

Exhibit No. ___ CT (RTW-1CT)
Docket UT-100820
Witness: Robert T. Williamson
REDACTED VERSION

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of

DOCKET UT-100820

**QWEST COMMUNICATIONS
INTERNATIONAL INC. and
CENTURYTEL, INC.**

**for Approval of Indirect Transfer of
Control of Qwest Corporation, Qwest
Communications Company LLC, and
Qwest LD Corp.**

TESTIMONY

OF

ROBERT T. WILLIAMSON

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

September 27, 2010

Revised 9-29-10

CONFIDENTIAL PER PROTECTIVE ORDER

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Exhibit No. ___ (RTW-2) Qualifications

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1 I. INTRODUCTION

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Q. Please state your name and business address.

A. My name is Robert Williamson, and my business address is 1300 South Evergreen Park Drive Southwest, P.O. Box 47250, Olympia, Washington, 98504-7250. My business e-mail address is bwilliam@utc.wa.gov.

Q. By whom are you employed and in what capacity?

A. I am employed by the Washington Utilities and Transportation Commission as a Utility Engineer in the Telecommunications Section.

Q. Please state your qualifications to provide testimony in this proceeding.

A. I have provided a description of my qualifications as Exhibit No. ___ (RTW-2).

Q. Have you presented testimony before this Commission in other cases?

A. Yes, I have. I testified in Docket UT-011439 concerning a petition for a line extension waiver, Docket UT-030614 concerning a petition by Qwest for competitive classification of business services, Docket UT-031472 concerning a case referred to the Commission from the U.S. District court in regards to an IP-in-the-middle telecommunications company bypassing access charges, Docket UT-063038 concerning inter-carrier compensation for ISP bound traffic, as well as Docket UT-090842 a transfer of control of Verizon Northwest to Frontier Communications.

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

2 A. On behalf of the Commission Staff, I address issues surrounding the conversion of
3 operations support systems (“OSS” or “systems”) that may occur as a result of the sale of
4 Qwest to CenturyLink. I will first provide a general explanation of what OSS are and
5 what they are used for. I will then compare the systems conversions that are likely to
6 occur as a result of the current transaction with the system conversions made necessary
7 by recent mergers including the sale of Hawaiian Tel properties to the Carlyle Group; the
8 Verizon sale of its properties in Maine, New Hampshire, and Vermont to FairPoint
9 Communications; the sale of Verizon’s Washington state properties to Frontier; as well as
10 the earlier merger of Embarq and CenturyLink. Finally, I provide recommendations for
11 conditions that limit possible negative effects of these future system conversions.

12
13 **II. OVERVIEW OF OPERATIONS SUPPORT SYSTEMS**

14
15 **Q. What are operations support systems (OSS)?**

16 A. Operations support systems are generally the computer hardware and software that
17 perform management, ordering, inventory, engineering, planning, repair, and billing
18 functions for telecommunications service providers. Originally, most OSS were manual
19 systems that telecommunications service providers replaced with main-frame-based,
20 stand-alone systems designed to support telephone company staff. These systems were
21 designed to make manual processes, through which a telephone network was operated,
22 more efficient. Today’s service providers are required to manage a much more complex

1 suite of services and network technologies; and in most cases the providers use
2 information technology like routers and servers to host the systems.

3 Failures associated with OSS can have a direct and negative effect on customer
4 service. Customers in Hawaii and the New England states experienced such effects,
5 which I discuss in more detail below.

6
7 **Q. What are some of the systems that make up a telecommunication's company's
8 operations support systems?**

9 A. What follows is a partial list of general systems that can make up a company's retail and
10 wholesale OSS:

11 Management - Overall management of the systems is normally provided by some
12 type of "workflow engine"¹ that manages the flow of information from system to system
13 and checks off tasks with other processes as it goes.

14 Ordering - Ordering systems contain all the information necessary for the
15 company to provide service in response to a customer's order. Most ordering systems
16 utilize some type of graphical user interface that assists the company's sales people
17 through the ordering process. Once the sales representative enters the order into the
18 ordering system, the ordering system generates specific tasks that must be completed to
19 activate service on the network. This ordering system passes those tasks on to other
20 systems where required, which in turn updates the ordering system as those tasks are
21 completed. The workflow engine generally supervises those tasks and ensures
22 completion.

¹ A workflow engine is a software application that manages and executes computer processes.

1 Inventory - A telecommunications carrier stores all of its information regarding
2 the facilities and equipment available in its network in an inventory system. The
3 inventory system must be queried by the ordering system to determine whether the
4 requested service can be provided. The inventory system must contain a real time
5 accounting of what equipment is available, what must be ordered, and what equipment
6 must be installed to provide each type of service.

7 Engineering, Circuit Design, and Provisioning - These systems manage and track
8 equipment and circuits that physically provide service and that are to be assigned for
9 *eventual* use. The engineering and provisioning systems are used to make sure that future
10 capacity is available to provide service. The design portion involves specifying which
11 equipment and network routes a given service will utilize.

12 Element management, Activation, and Field Management - These systems
13 activate services on the network. If new equipment or lines must be installed, or if
14 equipment or lines must be configured manually, the systems will notify the field service
15 management system so that technicians can be dispatched. Some service providers use a
16 flow-through provisioning and activation system, combining provisioning and activation,
17 to automatically activate service on network elements such as a switch, multiplexer, or
18 cross connect system. Element management systems are two-way systems that activate
19 service and provide status back to the engineering and provisioning systems, as well as
20 billing.

21 Billing - Ordering, inventory, circuit design, provisioning, and other systems
22 must come together through the management system to properly bill the specific type of
23 line (e.g. business or residential) and any associated features (e.g., voice mail and caller

1 identification). Automatic message accounting, another system, collects records of long
2 distance calls, including the time, length and carrier used, through the management
3 function to create billing records. Taxes and fees are added depending on the state,
4 county and city in which the customer lives. The network and trouble management
5 functions may pass along outage information for billing reductions in some locations.
6 Installation charges may be added to the billing system for new services. Customer
7 information may be stored and available to each customer on the Internet. Billing systems
8 are the end product of OSS and, as such, require information from many of the other
9 systems. The improper functioning of billing systems has been a major problem in past
10 OSS replacements.

11 Network and Trouble Management - OSS must go beyond service activation and
12 billing. Sometimes referred to as "Service Assurance" the network and trouble
13 management systems are two of the most critical elements of the OSS. These systems are
14 responsible for the overall supervision of a network. They monitor traffic, collect
15 statistics regarding network performance, and send traffic data to the engineering system.
16 These systems are also responsible for spotting trouble on a network or particular
17 network elements, and identifying the cause. Company employees monitor graphical
18 displays that are part of the network management systems at a facility called a Network
19 Operations Center (NOC). If the Network Management system identifies trouble on a
20 system (such as a service outage), it passes information on to the Trouble Management
21 system that logs the problem, along with customer complaints, and issues a trouble ticket
22 that begins the repair process. A trouble management system in an integrated OSS

1 environment can send commands to appropriate systems, such as field service
2 management, to dispatch technicians.

3 Each of these systems requires not only a well-written set of business practices,
4 but some degree of employee training, which can be very intense and in-depth. Whatever
5 their design and sophistication, OSS make up an incredibly complex web of mostly inter-
6 connecting and very specialized systems.

7
8 **Q. How are OSS categorized?**

9 A. There are basically two broad categories of OSS.

- 10 1. Retail OSS is used by the Incumbent Local Exchange Carrier (ILEC) in its day to
11 day interaction with its business and residential customers.
- 12 2. Wholesale OSS was designed to meet the ILEC's obligation in the
13 Telecommunications Act of 1996 (Telecom Act)² to provide systems for the
14 Competitive Local Exchange Carriers (CLECs). Regional Bell Operating
15 Companies (RBOCs) like Qwest are subject to more stringent wholesale
16 requirements, under Section 271 of the Telecom Act, than the smaller Rural LECs
17 (RLECs).

18
19
20 **Q. How are CLECs that interconnect with and obtain network elements from an ILEC**
21 **connected with the ILEC's support systems?**

² 47 U.S.C. § 151, et seq.

1 A. A significant amount of the effort involved in implementing the Telecom Act dealt with
2 OSS interconnection. Regulations require the ILECs to allow competitors limited access
3 to their customer databases and various OSS functions such as pre-ordering, ordering,
4 and provisioning. Qwest Corporation (Qwest) has a substantial wholesale business, using
5 systems and processes that were developed, tested, and refined in conjunction with
6 obtaining approval under Section 271 of the Telecom Act to offer long-distance services.
7 Most of the larger ILECs, like Qwest, have built sophisticated interfaces allowing CLECs
8 the ability to access Qwest's OSS in a manner similar to the way that Qwest's own
9 personnel access Qwest's OSSs. Qwest's wholesale systems have been developed under
10 the auspices of Section 271 proceedings and were fully tested by third parties as required
11 by federal and state regulatory orders.

12 CenturyLink has a smaller wholesale presence, in part due to its history as a rural
13 provider that was not under an obligation to provide unbundled network elements to its
14 competitors. Its wholesale OSS was more manually driven and time consuming to use.
15 For these reasons, when CenturyLink acquired Embarq, the FCC required CenturyLink to
16 convert its wholesale OSS to the one previously used by Embarq, directing as follows:

17 "CenturyTel will integrate and adopt for CenturyTel orders, the automated
18 Operation Support System ("OSS") of Embarq within fifteen months of the
19 transaction's close (December 2010). This condition means that wholesale OSS
20 will be provided through the Embarq companies' automated IRES and successor
21 EASE system."³

³ *In the Matter of Applications Filed for the Transfer of Control of Embarq Corporation to CenturyTel, Inc.*, FCC WC Docket No. 08-238, Memorandum Opinion and Order at p. 28 (June 25, 2009).

1 **III. RELEVANT TELECOMMUNICATIONS ACQUISITIONS**

2
3 **Q. What telecommunications acquisitions are most relevant to this case?**

4 A. There have been four relevant acquisitions in the last five years: (1) the acquisition of
5 Verizon’s Hawaiian landline assets by the Carlyle Group in 2005; (2) the purchase of
6 Verizon’s northern New England wireline operations by FairPoint Communications in
7 2008; (3) the transfer of 5.9 million access lines from Embarq to CenturyTel (now
8 CenturyLink) in 2009; (4) and the most recent was the acquisition of Verizon’s wireline
9 operations in 14 states by Frontier Communications in 2010.

10
11 **Q. Please describe the sale of Verizon’s Hawaiian telecom assets to The Carlyle Group.**

12 A. Hawaiian Telephone Company was a wholly owned subsidiary of General Telephone &
13 Electronics (GTE) until Verizon acquired GTE in the 1990s, including GTE’s Hawaiian
14 assets. In 2004, Verizon sought approval to sell its Hawaiian assets, to the Carlyle Group,
15 a private equity firm that previously had acquired DEX yellow pages from Qwest. The
16 Carlyle Group asked to provide the state of Hawaii with local exchange services, similar
17 to those provided by Verizon Hawaii Inc., through the newly named Hawaiian Telecom,
18 Inc. (HT). The Hawaii Public Utilities Commission (HPUC) approved the transfer subject
19 to conditions in 2005.⁴

20 Although the parties had a detailed plan to convert the company’s critical back-
21 office systems, or OSS, the systems lacked sufficient functionality, and significant

⁴*In the Matter of the Application of Paradise Mergersub, Inc., GTE Corporation, Verizon Hawaii Inc., Bell Atlantic Communication, Inc., and Verizon Select Services, Inc. for Approval of a Merger Transaction and Related Matters, HPUC Docket No. 2004-0140, Decision and Order No. 21696 (March 16, 2005).*

1 problems occurred. Massive failures of automated systems created a cascade of problems
2 for both retail and wholesale customers. Because so many customers experienced service
3 problems, regional call centers (repair, business office, etc.) could not handle the
4 additional volume and customers experienced dropped calls, long call answering times
5 and long holding times. Billing problems were prevalent; however, customers could not
6 reach business offices to complain. The problems were so pervasive that HT could not
7 keep track of repair and installation times to compute reports required by HPUC. The
8 total back-office disaster created major problems for HT's wholesale customers as well as
9 its retail customers. Time Warner Telecom of Hawaii, a large wholesale customer in
10 Hawaii summarized the problem as follows:

11 "HT's conversion to its new back office systems was a failure by any measure.
12 Immediately following cutover, virtually none of the wholesale back office
13 systems were functioning. Today, 19 months after cutover, they are still not
14 functioning at the same level as the Verizon systems."⁵

15
16 HT filed for Chapter 11 bankruptcy protection on December 1, 2008.⁶ Lost revenues
17 stemming from customer disconnection due to poor service quality coupled with
18 additional costs from HT's attempt to reconstitute a working OSS most likely contributed
19 to the company's failure.
20

21 **Q. Please describe the sale of Verizon's New England assets to FairPoint**
22 **Communications Corp. (FairPoint).**

⁵ *In the Matter of the Public Utilities Commission Instituting a Proceeding Regarding Hawaiian Telecom, Inc.'s Service Quality and Performance Levels and Standards in Relation to its Retail and Wholesale Customers*, HPUC Docket No. 2006-0400, Time Warner Telecom of Hawaii, L.P. d/b/a Oceanic Communications, Post-Hearing Brief at p. 2 (November 9, 2007).

⁶ See Hawaiian Telcom Communications, Inc.'s SEC Form 8-K at p. 2 (December 1, 2008).

1 A. Formed in 1984 as a result of the Bell System Divestiture, NYNEX served New York and
2 the New England states as a newly created Regional Bell Operating Company. In 1997
3 Bell Atlantic acquired NYNEX and on June 30, 2000, Bell Atlantic acquired GTE,
4 forming Verizon Communications. On March 31, 2008, Verizon sold off the former
5 NYNEX wireline and related operations in Maine, New Hampshire, and Vermont to
6 FairPoint, a relatively small company that had only 330,000 access lines before the
7 acquisition. The transaction added approximately 1.6 million phone lines to FairPoint's
8 existing properties. As a result of financial and systems conversions problems associated
9 with the Verizon transaction, FairPoint announced a restructuring⁷ plan on September 28,
10 2009, and subsequently filed for Chapter 11 protection.⁸

11 Many serious problems have plagued FairPoint's New England subscribers since
12 the acquisition. According to the Maine PUC, the ongoing FairPoint service issues
13 produced "the highest level of calls involving a single utility the consumer assistance
14 division has seen."⁹ Thousands of serious recurring billing errors, poor customer service,
15 delays in installation and repair, slow and inadequate response to consumer complaints
16 and service issues occurred following the conversion to FairPoint's new OSS from
17 Verizon's legacy systems approximately one year after closing.

18 Wholesale customers experienced major problems as well. As one CLEC noted:

19 Wholesale customers have experienced numerous problems, including the
20 following: (1) difficulties in creating orders; (2) inconsistencies in processing
21 orders; (3) failures of many pre-ordering transactions, such as requests for
22 customer service records and loop qualifications; (4) unreliable and inaccurate
23 notification messages about order status; (5) problems with format and consistent

⁷ <http://biz.yahoo.com/e/090928/frp8-k.html>.

⁸ http://news.yahoo.com/s/ap/20091026/ap_on_bi_ge/us_fairpoint_communications_bankruptcy.

⁹ Tux Turkel, "FairPoint Besieged by Complaints," *Kennebec Journal Morning Sentinel* (March 22, 2009).

1 content of Daily Usage Feed files; (6) low response times after notification of
2 transaction problems; (7) poor customer service; and (8) billing errors.¹⁰
3

4 As recent as August 5, 2009, FairPoint admitted that “a number of the key back-
5 office systems, such as order entry, order management and billing, experienced certain
6 functionality issues.”¹¹ The problems were so pervasive that on September 16, 2009, state
7 consumer advocates, state utility commissioners and lawmakers from Maine, New
8 Hampshire and Vermont convened an unusual joint hearing with FairPoint executives
9 demanding answers for the multitude of issues following FairPoint’s acquisition and
10 subsequent conversion of its OSS.
11

12 **Q. Please describe the sale of Embarq assets to CenturyTel.**

13 A. On November 21, 2008, Embarq Corporation (Embarq) and CenturyTel, Inc.
14 (CenturyTel) filed a joint application with the Washington Utilities and Transportation
15 Commission (Commission) for expedited approval of an indirect transfer of control of
16 Embarq’s regulated Washington State operating subsidiaries to CenturyTel.¹² This
17 nationwide integration of 5.9 million access lines with CenturyTel’s 2.1 million access
18 lines more than doubled the number of CenturyTel’s access lines. CenturyTel did not
19 have any plans for OSS conversions and stated that it would make those decisions after
20 the transaction closed.

¹⁰ *One Communications Corp., Integra Telecom, Inc., and CBeyond, Inc.*, FCC WC Docket No. 09-95, Petition to Deny of TW Telecom Inc., at p. 17 (filed September 21, 2009).

¹¹ FairPoint Communications, Inc., Quarterly Report for the Period ending June 30, 2009 (Form 10-Q), at p. 40 (filed August 5, 2009).

¹² *In the Matter of the Joint Application of Embarq Corporation and CenturyTel, Inc. for Approval of Transfer of Control of United Telephone Company of the Northwest d/b/a Embarq and Embarq Communications, Inc.*, Docket UT-082119, Joint Application for Expedited Approval of an Indirect Transfer of Control (filed November 21, 2008).

1 According to CenturyLink witness Mr. Bailey, following the consummation of the
2 Embarq transaction at the end of 2009, CenturyLink successfully converted 100% of the
3 financial, accounting and human resources systems within four months of the
4 transaction's closing date. Mr. Bailey further testifies that by yearend 2010, CenturyLink
5 will have approximately 50% of the Embarq customer base converted to the CenturyLink
6 billing and customer care platform, with a target for 100% conversion by the third quarter
7 of 2011.¹³ According to CenturyLink witness Mr. Hunsucker, integration efforts are also
8 underway, which should be complete later this year, to migrate CenturyLink's legacy
9 wholesale CenturyTel markets to the Embarq EASE platform¹⁴ as required by an FCC
10 condition in the CenturyTel/Embarq merger.¹⁵

11 The OSS conversions that have been completed following the Embarq merger
12 represent a small portion of the CenturyLink/Embarq suite of OSS functionality. Final
13 Order No. 05 in Docket UT-082119 requires that CenturyTel provide Staff and Public
14 Counsel with advance written notice of any major system conversions in the future that
15 may have an effect on Washington customers.¹⁶

16
17 **Q. Please describe the sale of Verizon assets to Frontier Communications Corp.**

18 **(Frontier)**

19 A. On May 29, 2009, Verizon Communications, Inc. (Verizon) and Frontier
20 Communications Corporation (Frontier) filed a joint application with the Commission for

¹³ Docket UT-100820, Direct Testimony of G. Clay Bailey at 18:11-18.

¹⁴ Docket UT-100820, Direct Testimony of Michael R. Hunsucker at 8:1-5.

¹⁵ *In the Matter of Applications Filed for the Transfer of Control of Embarq Corporation to CenturyTel, Inc.*, FCC WC Docket No. 08-238, Memorandum Opinion and Order at p. 28 (June 25, 2009).

¹⁶ Docket UT-082119, Order 05, ¶ 4, line 41, and footnote 17.

1 expedited approval of an indirect transfer of control of Verizon Northwest, Inc, to
2 Frontier.¹⁷ In this transaction, Frontier acquired 4.8 million access lines in 15 states
3 (579,000 lines in Washington State), more than doubling its size. Verizon essentially
4 carved out a piece of its serving area, which then required a large re-homing of the
5 existing network and OSS. Verizon chose to replicate all of its existing OSS and reinstall
6 them in new equipment located in Frontier's Ft. Wayne data center prior to the close of
7 the transaction and then leased those systems to Frontier. Even though the replication of
8 known OSS is a safer option than a slash cut from existing OSS to newly developed
9 systems, Staff expressed strong concerns about the replication process and the future
10 conversion of Verizon systems to Frontier. A number of conditions concerning the
11 replication process are contained in Final Order 06.¹⁸ The replication process was
12 completed with no errors, and the transaction subsequently occurred as planned.

13 Frontier testified that it had no plans for conversion of any of its leased and newly
14 replicated OSS (other than in West Virginia). It instead proposed that it would study the
15 systems involved and complete any OSS conversions at some future date. The
16 Commission imposed conditions on future OSS conversions in Final Order 06,¹⁹ which
17 requires certain detailed notification and integration plans to be provided to Staff and
18 Public Counsel no fewer than 180 days prior to the implementation of any system
19 integration.
20

¹⁷ *In the Matter of the Joint Application of Verizon Communications, Inc. and Frontier Communications Corporation, for an Order Declining to Assert Jurisdiction Over, or, in the Alternative, Approving the Indirect Transfer of Control of Verizon Northwest, Inc.*, Docket No. UT-090842 (April 16, 2010).

¹⁸ Docket No. UT-090842, Order No. 06, ¶¶ 157-165 and 213 (April 16, 2010).

¹⁹ Docket No. UT-090842, Settlement Agreement at p. 29.

1 IV. CENTURYLINK/QWEST PLAN FOR OSS

2
3 Q. Please explain in general the Joint Applicants' plan, as you understand it, for
4 Operation Support Systems integration.

5 A. Little information has been provided regarding system integration. CenturyLink,
6 however, has created a high level "Integration Organization," which is a group headed by
7 a Vice President reporting directly to CenturyLink's CEO. The stated purpose of this new
8 company-wide organization (with members from both CenturyLink and Qwest) is to
9 consolidate all integration initiatives into executive plans. However like Frontier,
10 CenturyLink continues to say that it will evaluate system integration following the
11 completion of the merger. According to a CenturyLink filing with the FCC,
12 "CenturyLink plans to continue operating both CenturyLink's and Qwest's existing OSS
13 uninterrupted for the immediate future until it completes its evaluation of the best options
14 for all stakeholders. This is expected to take 12 months at the very least."²⁰ Until that
15 evaluation is complete there is no way to know whether the company will migrate from,
16 or to, either Qwest's or CenturyLink's legacy systems.

17 At a minimum the creation of a separate organization headed by a high level
18 officer indicates that CenturyLink understands the difficulty and gravity of such a large
19 integration effort.

²⁰ Applications Filed By Qwest Communications International Inc. And CenturyTel, Inc., d/b/a CenturyLink For Consent To Transfer Of Control, FCC WC Docket No. 10-110, Reply Comments of CenturyLink, Inc. and Qwest Communications International, Inc. at p. 20.

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V. RISKS

Q. What are some of the technical risks that CenturyLink will face?

A. CenturyLink admits, among other things, to the following:

[It expects] “to incur substantial expenses related to the integration with Qwest. [...] There are a large number of systems that must be integrated, including billing, management information, purchasing, accounting and finance, sales, payroll and benefits, fixed asset, lease administration and regulatory compliance. [...] Moreover, these integration initiatives are expected to begin before CenturyLink has completed a similar integration of its business with Embarq, acquired in 2009, which could cause both of these integration initiatives to be delayed or rendered more costly or disruptive than would otherwise be the case.”²¹

CenturyLink is proposing to acquire more than 10 million access lines from Qwest in fourteen states and then integrate those access lines; and their related network, with CenturyLink’s 7 million access lines in 33 states.²² The new CenturyLink will contain [REDACTED] Qwest switches and [REDACTED] CenturyLink switches; [REDACTED] central offices and [REDACTED] CenturyLink central offices; with approximately [REDACTED] Qwest copper miles and [REDACTED] CenturyLink copper miles; as well as [REDACTED] Qwest fiber miles and [REDACTED] CenturyLink fiber miles in 37 states. All of which have to be accurately represented and stored in numerous systems that make up the OSS. CenturyLink will be evaluating its OSS transition with Qwest at the same time that CenturyLink will begin the consolidation of its legacy voice and data network with Qwest’s legacy voice and data network. Both CenturyLink and Qwest networks include, along with that mentioned above, separate SS7

²¹ CenturyTel, Inc. SEC Form S-4 Registration Statement at p. 16 (filed June 4, 2010).

²² Docket UT-100820, Direct Testimony of G. Clay Bailey at 7:8-8:11.

1 connectivity (which includes hundreds of SS7 links), local and toll tandems, voice mail
2 hubs, Network Operations Centers (NOCs) that support the legacy networks, operator
3 positions, and business office and repair call centers, all of which are distributed
4 geographically across 37 states. The complex process will necessarily begin before
5 CenturyLink has completed its consolidation of the voice and data networks and the OSS
6 obtained in the merger with Embarq.²³

7 The OSS and network integrations are massive projects and completing both at
8 the same time could impair CenturyLink's ability to complete them successfully.
9 Stretching the review, planning and completion of these projects over a three to five year
10 period,²⁴ may preclude the reduction in workforce the company has predicted in its
11 synergy plan. Reducing the highly skilled workforce required to complete these difficult
12 projects too soon would raise the likelihood of failure. Even with CenturyLink's track
13 record in past mergers²⁵ it will take an exceptionally focused management team at the
14 highest levels to be successful with this, their largest and most complex merger to date.
15

16 **Q. How does the OSS conversion in the CenturyLink/Qwest merger compare to the**
17 **flawed conversions in Hawaii and New England?**

18 A. In Hawaii and New England the purchasers were small companies that had little
19 experience with the consolidation of complex systems. They developed new OSS from
20 scratch and then slash cut those systems into service. In both cases the systems were cut

²³ CenturyTel, Inc., SEC Form S-4 Registration Statement at p. 16 (filed June 4, 2010).

²⁴ See Press Release issued by the Applicants, dated April 22, 2010, which is available at <http://www.centurylinkqwestmerger.com/index.php>

²⁵ Docket UT-100820, Direct Testimony of Todd Schafer, p. 5, line 19.

1 over lacking sufficient functionality. In this case there will be no slash cutover; instead,
2 CenturyLink will continue to use each entity's existing OSS and network configurations
3 for some undetermined period of time. Any problems that occur will be in the future
4 when CenturyLink decides to convert from a legacy Qwest or CenturyLink OSS.

5 Unlike the Carlyle Group in Hawaii and FairPoint in New England, CenturyLink
6 and Qwest are experienced carriers and both companies have the knowledgeable
7 personnel capable of making the required changes. However, even though it is less risky,
8 integration will still entail a complex and time consuming transition. Because of the
9 critical nature of these systems and networks, the companies should be held to rigid
10 standards and reporting requirements, as set forth later in my testimony, to avoid the
11 kinds of problems seen in Hawaii and New England (e.g., billing errors, missed
12 installation appointments, missed repair appointments, lost records, long answer and hold
13 time for order and repair centers, as well as the inability of wholesale customers to
14 accurately access needed ordering software). Although this transaction may present a
15 smaller risk than some other recent transactions, CenturyLink's management will be
16 under considerable financial pressure to begin converting at least some of its systems in
17 order to achieve some of the \$625 million in operating expense and capital expenditures
18 synergy savings²⁶ that it has predicted.

²⁶ See Docket UT-100820, Direct Testimony of G. Clay Bailey at 12:15-17.

1
2
3 **VI. RISK MITIGATION**

4 **Q. What types of mitigation would you propose?**

5 A. As I said earlier in my testimony, systems integration is a complex process, subject to
6 errors that may include inaccurate billing, missed installation appointments, missed repair
7 appointments, and lost records. Such errors also may impair wholesale customers' ability
8 to accurately access needed ordering software and, as a result, damage their ability to
9 provide competitive services to *their* customers. Failed system integration can also lead
10 to poor answering times at business and repair office facilities as well as voice and data
11 network failures. As seen in Hawaii and New England, these failures can lead to
12 catastrophic business failure as well.

13 If the Commission approves this transaction, the Commission should require
14 CenturyLink to comply with the following conditions to mitigate the types of failures that
15 may be associated with system conversions:

- 16 a. For five years after the closing date of the transaction, if CenturyLink wishes to
17 integrate or move any OSS supporting retail services from legacy CenturyLink
18 systems to legacy Qwest systems or vice versa, CenturyLink must prepare and
19 submit to Staff and Public Counsel detailed OSS integration plan(s) at least 180
20 days prior to implementing the system(s) integration. CenturyLink's integration
21 plan will describe the specific OSS to be integrated or moved, the surviving OSS,
22 and why the change is being made. The OSS integration plan will describe
23 CenturyLink's previous experience with the integration of the specific OSS in
24 other jurisdictions, specifying any problems that occurred in that integration
25 process and what has been done to avert those problems in Washington.
26 CenturyLink's OSS integration plan will also identify planned contingency
27 actions in the event of CenturyLink encountering a difficulty, as part of the
28 system integration process. The integration plan will be prepared by information
29 technology professionals with detailed experience and knowledge regarding the

1 systems integration process and requirements. No transition from the Qwest
2 wholesale OSS will occur for three years following the date the transaction closes.
3 For an additional two years following the initial three year period, if CenturyLink
4 plans to transition from or to any of its, or the Qwest's legacy wholesale OSS,
5 CenturyLink will prepare and submit a detailed OSS integration plan to
6 Commission Staff, Public Counsel and CLEC's. CenturyLink's integration plan
7 will describe the wholesale OSS to be replaced, the surviving OSS, and why the
8 change is being made. The OSS integration plan will describe CenturyLink's
9 previous experience with integrating the wholesale OSS in other jurisdictions,
10 specifying any problems that occurred in that integration process and what has
11 been done to avert those problems in Washington. CenturyLink's OSS integration
12 plan will also identify planned contingency actions in the event of CenturyLink
13 encountering a difficulty, as part of the system integration process. The
14 integration plan will be prepared by information technology professionals with
15 detailed experience and knowledge regarding the systems integration process and
16 requirements. CenturyLink will also commit to provide this operations support
17 plan to staff no less than 180 days prior to implementing the system transition.

18 b. No transition from the Qwest wholesale OSS will occur for three years following
19 the date the transaction closes. For an additional two years following the initial
20 three year period, if CenturyLink plans to transition from or to any of its, or
21 Qwest's legacy wholesale OSS, CenturyLink will prepare and submit a detailed
22 OSS integration plan to Staff, Public Counsel and CLECs. CenturyLink's
23 integration plan will describe the wholesale OSS to be replaced, the surviving
24 OSS, and why the change is being made. The OSS integration plan will describe
25 CenturyLink's previous experience with integrating the wholesale OSS in other
26 jurisdictions, specifying any problems that occurred in that integration process
27 and what has been done to avert those problems in Washington. CenturyLink's
28 OSS integration plan will also identify planned contingency actions in the event
29 of CenturyLink encountering a difficulty, as part of the system integration
30 process. The integration plan will be prepared by information technology
31 professionals with detailed experience and knowledge regarding the systems
32 integration process and requirements. CenturyLink will also commit to provide
33 this operations support plan to Staff no less than 180 days prior to implementing
34 the system transition.

35 c. CenturyLink shall give the CLECs 180 days of advanced notice of any wholesale
36 OSS transitions from Qwest's systems, and shall coordinate the transition with
37 affected CLECs.

- 1 d. CenturyLink must maintain Qwest's post-transaction wholesale operations
2 support system performance at levels that are at least equal to those provided by
3 Qwest before the transaction's closing date.
- 4 e. If within the five years following the date the transaction closes, CenturyLink
5 plans to make any rearrangements of major network components (including, but
6 not limited to, business office and trouble reporting call centers, Network
7 Operations Control Centers, E911 systems, access and local tandems), 90 days
8 before the rearrangement commences, CenturyLink will provide Staff with a
9 rearrangement plan discussing changes that will be made to the network including
10 the timeframes in which the work will be completed.
- 11 f. CenturyLink will notify the Commission when the integration of OSS systems
12 have been completed.

13
14
15 **Q. The Company witnesses have testified that CenturyLink's past integration efforts**
16 **have been successful. Why do you propose conditions?**

17 A. All of the transactions discussed earlier in my testimony were described as seamless and
18 of no harm to consumers by each of the companies involved. Events proved otherwise in
19 two of those acquisitions, and not enough time has passed in the Embarq/CenturyTel and
20 Verizon/Frontier mergers to know if history will repeat itself. Because OSS and network
21 conversions are so critical to customer service and the company's financial health, and
22 the outcome is unknown, reasonable steps should be taken to mitigate that uncertainty
23 and apply some assurance to the process.

24 Staff witness Ms. Russell testifies that the Quality of Service provided by both
25 companies generally meets our standards. It is Staff's intent to ensure, as best possible,
26 that the service provided by the new CenturyLink continues to meet or exceed that level
27 in the future. The conditions proposed herein are not punitive, and are similar in nature to

1 the conditions ordered by this Commission²⁷ in the recent Verizon/Frontier merger. The
2 integration conditions that Staff is proposing in this case require a suitable quiet period
3 where there will be no wholesale OSS transition, followed by a requirement that the
4 company prepare, and share with Staff, reports and plans that the professional staff of any
5 well-run company would prepare for its own use before commencing such complex
6 technical transitions.

7
8 **Q. Why is Staff proposing more stringent conditions than the conditions they proposed**
9 **in the CenturyTel/Embarq merger?**

10 A. In Docket UT-082119 CenturyLink purchased just over 5 million access lines from
11 Embarq and Staff proposed milestone reporting which required the company only “to
12 provide Staff and Public Counsel with advance written notice of major system
13 conversions impacting Washington customers....”²⁸

14 In this case CenturyLink is obtaining 10.27 million access lines, twice as many
15 access lines as the Embarq transaction, creating the third largest ILEC in the United
16 States. Qwest’s territory is more urban than CenturyLink’s has been historically and, as a
17 Regional Bell Operating Company (RBOC), Qwest comes with much more stringent
18 wholesale responsibilities. Qwest is the largest provider of wireline telecommunications
19 in Washington and, even though CenturyLink’s past merger and system conversion
20 history is purportedly good, the cost of failure is far too high to not impose reasonable,
21 but extensive, conditions designed to diminish the possibility of failure.

²⁷ Docket UT-090842, Order 06.

²⁸ *In the Matter of the Joint Application of Embarq Corporation and CenturyTel, Inc. for Approval of Transfer of Control of United Telephone Company of the Northwest d/b/a Embarq and Embarq Communications, Inc.*, Docket UT-082119, Settlement Agreement at ¶ 11.

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

2 **A. Yes.**

3

4

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