to be able to budget properly for capital projects.

If possible, CenturyLink would recommend that DOT provide notice of the following year's proposed projects to be provided by DOT by the end of the third quarter of each year. There should also be a possibility for cost recovery of all or some of the utility's costs to undertake road moves and changes. Unlike natural gas, electric, water and sewer utilities, Pennsylvania's larger incumbent local exchange companies do not have base rate cases in which the costs of road moves and changes are recovered in rates.

Communication processes should be strengthened in place of legislation.

It is without question that ensuring that all parties to a project have continued input into project timing can reduce costs. For example, CenturyLink, as a telecommunications provider, is the lowest utility on an overhead utility pole. All other utility services on a pole are typically above telecommunications facilities. This means that we are the last utility to complete tasks and therefore are always near the end of the project's timeline. If any part of the project is delayed, our part of the project is delayed. When CenturyLink's project tasks are delayed, then our costs increase along with the costs to DOT. For example, CenturyLink schedules projects with contractors. Depending on the timing of any notice of delay provided to CenturyLink, we may have to pay the contractor as scheduled and then rescheduled in order to complete the work.

It is for this reason that CenturyLink – as opposed to other utilities such as electric or cable companies – has a particular need for better and more robust communications between and among project participants. For example, in 2013 and 2014, CenturyLink was an active participant on the “Tiger Team,” consisting of representatives from DOT and the industry. The purpose of the team was to minimize project delays by working on the root causes of delayed projects through constructive input from all parties. CenturyLink valued the opportunity to work with this team. However, the team’s activity ended without explanation.

CenturyLink believes those meetings highlight the need for greater communication between the DOT and the utilities. There is a need to understand the complexity of issues involved with road moves and changes and to establish realistic expectations. Communication is relevant throughout each DOT project. Better communication during pre-engineering, project management, and post project review is necessary to ensure that there is improvement in establishing realistic expectations, minimizing costs, and reducing project delays.

Furthermore, robust communication through the project timeline can avoid delays and reduce costs for all involved participants. For example, CenturyLink recently completed a DOT project which was inspected and approved. CenturyLink was later approached by DOT to redo the project because the specifications had changed. This is an example of costly rework that could have been avoided with more robust communication and planning.

Setting realistic expectations is also critical to timely and cost-effective completion of projects. Complete “buy-in” from all parties to a scheduled project is much needed. Projects should have a schedule that will allow sufficient time for all utilities to complete their respective parts of the project and DOT management should maintain communication on the status or change of project priority. CenturyLink recognizes that the nature of project planning and budgeting requires a certain amount of flexibility, however communication and informed consent from all parties to the project is the key to meeting timelines and minimizing cost.

A major recurring factor hindering efficient project completion is regaining utility right-of-way (ROW). Often DOT will request that CenturyLink move our facilities from an existing ROW. This measure necessitates that CenturyLink acquire other ROW, usually on private

property. Changing ROWs increases costs and requires time for negotiation and implementation. In fact, gaining access to a new ROW has proven to be CenturyLink's primary impediment to timing for completion of DOT projects. CenturyLink recommends that extra time be allowed when new ROWs are required and that the DOT assist in gaining access to the new ROW.

Open issues.

CenturyLink understands that there are project delays and that a certain number of them are inevitable due to weather and other reasons. However, we do not know how many total project delays have occurred. We also do not know if there is an acceptable threshold of delays. At this point, CenturyLink does not know how to evaluate any success that would come from process improvements.

In summary, CenturyLink believes cooperative and more robust communication among all project participants is key to these processes. Utilities such as CenturyLink are already incented to complete facility moves and changes in an efficient and timely manner. A legislative remedy is unnecessary to improve the timely and cost-efficient completion of projects.

Thank you for opportunity to present written testimony on these important issues.