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No. 97169-2

SUPREME COURT
OF THE STATE OF WASHINGTON

[Court of Appeals No. 77310-1-I]

PUBLIC UTILITY DISTRICT NO. 2 OF PACIFIC COUNTY,
a Washington municipal corporation,

Respondent,

v.

COMCAST CABLE COMMUNICATIONS MANAGEMENT, LLC, a
Delaware limited liability company;
CENTURYTEL OF WASHINGTON, INC., a Washington corporation;
and FALCON COMMUNITY VENTURES, I, L.P., a California limited
partnership, d/b/a CHARTER COMMUNICATIONS,

Petitioner (CenturyTel only).

RESPONDENT'S ANSWER TO PETITION FOR REVIEW

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I. IDENTITY OF ANSWERING PARTY

Respondent Public Utility District No. 2 of Pacific County (the District”) answers the Petition for Review filed by CenturyLink of Washington, Inc.¹ as set forth below.²

II. COURT OF APPEALS DECISION

CenturyLink seeks review of the portions of the Court of Appeals’ April 8, 2019 decision (the “Opinion”): 1) affirming the trial court’s ruling that the District did not abuse its discretion while selecting the data and inputs to utilize when calculating the maximum permissible pole attachment rate pursuant to RCW 54.04.045(3); and 2) affirming the Amended and Restated Judgment in the District’s favor and awarding the District its attorneys’ fees and litigation expenses. These portions of the Court of Appeals decision are primarily at Sections IV and V-C of the Opinion.³ CenturyLink does not seek review of the portion of the Opinion reversing the trial court’s interpretation of RCW 54.04.045(3)(a).

III. ISSUE PRESENTED FOR REVIEW

PubHas CenturyLink met the requirements under RAP 13.4(b)(1), (2), or (4) for this Court to grant the Petition for Review?

NO.

¹ CenturyLink was formerly known as CenturyTel of Washington, Inc. CenturyLink is sometimes referred to in this Answer as “CTL”.

² Only CenturyLink has petitioned for review. The other defendants have not.

³ CenturyLink also seeks review, once again, of its entitlement to recovery of its attorneys’ fees and costs as the prevailing party pursuant to RCW 4.84.330 (assuming a substantive reversal), despite the fact that the contract under which it claims fees and costs was executed in 1969 and, therefore, is not a contract subject to the reciprocal provisions of RCW 4.84.330, which applies only to contracts entered into after September 21, 1977.

**IV. STATEMENT OF THE CASE RE ANSWER
TO PETITION FOR REVIEW**

The April 8, 2019 decision of the Court of Appeals provides a detailed recitation of the facts and procedural background. *See*, particularly, slip op. at 1-21 (___ Wn. App. ___, 438 P.3d 1212, 1216-25 (2019)).⁴ Additional factual and procedural information is set forth in the first Court of Appeals decision, 184 Wn. App. 24, 35-44, 336 P.3d 65 (2015). The District incorporates the above-cited portions of the two Division I opinions by reference.

**V. ARGUMENT WHY THE PETITION FOR REVIEW
SHOULD BE DENIED**

**A. This Court Should Not Accept The Petition For Review Under
RAP 13.4(b)(1), (2), Or (4).**

1. There is no issue of substantial public interest requiring determination by this Court and no conflict with Supreme Court or Court of Appeals decisions.

The Petition for Review does not involve an issue of substantial public interest that should be decided by this Court, nor is the Court of Appeals decision CenturyLink challenges in conflict with a decision of this Court or the Court of Appeals. CenturyLink tries to shoehorn its Petition into RAP 13.4(b)(1), (2), and (4) by imagining a world in which not only Washington public utility districts, but every other public agency in the State of Washington, is engaging in unfettered improper actions against every citizen—all supposedly because the Court of Appeals misunderstood decades of Washington municipal law, particularly the

⁴ Citations to both the slip opinion and Pacific Reporter 3d are included for the convenience of the Court and the parties.

arbitrary and capricious standard. This Court should reject CenturyLink's severely flawed assumption and conclusion.

CTL cites no evidence for the hyperbolic speculation underpinning its Petition that it is critical that this Court accept review. Significantly, two of the three defendants in this lawsuit have not sought review. This is directly at odds with CTL's plea that the Court of Appeals decision "as a practical matter eviscerates almost any meaningful review of the discretionary actions of municipal corporations such as the District, and by extension the actions of any administrative agency" and "will harm not only CenturyLink and other companies that attach to public utility poles throughout Washington, but also every Washington citizen who might look to the courts for protection from 'arbitrary and capricious' action by any administrative agency." Petition for Review at 1, 19. The fact that two of the three defendants, as well as the District, can live with the balance struck by the Court of Appeals decision and do not challenge it here,⁵ plainly belies CTL's argument that its Petition meets the requirements of RAP 13.4(b).

This lawsuit has been going on since December of 2007—close to 11½ years.⁶ There have been two trials and two appeals on the merits. There were also many, many months of litigation in the trial court, in

⁵ Satisfactions of judgment and stipulated dismissals as to defendants Comcast and Charter were recently filed in Pacific County Superior Court.

⁶ As the Court of Appeals noted, the District only filed this lawsuit after CenturyLink and the other Companies "refused to sign the new agreement, declined to remove their equipment, and tendered payment only at the historical rates." Slip op. at 5-6 (438 P.3d at 1217-18).

Division II of the Court of Appeals, and in this Court resulting from the Companies' failure to file their first appeal within the mandatory 30-day window after entry of the District's December 12, 2011 judgment. The "substantial public interest" present in this lawsuit now is that it end.⁷

Not every Court of Appeals decision is reviewed by this Court. Many lawsuits result in a Court of Appeals decision for which review by this Court is either not sought or, if requested, is not granted. Not every statutory interpretation matter, nor every allegation of arbitrary and capricious conduct, is decided by the Supreme Court. The Court of Appeals decision provides the guidance needed for applying RCW 54.04.045, as the acquiescence of Comcast and Charter in that decision vividly demonstrates.⁸

It is simply not true, as CenturyLink argues, that the Court of Appeals issued a "radical decision . . . [that] threatens to upend generally applicable administrative law." Petition for Review at 6. The Court of Appeals painstakingly reviewed Washington law on what it takes to establish arbitrary and capricious action on the part of a public entity like the District. Slip op. at 13-16, 21-30 (438 P.3d at 1221-22, 1225-29). In doing so, the Opinion reiterated the long-established jurisprudential history of public entity discretion and the arbitrary and capricious standard in the municipal context the Court of Appeals had analyzed in its first

⁷ According to CenturyLink, acceptance of review by this Court followed by the reversal CenturyLink advocates would result in yet another trial. Petition for Review at 17.

⁸ Division I's decision is the law of the State of Washington, because there is only a single Court of Appeals, albeit with three divisions. *Eugster v. State*, 171 Wn.2d 839, 841, 259 P.3d 146 (2011) (citing RCW 2.06.010 and .020).

opinion. *Id.* RAP 13.4(b)(1) and (2) are aimed at decisions that are actually in conflict with decisions of this Court or other Courts of Appeal, not just general argument concerning cases articulating or applying the arbitrary and capricious standard to public agency action, as cited by CenturyLink. No one disputes that standard here, nor did the Court of Appeals in either of the appeals.

As the Opinion recognized, the record on the inputs and data CenturyLink challenges is extensive. The Opinion applied long-established legal principles to that evidence. As the Court of Appeals noted in its decision:

The arbitrary and capricious standard of judicial review is not a catch all standard intended to allow courts to interfere with agency decision making in order to forestall any and all mistakes or perceived errors made by public officials. Rather, it permits courts to intervene to stop only ‘willful and unreasoning action taken without regard to or consideration of the facts and circumstances surrounding the action’ Abbenhaus, 89 Wn.2d at 858. For other discretionary actions that do not constitute arbitrary and capricious conduct, the remedy for those disapproving of choices made is at the ballot box.

Slip. op. at 28 n.33 (438 P.3d at 1228 n.33) (citing *Abbenhaus v. City of Yakima*, 89 Wn.2d 855, 858, 576 P.2d 888 (1978)).⁹ There is no conflict

⁹ The cases on which CTL relies show how extreme public agency action must be to constitute willful and unreasoning action taken without regard to facts and circumstances—*i.e.*, arbitrary and capricious conduct. *Hasit LLC v. City of Edgewood (Local Impr. Dist. No. 1)*, 179 Wn. App. 917, 320 P.3d 163 (2014), involved a city issuing a notice informing plaintiffs they could not present expert testimony, and then denying their protest on the very basis that they had not presented such testimony. *Id.* at 945. *Children’s Hosp. v. State Dept. of Health*, 95 Wn. App. 858, 975 P.2d 567 (1999), involved performing pediatric open heart surgery without first undergoing a statutorily required review. *Id.* at 873-74. And this Court denied review. 139 Wn.2d 1021, 994 P.2d 847 (2000). *Rios v. Dept. of Labor & Indus.*, 145 Wn.2d 483, 39 P.3d 961 (2002), involved the failure to promulgate pesticide regulations when the agency’s own technical experts had concluded a monitoring program was necessary and doable. This Court recognized that agencies usually have discretion in their actions, but found this to be an

between the Court of Appeals decision and decisions of this Court or the Court of Appeals.

The Opinion is consistent with not only decisions of this Court and the Court of Appeals, but also with the legislative intent in RCW 54.04.045. As the Court of Appeals noted in both of its opinions, the policy of the State in enacting the 2008 amendments to RCW 54.04.045 included “to recognize the value of the infrastructure of locally regulated utilities . . . as well as ensure that locally regulated utility customers do not subsidize licensees. Slip op. at 7, 14-15 26-28 (438 P.3d at 1218, 1221-22, 1227-28) (citing LAWS OF 2008, Ch. 197, §1).¹⁰ The legislative intent also included establishing “a consistent cost-based formula for calculating pole attachment rates, which will ensure greater predictability and consistency in pole attachment rates statewide” Slip op. at 7 (438 P.3d at 1218).

The Opinion establishes precisely this framework: a mathematical depiction of the statutory formula and a final appellate decision as to how relevant inputs and data would be treated. As the Court of Appeals noted:

The legislature’s decision to choose its own words to establish a rate formula (and thereby foreclose foreign authorities from in any way acting in a manner that would alter the balance struck by the legislature) protects public utility districts from any limitations to their discretion not specifically enumerated in the 2008 amendment. Similarly,

“extraordinary” case. *Id.* at 507-08. These extreme cases are far different from the District’s decisions on pole attachment rate inputs involved here.

¹⁰ As the Court of Appeals observed, the second policy originates from the prohibition in the Washington Constitution against gifts of public funds or property to private parties. CONST. art. VII, § 7. Slip op. at 15 n.21.

it protects attachers from any rate changes not authorized by the legislature.

Slip op. at 37 (438 P.3d at 1232). CenturyLink's position turns this balance on its head, contrary to the legislature's intent in the 2008 statutory amendments, established case law, and the public interest. CenturyLink's arguments are better directed to the legislature than to this Court.

In the face of the disabling obstacles to this Court's acceptance of review, CenturyLink resorts to arguments well beyond the reach of RAP 13.4—Court of Appeals bias and lack of meaningful review of CTL's arguments. After commenting on several cases that applied accepted arbitrary and capricious standard principles, as the Opinion also did, CenturyLink argues that the Court of Appeals did not review the District's actions at all, stating that what that court was doing in applying the arbitrary and capricious standard was just "rubber stamping" the District's actions (Petition for Review at 2, 14) and "dispatching with litigants that it appeared to have grown tired of." Petition for Review at 10. CTL objects to some of the Opinion's terminology as evidencing the Court of Appeals' alleged tiredness, but CTL's same argument about the safety space had previously been rejected by the Court of Appeals in its first opinion. Slip op. at 23-25 (438 P.3d at 1226).

CTL's criticism is, at best, unseemly, if not verging on disrespectful. Furthermore, if the Court of Appeals was, in fact, growing tired of some of CenturyLink's arguments, CenturyLink has only itself to

blame.¹¹ In this lawsuit, CenturyLink seems to have repeatedly viewed judicial rejection of its positions through the distorted lens of the trial court or the Court of Appeals supposedly becoming tired or exasperated by CTL's actions. *See, e.g.*, CenturyLink's Reply to the District's Cross-Petition for Review on the issue of the missed appeal deadline in Supreme Court No. 91386-2 at 4 and Appendix p.31 at ¶5 (CP 2361) (paralegal declaration that she had the impression the Pacific County Court Administrator was getting exasperated by her calls regarding when judgment would be entered).

CenturyLink's argument that the Court of Appeals was using long-established principles of municipal utility discretion "as a means to allow it to abstain from any meaningful review" (Petition for Review at 19) is equally unavailing. The Court of Appeals analyzed in detail the District's inputs and data used in its calculation of the maximum statutory rate. *See Slip op.* at 13-16, 21-31 (438 P.3d at 1221-22, 1225-29). The Opinion's comprehensive treatment of the issues debunks CTL's argument that the Court of Appeals' decision "eviscerates almost any meaningful review of the discretionary actions of municipal corporations such as the District" and "equate[s] to unquestioning adoption of a utility's position." Petition for Review at 1, 19. CenturyLink has had more than ample opportunity to argue its positions in this lawsuit and have them carefully considered by multiple courts at multiple judicial levels. CTL's resort to arguments

¹¹ *See, e.g.*, the Court of Appeals' conclusion that CenturyLink's reading of the District's proposed pole attachment agreement on the first appeal was "willfully blind" as to ambiguity CTL argued was present. 184 Wn. App. at 51 n.21.

smacking of appellate court bias and failure of the Court of Appeals to give meaningful consideration to CTL's arguments reveals the serious problems CTL faces on the merits of its Petition.

In fact, what has occurred in this lawsuit is precisely what CTL argued for the last time it was before this Court. CTL and the other defendants argued in their March 27, 2015 Petitions for Review (Supreme Court No. 91386-2) that the Court of Appeals in its first decision abdicated its responsibility to interpret RCW 54.04.045 to provide guidance on implementing it in the future, and, instead, remanded the decision to the trial court. But providing that guidance is precisely what then occurred—a remand, followed by a second appeal in which the Court of Appeals did establish the standard for the future, but CenturyLink does not agree with it. That is not the basis upon which Supreme Court review should be granted.

2. The Court of Appeals' holdings on the specific rate inputs challenged do not meet the requirements for discretionary review.

The Opinion's holdings adverse to CenturyLink on the specific rate calculation inputs CTL challenges—including the safety space as part of clearance space and including utility taxes and a return on investment—do not provide a basis for review under RAP 13.4(b).

The Court of Appeals reviewed the issue of including the safety space as part of the clearance space on the utility pole in detail. Slip op. at 23-25 (438 P.3d at 1226). The Court of Appeals referred back to its decision on this very point in its first opinion, as well as recounting

relevant portions of the record. *Id.* The Opinion based its holding on this issue on the lack of definition of support and clearance space in RCW 54.04.045, longstanding case law on municipal utility discretion, and the record in this lawsuit. Indeed, if this Court were to accept review of this issue and reversed the decision on this point, it would be contrary to the legislature's expressed intent in RCW 54.04.045 because each PUD might be factually different as to what and whose equipment is in the safety space, so no "consistent cost-based formula" could be implemented. The conclusion that the District did not abuse its discretion in including the safety space in its calculation of clearance space was not error and should not be reviewed under RAP 13.4(b).

The Court of Appeals also analyzed in detail the District's including a return on investment in its rate calculations and concluded that was within the District's discretion. Slip op. at 26-29 (438 P.3d at 1227-28). In response to CTL's argument that RCW 54.04.045 does not explicitly permit the District to include just compensation as a component of its rate,¹² the Court of Appeals emphasized again the legislative intent in RCW 54.04.045 to "recognize the value of the infrastructure of locally regulated utilities" and to "ensure that locally regulated utility customers do not subsidize licensees." Slip op. at 26 (438 P.3d at 1227). The Court of Appeals also noted that, because the District's customers fund construction and maintenance of the District's utility poles, they are

¹² CenturyLink based this argument on a statute applicable to private utilities, not consumer-owned utilities like the District.

functionally equivalent to investors and are entitled to a return on their investment by means of a charge to third-party attachers making use of publicly-financed poles for private gain. Slip op. at 26-27 (438 P.3d at 1227).

The Court of Appeals also addressed a myriad of other arguments CTL raised on return on investment and rejected each of them in turn, based on the record, specific statutory provisions, witness credibility determinations by the trial court, and District discretion guided by the legislature's intent to recognize the value of PUD infrastructure and ensure that PUD ratepayers do not subsidize third-party attachers. Slip op. at 26-29 (including footnotes 29-34) (438 P.3d at 1227-28). There was no error in affirming the trial court on including a return on investment, and there is no basis in RAP 13.4(b) for this Court to review the Opinion in this regard.

The Court of Appeals also addressed CenturyLink's argument that taxes the District pays that are actual expenses of the District should not be included in its calculations. Slip op. at 29 (438 P.3d at 1228-29). CTL argues that RCW 54.04.045 requires that costs be "attributable to pole attachments." That is not, however, consistent with the wording of the statute. Both RCW 54.04.045(3)(a) and (3)(b) refer to "the actual capital and operating expenses of the local regulated utility attributable to that portion of the pole ... used for the pole attachment" Thus, as the Court of Appeals recognized in both of its opinions, actual capital and

operating expenses of the PUD are appropriate to include in calculating the maximum permissible rate. Slip op. at 29 (438 P.3d at 1228-29). The actual expenses are then reduced by allocating them to third-party attachers according to the portion of the pole used for pole attachments – *i.e.*, the space factor.

The Court of Appeals also noted that tax expense is a component of the District’s utility pole system, and CTL and other attachers would have nowhere to attach their equipment without that system, so it is appropriate to require them to pay a share. Slip op. at 29 (438 P.3d at 1228-29). The Opinion also observed that including taxes in the District’s calculations is consistent with the legislature’s stated intent to value the District’s infrastructure, and held that including tax expenses as a component of the pole attachment rate was not arbitrary and capricious. *Id.*

If this Court were to follow CenturyLink’s suggestions on the input issues on which CTL seeks review—including the safety space, return on investment, and utility taxes—the result would essentially be to adopt the FCC Cable formula for RCW 54.04.045(3)(a), when the legislature intended that section to be a unique formula, with FCC Cable only as an option if a PUD chooses to use it (RCW 54.04.045(4)), which the District did not do. This Court should not grant review based on arguments that are odds with the statutory language, the legislature’s expressed intent, and longstanding case law on municipal utility discretion.

3. The argument that the error was not harmless should not be reviewed.

CTL argues that the error was not harmless. This, however, is based on CTL's argument that the Court of Appeals erred in including the safety space, return on investment, and taxes.¹³ As discussed above, this Court should not grant review on those issues. That being the case, the Court of Appeals was correct that any error in interpreting the statutory formula was harmless. This Court should not review that decision.

B. CenturyLink's Plea That RCW 4.84.330 Applies To A Pre-1977 Contract Should Not Be Reviewed.

CenturyLink argues once again that, if it prevails, it is entitled to recover its attorneys' fees and costs under a contract that would not be covered by the reciprocal fee provisions of RCW 4.84.330 because it was executed years before 1977. The express language of the statute, which applies only to "a contract or lease entered into after September 21, 1977," excludes CTL's request. Moreover, this Court need not address this issue at all, since it should not accept review of CenturyLink's Petition for Review in any event, as discussed above. Then, CenturyLink will not be the prevailing party and would not be entitled to attorneys' fees even if the contract under which it claims them post-dated the relevant statutory date.

CenturyLink has made this argument multiple times, and it has been rejected each time. The Court of Appeals first rejected this argument in its October 13, 2014 opinion. 184 Wn. App. at 89. CenturyLink then

¹³ CenturyLink does not challenge the Court of Appeals' actual calculations of maximum statutory rates in excess of the District's \$19.70 rate for each of the years at issue in the remand trial. Slip op. at 38-40 (438 P.3d at 1233-34).

moved for reconsideration. *See* Appellant CenturyTel of Washington, Inc.’s Motion for Reconsideration at 3-15 (November 3, 2014). The Court of Appeals rejected that argument on February 10, 2015. Order Granting Motion for Reconsideration in Part, Amending Opinion, and Denying Further Relief. 184 Wn. App. at 89-91. CenturyLink then petitioned this Court for review on this very issue. CenturyLink’s Petition for Review, Issue 3 (§ V-C at 19-20) (March 27, 2015). This Court denied review. 183 Wn.2d 1015, 353 P.3d 641 (August 5, 2015).¹⁴

CenturyLink has had more than ample opportunity to litigate, and re-litigate, this issue. There is no showing that this issue meets the requirements of RAP 13.4(b). As the Court of Appeals concluded in its first opinion, CenturyLink’s argument on *Herzog Aluminum, Inc. v. General American Window Corp.*, 39 Wn. App. 188, 692 P.2d 867 (1984), is based on an “overly expansive reading of *Herzog Aluminum*” and *Wallace v. Kuehner*, 111 Wn. App. 809, 46 P.3d 823 (2002), rejected a similar argument, declining to apply *Herzog Aluminum* where, as here, a party seeking attorneys’ fees never intended to form a contract. 184 Wn. App. at 89-90.¹⁵ There is no substantial public interest requiring this Court’s determination on this issue, and no conflict with any decision of

¹⁴ Footnote 6 to CenturyLink’s Petition for Review mentions that the Court of Appeals did not address this issue in its second Opinion, but, since the Court of Appeals affirmed the Amended and Restated Judgment in the District’s favor, there was no need for it to address CenturyLink’s argument yet again, because CenturyLink was not the prevailing party.

¹⁵ As mentioned above, the Opinion noted that the evidence established that the District only filed this lawsuit after CenturyLink refused to sign the District’s new pole attachment agreement, declined to remove its equipment, and tendered payment only at outdated historical rates. Slip op. at 5-6 (438 P.3d at 1217-18).

this Court or the Court of Appeals. And, in any event, the Court need not address this issue if it, as it should, denies review of the other issues CTL raises.

**VI. THE DISTRICT IS ENTITLED AN AWARD
OF ATTORNEYS' FEES AND EXPENSES FOR
ANSWERING THE PETITION FOR REVIEW**

RAP 18.1(j) provides for the award of reasonable attorneys' fees and expenses for the preparation and filing of an Answer to a Petition for Review by the Supreme Court to a party who prevailed in the Court of Appeals and was awarded attorneys' fees and expense, if the Petition for Review is denied. This is precisely the situation here. As the Court of Appeals held: "The District is the prevailing party on appeal and, as we explained in PUD 1, the District's contracts with the Companies, on which it brought this lawsuit, provide for the recovery of attorneys' fees. See 184 Wn. App. at 82-87." Slip op. at 41(438 P.3d at 1234-35). The Court of Appeals continued that, accordingly, the District is entitled to its awards of fees and costs from both trials, as well as for the appeal. Slip op. at 41 (438 P.3d at 1235).

If this Court denies CenturyLink's Petition for Review, as it should, the Court should award the District its attorneys' fees and expenses in answering the Petition.


VII. CONCLUSION

This Court should not grant CenturyLink's Petition for Review. The Petition does not raise issues of substantial public interest requiring determination by this Court, and the Court of Appeals decision is not in

conflict with decisions of this Court or the Court of Appeals. This Court should bring this litigation to a conclusion and not prolong it beyond the 11½ years it has been underway. Last, this Court should award the District its attorneys' fees and costs in answering the Petition.

Respectfully submitted this 6th day of June, 2019.

GORDON THOMAS HONEYWELL LLP

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CERTIFICATE OF SERVICE

I, Savanna L. Stevens, hereby certify and declare under penalty of perjury under the laws of the State of Washington that on June 6th, 2019, I caused a true and correct copy of the foregoing document to be served upon the following counsel of record in the manner indicated.

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