

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the matter of,

Joint Application of 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.

Docket No. UT-100820

REBUTTAL TESTIMONY

OF

JOHN JONES

CENTURYLINK, INC.

NOVEMBER 1, 2010

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is John Jones and my business address is 100 CenturyLink Drive, Monroe,
3 Louisiana.

4

5 **Q. WHO IS YOUR EMPLOYER AND WHAT IS YOUR POSITION?**

6 A. I am employed by CenturyLink, Inc. (“CenturyLink” or the “Company”) as Vice
7 President, State Government Affairs.

8

9 **Q. ARE YOU THE SAME JOHN JONES WHO FILED DIRECT TESTIMONY IN**
10 **THIS PROCEEDING?**

11 A. Yes, I am.

12

13 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

14 A. I am providing rebuttal testimony concerning policy and related issues raised in certain
15 testimonies in the proceeding before the Washington Utilities and Transportation
16 Commission (“Commission”) related to the proposed merger (the “Transaction”) of
17 Qwest Communications International, Inc. (“Qwest”) and CenturyLink. Specifically, I
18 will address the testimonies of Mr. Mark J. Vasconi¹, Mr. John Cupp², Mr. Robert

¹ Testimony of Mark J. Vasconi, Staff of Washington Utilities and Transportation Commission, In the Matter of Joint Application of Qwest Communications International, Inc. and CenturyLink, Inc. for approval of indirect transfer of control of Qwest Corporation, Qwest Communications Company, LLC and Qwest LD Corp., Docket No. UT-100820, September 27, 2010 [hereafter “Staff, Vasconi”].

² Testimony of John H. Cupp, Staff of Washington Utilities and Transportation Commission, In the Matter of Joint Application of Qwest Communications International, Inc. and CenturyLink, Inc. for approval of indirect transfer of

1 Williamson³, Ms. Rebecca Beaton⁴, Ms. Kristen Russell⁵ and Ms. Jing Liu⁶ who provided
2 testimony on behalf of the Staff of the Commission (collectively “Staff”); Mr. Timothy
3 Gates⁷ and Dr. August Ankum⁸, who provided responsive testimony on behalf of Integra
4 Telecom of Washington, Inc., Electric Lightwave, Inc., Advanced TelCom, Inc., and
5 United Communications, Inc. d/b/a Unicom (collectively “Integra”); tw telecom of
6 Washington, LLC; Covad Communications Company; Level 3 Communications, LLC;
7 McLeodUSA Telecommunications Services Inc., d/b/a PAETEC Business Services;
8 Charter Fiberlink WA-CCVII, LLC; and Cbeyond Communications LLC (collectively,

control of Qwest Corporation, Qwest Communications Company, LLC and Qwest LD Corp., Docket No. UT-100820, September 27, 2010 [hereafter “Staff, Cupp”].

³ Testimony of Robert T. Williamson, Staff of Washington Utilities and Transportation Commission, In the Matter of Joint Application of Qwest Communications International, Inc. and CenturyLink, Inc. for approval of indirect transfer of control of Qwest Corporation, Qwest Communications Company, LLC and Qwest LD Corp., Docket No. UT-100820, September 27, 2010 [hereafter “Staff, Williamson”].

⁴ Testimony of Rebecca Beaton, Staff of Washington Utilities and Transportation Commission, In the Matter of Joint Application of Qwest Communications International, Inc. and CenturyLink, Inc. for approval of indirect transfer of control of Qwest Corporation, Qwest Communications Company, LLC and Qwest LD Corp., Docket No. UT-100820, September 27, 2010 [hereafter “Staff, Beaton”].

⁵ Testimony of Kristen M. Russell, Staff of Washington Utilities and Transportation Commission, In the Matter of Joint Application of Qwest Communications International, Inc. and CenturyLink, Inc. for approval of indirect transfer of control of Qwest Corporation, Qwest Communications Company, LLC and Qwest LD Corp., Docket No. UT-100820, September 27, 2010 [hereafter “Staff, Russell”].

⁶ Testimony of Jing Liu, Staff of Washington Utilities and Transportation Commission, In the Matter of Joint Application of Qwest Communications International, Inc. and CenturyLink, Inc. for approval of indirect transfer of control of Qwest Corporation, Qwest Communications Company, LLC and Qwest LD Corp., Docket No. UT-100820, September 27, 2010 [hereafter “Staff, Liu”].

⁷ Responsive Testimony of Timothy J Gates on behalf of Integra Telecom of Washington, Inc., Electric Lightwave, Inc., Advanced TelCom, Inc., and United Communications, Inc. d/b/a Unicom (collectively “Integra”); tw telecom of washington llc; Covad Communications Company; Level 3 Communications, LLC; McLeodUSA Telecommunications Services, Inc., d/b/a PAETEC Business Services; Charter Fiberlink WA-CCVII, LLC; and Cbeyond Communications LLC, Docket No. UT-100820, September 27, 2010 [hereafter “Joint CLECs, Gates”].

⁸ Responsive Testimony of August H. Ankum, Ph.D. on behalf of Integra Telecom of Washington, Inc., Electric Lightwave, Inc., Advanced TelCom, Inc., and United Communications, Inc. d/b/a Unicom (collectively “Integra”); tw telecom of washington llc; Covad Communications Company; Level 3 Communications, LLC; McLeodUSA Telecommunications Services, Inc., d/b/a PAETEC Business Services; Charter Fiberlink WA-CCVII, LLC; and Cbeyond Communications LLC, Docket No. UT-100820, September 27, 2010 [hereafter “Joint CLECs, Ankum”].

1 these competitive local exchange carriers are the “Joint CLECs”); Mr. James Appleby⁹,
2 who provided responsive testimony on behalf of Sprint Nextel Corporation (“Sprint
3 Nextel”); Mr. Richard Thayer¹⁰, who provided responsive testimony on behalf of Level 3
4 Communications; and Mr. Charles King¹¹, who provided responsive testimony on behalf
5 of The Department of Defense and all other Federal Executive Agencies (“DOD”). My
6 rebuttal testimony regarding policy and related issues is to be read in conjunction with the
7 rebuttal testimonies provided by other witnesses representing CenturyLink and Qwest
8 (collectively, the “Joint Applicants”). I have reviewed and agree with the rebuttal
9 testimonies presented by those other Joint Applicant witnesses.

10
11 **Q. ARE THERE OTHER CENTURYLINK AND QWEST PERSONNEL**
12 **PROVIDING REBUTTAL TESTIMONY?**

13 A. Yes. CenturyLink witness Clay Bailey provides rebuttal testimony concerning financial
14 and related issues raised in the testimonies of Staff and the intervenor witnesses.
15 CenturyLink witness Todd Schafer provides rebuttal testimony on operational issues and
16 certain proposed conditions raised in the testimonies of Staff. CenturyLink witness

⁹ Testimony of James A. Appleby, Sprint Nextel Corporation, In the Matter of Joint Application of Qwest Communications International, Inc. and CenturyLink, Inc. for approval of indirect transfer of control of Qwest Corporation, Qwest Communications Company, LLC and Qwest LD Corp., Docket No. UT-100820, September 27, 2010 [hereafter “Sprint Nextel, Appleby”].

¹⁰ Responsive Testimony of Richard E. Thayer on behalf of Level 3 Communications, LLC, In the Matter of Joint Application of Qwest Communications International, Inc. and CenturyLink, Inc. for approval of indirect transfer of control of Qwest Corporation, Qwest Communications Company, LLC and Qwest LD Corp., Docket No. UT-100820, September 27, 2010 [hereafter “Level 3, Thayer”].

¹¹ Responsive Testimony of Charles W. King on behalf of The Department of Defense and all other Federal Executive Agencies, In the Matter of Joint Application of Qwest Communications International, Inc. and CenturyLink, Inc. for approval of indirect transfer of control of Qwest Corporation, Qwest Communications Company, LLC and Qwest LD Corp., Docket No. UT-100820, September 27, 2010 [hereafter “DOD, King”].

1 Michael Hunsucker and Qwest witnesses Christopher Viveros and Michael Williams
2 provide rebuttal testimony concerning wholesale issues and conditions raised in the
3 testimonies of Staff and the intervenor witnesses (Mr. Williams also addresses retail
4 service quality issues raised in Staff's testimony). Qwest witness Mark Reynolds
5 provides rebuttal testimony on issues and proposed conditions dealing with retail service
6 rates and the appropriate regulatory framework raised in the testimony of Staff. Qwest
7 witness Robert Brigham provides rebuttal testimony concerning issues related to
8 competition raised in the testimonies of Staff and the intervenor witnesses.

9
10 **Q. DO THE JOINT APPLICANTS INTEND TO ADDRESS EVERY ASSERTION**
11 **OR CRITICISM IN THE REPLY TESTIMONIES OF INTERVENOR**
12 **WITNESSES?**

13 A. No. Rebuttal Testimony from myself and Joint Applicants' other rebuttal witnesses will
14 discuss in more detail why CenturyLink and Qwest believe the Application should be
15 granted and will attempt to respond to a number of the positions of the intervenor
16 witnesses. However, it is simply not reasonable to respond to each and every statement
17 in the response testimony of Staff and the other intervenors. To the extent particular
18 statements in the response testimony are not addressed in the Joint Applicants rebuttal
19 testimony, this does not necessarily mean that the Joint Applicants agree with or
20 acquiesce in those statements. We have attempted to focus on the major points addressed
21 in the answer testimony and to organize our rebuttal testimony around those points.

22

1 **I. THE TRANSACTION MEETS THE APPLICABLE STANDARD OF**
2 **REVIEW, AND THE APPLICATION SHOULD BE GRANTED.**

3
4 **Q. WHAT IS THE STANDARD OF REVIEW TO BE APPLIED IN THIS**
5 **TRANSFER OF CONTROL PROCEEDING?**

6 A. I am not an attorney and I rely upon the Commission to determine the specific standard of
7 review that is appropriate for this type of proceeding in Washington. However, it is my
8 understanding that Chapter 80.12 RCW grants the Commission authority to approve the
9 transfer requested in this proceeding. I understand that in recent years the Commission
10 consistently has reviewed merger and transfer of control transactions involving
11 Washington telecommunications providers based upon a “no-harm” standard.
12 CenturyLink believes that based on the Application, the Joint Applicants testimony,
13 CenturyLink’s experience, the way the Transaction is structured, and the absence of
14 demonstrated net harm, this Transaction does not result in “harm” to the companies’
15 customers in Washington. As such, CenturyLink respectfully requests that the
16 Commission grant the Application. Further, I believe the application of the “no-harm”
17 standard does not mandate the imposition of the numerous conditions proposed by Staff
18 and intervenors before the Commission can approve this Transaction.

19
20 **Q. DO YOU BELIEVE THERE ARE BENEFITS TO WASHINGTON AND**
21 **WASHINGTON CUSTOMERS THAT RESULT FROM THE TRANSACTION?**

22 A. Absolutely. Regardless of the applicable legal standard, there are benefits that result
23 from the Transaction. The proposed Transaction provides key benefits to multiple

1 constituencies and stakeholders of both CenturyLink and Qwest, but perhaps the most
2 significant benefits in a challenging economy are long-term financial stability and
3 enhanced capacity for strategic investment by a combined company that understands its
4 role as a critical communications provider and that seeks to serve Washington for the
5 long-term. I believe that the scale, scope and resources of the combined company ensure
6 that the needs of customers will be met; that meaningful broadband deployment and
7 investment will continue; that voice, data and other essential services will be available;
8 that evolving needs for 911 and other key first-responder services will be met; that
9 schools, libraries, health care facilities, government entities and businesses will continue
10 to rely on services provided by a dependable and technologically strong underlying
11 network provider; and that a significant number of each company's employees in the
12 state will continue to remain employed and have the compensation and benefits
13 associated with a Fortune 200 company. In reality, Qwest has hit a plateau as to how
14 much more it can achieve on its own, or how it will move forward into the next, not-yet-
15 defined, iteration of telecommunications evolution. The proposed merger with
16 CenturyLink should be viewed by this Commission as a critical and timely step that will
17 allow Qwest, its employees and customers, to move forward in a positive fashion.

18
19 The Transaction will be beneficial to the State of Washington from a number of
20 important perspectives. Like other states, Washington is witnessing dramatic changes in
21 the way its citizens and businesses communicate. Increasingly robust data demand is
22 dominating major factor for the networks of all providers, and consumers and businesses

1 continue to seek increased broadband speeds, affordable communication packages, and
2 reliable, service-focused providers. The proposed Transaction will ensure that
3 Washington is served by a telecommunications company capable of meeting those needs
4 and delivering advanced services, both today and in the future.

5
6 **Q. HOW DOES THE COMMISSION'S EXISTING REGULATORY AUTHORITY**
7 **ENSURE THAT THE MERGER WILL RESULT IN NO NET HARM TO**
8 **RATEPAYERS?**

9 A. The Commission's present authority has proven to be very effective in ensuring the
10 public interest is not harmed. Both Qwest and CenturyLink are regulated entities in the
11 state today; the companies meet existing service standards, file reports, make
12 investments, and maintain a constant focus to respond to the evolving communications
13 needs of Washington citizens. The Commission has adopted standards to ensure that the
14 public interest in service quality, fair treatment of retail and wholesale customers, and
15 other important issues are protected even as regulated entities change management. To
16 impose additional conditions on top of present regulations suggests that the
17 Commission's orders, rules and procedures to-date have not been adequate—a suggestion
18 that the Joint Applicants believe is not accurate.

19
20 **II. STATUS OF APPROVALS AND INTEGRATION PLANNING.**
21

1 **Q. PLEASE UPDATE THE COMMISSION ON THE ACTIVITY IN THE OTHER**
2 **STATE PROCEEDINGS OR OTHER APPROVAL PROCESSES REGARDING**
3 **THE PROPOSED TRANSACTION.**

4 A. The Transaction requires state commission approvals in 21 states and the District of
5 Columbia. While CenturyLink and Qwest are in the transaction review process for many
6 of these jurisdictions, the approval process is now (as of November 1, 2010) favorably
7 concluded in 11 of the 21 states requiring state commission approval—California,
8 Hawaii, Maryland, Georgia, West Virginia, New York, Ohio, Mississippi, Louisiana,
9 Virginia and Pennsylvania—as well as the District of Columbia.

10
11 Moreover, on July 15, 2010, CenturyLink and Qwest were notified by the Department of
12 Justice (“DOJ”) and the Federal Trade Commission (“FTC”) that the proposed
13 Transaction review was completed early (“Early Termination”) under the Hart Scott
14 Rodino Act, and, as such, has clearance from a federal antitrust perspective. On July 16,
15 2010, CenturyLink filed with the Securities and Exchange Commission (“SEC”) a final
16 joint proxy statement-prospectus, which describes the Transaction with Qwest. This
17 final joint proxy statement-prospectus was mailed to shareholders of both CenturyLink
18 and Qwest. Based on the information provided in the joint proxy statement-prospectus,
19 each company held a special meeting on August 24, 2010 at which their respective
20 shareholders voted overwhelmingly to approve the Transaction.

21

1 **Q. SOME OF THE INTERVENOR PARTIES FILING TESTIMONY IN THIS**
2 **PROCEEDING EXPRESS CONCERN OVER CENTURYLINK'S ABILITY TO**
3 **ACCOMPLISH AN INTEGRATION OF THIS MAGNITUDE. ARE THESE**
4 **INTEGRATION CONCERNS VALID?**

5 A. No, they are not. Their concerns are based far more on speculation than fact.
6 CenturyLink has a proven track record of successfully integrating and managing the
7 operations of the companies it acquires not once or twice, but multiple times over a 20-
8 year period, and this experience helps demonstrate that the Transaction is “not contrary to
9 the public interest.” CenturyLink is a company that has grown and evolved through both
10 small and large acquisitions—Bell lines and non-Bell lines—each of them unique in their
11 own right. But the transactions all have a common theme—they all have been successful
12 from financial, customer, employee and operational perspectives. As I stated in my direct
13 testimony, the senior officers who will lead the combined company are proven leaders in
14 the telecommunications industry with multiple decades of both individual and combined
15 experience. The majority of the CenturyLink leadership team has been together since the
16 1980s, a fact that highlights the stability and experience of the Company’s management.
17 This level of management continuity and the track record over that time is important as it
18 demonstrates convincingly that the CenturyLink leadership team consistently has worked
19 to provide exceptional customer service over an extended period while successfully
20 managing multiple acquisitions and integrations. With respect to the management team’s
21 transactional experience, CenturyLink has increased its scope and scale over the years
22 through a number of sizeable transactions, starting in 1997 with the acquisition of Pacific

1 Telecom, Inc. (600,000+ lines in multiple states) and most recently with the 2009
2 acquisition of Embarq (6 million+ lines in multiple states). An important by-product of
3 the multiple acquisitions by CenturyLink is the accumulation of experienced employees
4 and critical skill sets needed for successful integration outcomes. At times these
5 acquisitions have more than doubled or tripled the size of the Company within a fairly
6 short span of years. In each instance, the integration has resulted in successful outcomes
7 in terms of customer service improvements and operating performance. This proven
8 history demonstrates that CenturyLink is accustomed to managing and executing on
9 mergers and acquisitions of varying types, sizes and complexity while continuing to
10 operate as a successful service provider in a challenging industry environment. To my
11 knowledge, the intervenors have no significant or meaningful basis in fact to suggest
12 otherwise.

13
14 More specifically, the preparation for the Qwest integration process is underway, and
15 joint CenturyLink/Qwest integration teams are hard at work reviewing all functional
16 areas to determine the best organizational structure for the company post-merger. In
17 addition, there is an early and important focus on planning for the integrating of various
18 company systems and practices. CenturyLink approaches the systems integration process
19 with an open mind as the Company evaluates and prepares to adopt the best systems of
20 merged companies. However, prior to actual adoption decisions, the planning process
21 attempts to address such issues as critical functionality, efficiency, integration with other
22 systems and an overall positive customer experience. It is important to note that a key

1 factor in the CenturyTel/Embarq transaction and this Transaction, which sets them apart
2 from other mergers in a very positive way, is that CenturyLink is integrating not partial
3 companies but entire companies. Acquiring total companies such as Embarq and
4 Qwest—personnel, systems, network assets, etc.—provides CenturyLink the ability to
5 operate using dual systems for as long as management believes is prudent. Preparation is
6 further focused as the employees of both companies are committed to coordinating and
7 transitioning the companies' operations. Accordingly, there are common integration
8 goals in planning for the proposed Transaction rather than the conflicts of interest that
9 may arise when a company sells only parts of its operations. Additionally, while final
10 staffing decisions have not yet been made, identification of key personnel is a part of the
11 overall process. A majority of both companies' employees are expected to be retained to
12 help the merged company achieve its local operational and service objectives.
13 CenturyLink and Qwest are also mindful of employees and their families nationwide that
14 must deal with various levels of uncertainty until all approvals are granted, and the
15 companies are formally allowed to close the transaction. That is why CenturyLink and
16 Qwest have begun post-merger integration planning and are seeking prompt approvals.

17
18 **Q. SEVERAL PARTIES EXPRESS FRUSTRATION WITH THE LACK OF**
19 **DETAILS THAT CENTURYLINK HAS PROVIDED WITH REGARD TO ITS**
20 **INTEGRATION PLANS WITH QWEST. HOW DO YOU RESPOND?**

21 A. CenturyLink is experienced in large integrations which require processes that are
22 thorough, well thought-out and customer-focused. I believe the CLEC intervenors'

1 witnesses do not fully understand the complexity of successfully integrating two large
2 companies and our goal of making sure that the integration process is successful for
3 multiple types of customers. In no transaction with which I am familiar did management
4 of the merging companies provide detailed plans regarding post-merger business
5 operations or benefits in the proceeding which sought approval of the transaction. These
6 processes require deliberate and disciplined efforts to complete and it is not possible or
7 appropriate to subject a pending transaction to a level of scrutiny that requires detailed
8 final plans prior to closing. While much integration planning can begin pre-merger, as is
9 the case with the proposed Transaction, most of the final decisions regarding integration
10 cannot be made, and do not need to be made, until after the merger has closed.

11
12 From a sequencing standpoint, we have completed the process of naming Tier 2
13 leadership, with Tier 3 leaders following later this year. These individuals will be
14 responsible for structuring their respective functional areas, building teams and actually
15 operating many of the systems in question. From our perspective, it makes little sense to
16 select systems without the input of the employee leadership.

17
18 With this kind of parent-level transaction, resulting in the acquisition of all the assets of
19 Qwest, the Company is not forced to make important integration decisions under short
20 timelines. Rushing the selection and integration of critical systems designed to serve
21 millions of retail and wholesale customers seamlessly is not an option, nor, as I have said,
22 does this type of transaction force CenturyLink to do so. By the same token, mandating

1 arbitrary dates before which implementation of systems integration cannot occur would
2 be just as ill-advised. CenturyLink is committed to follow proven processes that involve
3 careful review of all aspects of the integration to ensure that the merger goes as smoothly
4 as possible for customers, employees and other key stakeholders. Based on its past
5 experience and track record, CenturyLink is confident that it understands the processes
6 that lead to efficient and successful integrations. This track record demonstrates that the
7 proposed Transaction is not contrary to the public interest. If decisions are hurried to
8 benefit one subset of customers, or constrained or limited to the supposed benefit of
9 another subset, such as proposed by the Joint CLECs and other intervenors, it only
10 increases the likelihood that problems will develop to the detriment of a much larger base
11 of residential and business customers and employees. We believe the Joint CLECs'
12 proposals only benefit the CLECs and are not in the public interest of the majority of
13 Washington customers.

14
15 **Q. YOU MENTIONED THE COMPANIES WERE MOVING FORWARD WITH**
16 **INTEGRATION PLANS AND THAT THE TIER 2 LEADERS HAVE BEEN**
17 **NAMED. HAVE THERE BEEN RECENT ANNOUNCEMENTS REGARDING**
18 **THE TIER 2 LEADERS?**

19 **A.** Yes, on September 20, 2010 and October 19, 2010 Tier 2 leadership appointments were
20 announced in the Operations, Business Markets, Wholesale, Finance, Network Services,
21 Corporate Strategy & Development, Public Policy and Government Relations, Legal,
22 Human Resources and IT organizations. This announcement also included the alignment

1 of the combined company's Washington Operations into one of six Regions. Washington
2 will be part of the Northwest Region which also includes operations in the states of
3 California, Idaho, and Oregon. Brian Stading, currently Vice President-Network
4 Operations and Engineering for Qwest will become the Northwest Region President upon
5 the close of the Transaction. I have included as Exhibit JJ-5 to my testimony a detailed
6 list of the Tier 2 appointments recently announced.

7
8 **Q. CAN YOU GENERALLY DESCRIBE CENTURYLINK'S APPROACH TO THE**
9 **INTEGRATION PROCESS?**

10 **A.** Yes, I can. CenturyLink and Qwest are applying a disciplined method to on-going
11 integration planning. Specifically, in the first phase of integration planning, management
12 will: (i) establish guiding principles and strategies for companywide integration planning;
13 (ii) identify and commit resources to integration planning efforts; (iii) resolve and
14 escalate any critical issues as needed; and (iv) track and communicate progress to
15 business leadership. Each functional group then has a leader who heads a functional
16 integration team focused on the organization for which he or she has responsibility. The
17 functional integration teams then, over time, will create objectives and also detailed work
18 plans that assign task owners, deliverables and due dates for integration work. The work
19 plans also will help identify resource constraints, dependencies and other issues. Finally,
20 functional sub-teams will be employed to manage integration planning for specific
21 functions within each leader's area of responsibility. This highly-structured and detail-
22 oriented integration methodology and process not only demonstrate that the CLECs'

1 concerns are quite speculative and not likely to materialize, but also demonstrate the
2 caliber of management planning that will ensure successful integration of the merging
3 companies. Confidential Exhibits JJ-6C and JJ-7C provide additional information on the
4 overall integration process and the systems integrations process.

5
6 **III. THE INTERVENORS SPECULATIVE FEARS BASED ON**
7 **COMPLETELY UNRELATED TRANSACTIONS ARE NOT WELL**
8 **FOUNDED AS THEY PERTAIN TO PROBABLE OUTCOMES IN THIS**
9 **TRANSACTION.**

10 **Q. PLEASE RESPOND TO THE CONCERNS RAISED BY SEVERAL**
11 **INTERVENORS THAT THE PROPOSED TRANSACTION MIGHT BE**
12 **SIMILAR TO THE HAWAIIAN TELCOM, INC. (“HAWAIIAN TELCOM”) AND**
13 **FAIRPOINT COMMUNICATIONS, INC. (“FAIRPOINT”) MERGERS.**

14 A. The CLEC intervenors attempt to justify the imposition of various proposed conditions
15 based in large part upon inapt facts about other unrelated transactions and companies.
16 For example, the intervenor witnesses attempt to point to problems resulting from the
17 Carlyle Group’s (“Carlyle’s”) purchase of Hawaiian Telcom and FairPoint’s acquisition
18 of Verizon Communications Inc.’s (“Verizon’s”) wireline operations in Maine, New
19 Hampshire, and Vermont. However, the intervenor witnesses’ testimonies provide no
20 substantive evidence to show that the negative outcomes of the Hawaiian Telcom and
21 FairPoint combinations will or are likely to happen in this Transaction, and provide no
22 basis to justify the proposed conditions. Thus, the testimonies in this regard amount to no
23 more than mere speculation about what the witnesses think “could” happen.

1 **Q. PLEASE ELABORATE ON YOUR COMMENT THAT THE INTERVENOR**
2 **WITNESSES FAILED TO PROPERLY COMPARE THOSE TRANSACTIONS**
3 **WITH THE FACTS IN THE PROPOSED TRANSACTION.**

4 A. First, Dr. Ankum, Mr. Gates and Mr. Thayer focus on only two transactions, in spite of
5 the fact that there have been a large number of successful transactions combining ILEC-
6 to-ILEC operations—involving independent operations, properties sold by Regional Bell
7 Operating Companies (“RBOCs”), and combinations of RBOCs—over the last decade
8 and indeed well before that time.¹² In addition to several smaller transactions,
9 CenturyLink has successfully acquired and integrated Verizon-owned properties that
10 totaled nearly 2 million access lines in Wisconsin, Missouri, Arkansas, and Alabama
11 since the year 2000—more difficult transactions from a systems perspective because
12 CenturyLink was not acquiring an entire company, as is the case in this Transaction. In
13 addition, CenturyLink has been integrating Embarq over the last year. Also, Windstream
14 Corporation (“Windstream”) successfully acquired Verizon properties (about 600,000
15 lines) in Kentucky in 2002.

16

¹² Dr. Ankum states, without providing any evidence, that “most mergers are not successful.” See Ankum Answer Testimony at page 11, line 1. It might be assumed that he is referring to mergers outside the ILEC industry, but his testimony provides no data or references to verify the statement about “most mergers.” Dr. Ankum does cite in general terms several other mergers but they did not involve two ILECs combining their businesses; i.e., the combination of MCI and WorldCom (Joint CLECs, Ankum p. 24, line 11 through p. 25 line 8), and Qwest and US West (Joint CLECs, Ankum p. 25, line 20); and he makes passing reference without specifics to the combinations of SBC and BellSouth, as well as SBC and Ameritech. Dr. Ankum also alleges that Frontier is having “cut-over problems with backoffice and OSS systems reminiscent of the prior two transactions [Hawaiian Telcom and FairPoint]” (Joint CLECs, Ankum p. 26, line 25 through p. 27, line 1) but the source cited in his footnote is only a Fact Sheet from Frontier, announcing the transaction. See, Level 3, Thayer p. 2, lines 15-17.

1 Second, CenturyLink believes that the Hawaiian Telcom and FairPoint transactions are
2 easily distinguishable from other ILEC-to-ILEC transaction in terms of the specific
3 problem that precipitated those companies' financial failure. That is, in both of those
4 transactions, the acquiring companies were required to create entirely new operational
5 support systems ("OSS") and then to cut over ("flash cut") the acquired carrier's services
6 to those newly-created OSS either immediately upon closing or within a set time period.
7 Dr. Ankum and Mr. Gates both acknowledge that every one of the state commissions that
8 reviewed those two transactions—in Hawaii, Vermont, Maine, and New Hampshire—
9 trace the financial and service problems to those specific OSS challenges, which then led
10 to financial distress.¹³ In contrast, the current Transaction will involve the phased-in
11 integration of functioning operational and back-office systems of both of the merged
12 entities. Thus, there is no time-bound cutover of systems required nor are there new
13 systems that must be created or relied upon in the combination between CenturyLink and
14 Qwest. The proposed Transaction does not include the risk associated with creating new
15 OSS or a conversion tied to a hard date for moving to a different OSS.

16
17 **Q. CAN YOU BE MORE SPECIFIC ABOUT THE DISTINGUISHING**
18 **CHARACTERISTICS BETWEEN THE PROPOSED TRANSACTION ON THE**
19 **ONE HAND AND THE FAIRPOINT-VERIZON AND THE HAWAIIAN**
20 **TELCOM ACQUISITIONS ON THE OTHER?**

¹³ See, for example, Joint CLECs, Ankum p. 33, line 1 through p. 34, line 6; Joint CLECs, Gates p. 93, line 15 through page 105, line 2.

1 A. Yes. The proposed Transaction does not at all resemble the FairPoint-Verizon
2 transaction or the Hawaiian Telcom divestiture. The proposed Transaction results in all
3 Qwest systems, including the OSS, and all personnel being conveyed to CenturyLink as
4 part of the merger. These factors eliminate important risks that apparently proved highly
5 detrimental in the cases of the two cited bankruptcies. As stated above, CenturyLink
6 believes that bankruptcies of this type are not the norm as it relates to recent ILEC-to-
7 ILEC transactions.

8
9 Both Carlyle, which acquired Hawaiian Telcom, and FairPoint were required to build “de
10 novo” the back-office software (OSS) that manages key operational functions. As has
11 been well-reported, the newly-developed Hawaiian Telcom and FairPoint systems
12 performed poorly due to design and integration flaws, which resulted in a loss of
13 customers and related financial problems. Those significant technical and financial
14 commitments made by Carlyle and FairPoint are not required in the proposed Transaction
15 because CenturyLink and Qwest have well-established, fully operational and tested
16 systems that will remain in place until the phased-in integration plan is executed.

17
18 To my knowledge, in all other ILEC transactions where there has not been the need to
19 create new OSS—and there is no need in the proposed Transaction—there is a long track
20 record of successful integrations resulting in improved combined operations, including
21 numerous transactions involving CenturyLink. Had Dr. Ankum, Mr. Gates and other
22 intervenors citing the bankruptcies looked beyond the two “failed” transactions upon

1 which they selectively focus their answer testimonies, they would have had to
2 acknowledge that the ILEC industry in general, and CenturyLink in particular, have a
3 long history of successful transactional activity and that ongoing industry consolidation is
4 appropriate and positive as telecommunications becomes a more intensely competitive
5 industry.

6
7 **Q. IS THERE ANY RISK IN THE PROPOSED TRANSACTION SIMILAR TO THE**
8 **RISKS THAT CAUSED THE FINANCIAL DISTRESS FOR HAWAIIAN**
9 **TELCOM AND FOR FAIRPOINT?**

10 A. No. The proposed Transaction does not include the risk associated with creating new
11 OSS or a conversion tied to a fixed date for transitioning to a different OSS.
12 CenturyLink has extensive experience in successfully converting lines and systems in
13 similarly acquired operations to its own OSS, as was the case in the acquisitions of the
14 Verizon properties in Wisconsin, Missouri, Arkansas, and Alabama over the last ten
15 years. However, in the proposed Transaction, there is no immediate cutover of systems
16 required nor are there new systems that must be relied upon in the combination between
17 CenturyLink and Qwest. The proposed transaction is completely and fundamentally
18 distinguishable from the two merger-related ILEC failures relied upon so extensively by
19 intervenors to make a case where none exists. Immediately after the close of the
20 proposed Transaction, Qwest will operate using the same systems it currently has in
21 place, and CenturyLink will operate using its systems, with both OSS fully functioning
22 and staffed by operating personnel who have been managing those systems. The

1 similarities between FairPoint and Hawaiian Telcom are very clear, but the precipitating
2 problem in those transactions is not a factor in executing the proposed Transaction. Mr.
3 Gates and Dr. Ankum are speculating about potential problems unique to two other
4 companies, but CenturyLink has provided convincing evidence related to a proven and
5 long history of its capabilities with respect to acquisitions, high-quality services, and
6 responsible management of local exchange operations—none of which have resulted in
7 failure.

8
9 **IV. RESPONSE TO CERTAIN ISSUES AND CONDITIONS PROPOSED BY**
10 **STAFF.**
11

12 **Q. BASED ON THE TESTIMONY FILED BY STAFF, WHAT IS STAFF'S**
13 **POSITION REGARDING THIS TRANSACTION?**

14 A. Mr. Vasconi recommends the Transaction not be approved due to concerns that “. . .the
15 applicants have not adequately addressed risks to Washington customers that may result
16 from the Transaction.”¹⁴ Staff goes on to propose *forty-five* (45) separate conditions,
17 which if agreed to by CenturyLink, would result in a Staff recommendation of
18 Commission approval of the Transaction. However, as set forth in my testimony, and
19 the testimonies of the other Joint Applicant witnesses, the post-merger company will be
20 financially, managerially, and operationally sound and will be a stronger combined
21 company, without the need to impose any conditions. And, again, the Staff has not
22 demonstrated that these conditions would prevent any probable harm from occurring.

¹⁴ Staff, Vasconi, p. 2, lines 5-7.

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Q. STAFF RECOMMENDS THAT THE JOINT APPLICANTS MUST AGREE TO FORTY-FIVE (45) SEPARATE CONDITIONS BEFORE THE COMMISSION COULD APPROVE THE TRANSACTION¹⁵ CAN YOU COMMENT ON CENTURLINK’S PERSPECTIVE ON THESE PROPOSED CONDITIONS?

A. Yes. Each of the Staff’s conditions will increase, at some level, the post-merger company’s costs to ensure compliance, or will otherwise delay or minimize the public interest benefits of the Transaction. The sheer magnitude of Staff’s conditions, along with the multiple new tracking and reporting requirements to ensure compliance, impose costs that CenturyLink believes in many cases, are unnecessary, or already addressed fully through the Commission’s existing authority in the state. CenturyLink believes these resources could be directed to more productive integration and customer-serving activities, particularly when other regulatory reporting requirements exist through Commission requirements. Further, Staff’s conditions, and their associated costs, would not be applicable to other providers in the market and, therefore, unnecessarily and unfairly would result in an unequal level of regulation in a highly competitive market. This would place the Joint Applicants at a competitive disadvantage in relation to other competitive market providers.

¹⁵ These conditions are summarized in the testimony of Staff witness Vasconi and listed fully at Exhibit MJV-6 of his testimony.

1 CenturyLink will address Staff's proposed conditions in my rebuttal testimony and the
2 rebuttal testimonies of Clay Bailey, Mike Hunsucker and Todd Schafer. Additionally,
3 certain of these issues and proposed conditions are addressed in the rebuttal testimonies
4 of Qwest witnesses Mark Reynolds, Robert Brigham, Christopher Viveros, and Michael
5 Williams. I will address the issues and proposed conditions raised by Staff witnesses for
6 the following categories: Financial (AFOR related conditions); DSL/Broadband; Retail
7 Service Quality; Retail Services and Retail Rates; Operations Support Systems; WTAP;
8 911 Service; and Rate Center Consolidation.

9
10 **AFOR RELATED CONDITIONS; RETAIL SERVICES AND RETAIL RATES**

11 **Q. STAFF WITNESS MR. VASCONI RECOMMENDS CONDITION 3 DEALING**
12 **WITH ALTERNATIVE FORM OF REGULATION (AFOR) PLANS AND**
13 **ASSOCIATED FILINGS. DOES CENTURYLINK HAVE CONCERNS ABOUT**
14 **THIS CONDITION?**

15 A. Before I discuss CenturyLink's overarching concerns with this proposed condition, I note
16 that Qwest witness Mark Reynolds addresses the specific concerns of CenturyLink and
17 Qwest with the proposed AFOR condition, as well as related proposed conditions 29 and
18 30 dealing with retail rates. However, CenturyLink's principal concern with this
19 proposed condition is that it establishes a requirement that the CenturyLink ILECs and
20 Qwest be treated as one entity for intrastate regulation and rate-setting purposes.
21 CenturyLink has a number of concerns about whether this single entity approach would
22 best balance the interests of the Company, our customers and the Commission. First,

1 this condition presupposes that the single-entity approach is the right one, without any
2 evidence to support that conclusion. CenturyLink believes this questions should be
3 addressed in the filings of a dedicated AFOR proceeding, not as part of a merger review
4 proceeding. Second, CenturyLink and Qwest operate in different markets with different
5 levels of competition that might necessitate different AFOR provisions rather than a
6 single AFOR as is seemingly contemplated in Staff's proposed condition. Third, the
7 current rate structures of Qwest and CenturyLink are significantly different--attempting to
8 reconcile those differences in a single rate structure could result in substantial price
9 changes for different sets of customers. Fourth, Qwest has operated under an AFOR for
10 several years and has likely taken steps to build the pricing and other regulatory
11 flexibility provided in the AFOR into its overall business approach to the Washington
12 market. In contrast, the CenturyLink ILECs in Washington operate under traditional rate
13 of return regulation that affords limited pricing and other regulatory flexibility.
14 CenturyLink is concerned that a single AFOR will not adequately allow for differences in
15 needed pricing and regulatory flexibilities, given the current disparate regulatory status of
16 the two companies. Finally, CenturyLink is concerned that the proposed condition
17 requires the AFOR be filed utilizing principles established by the Commission in Qwest's
18 AFOR Docket UT-061625. This requirement presupposes that no changes in rules or
19 statutes related to AFORs would occur between now and when the AFOR filing would be
20 due under the terms of the proposed Staff condition. Future AFOR filings, should be
21 based on the current regulatory and statutory framework at the time of the filing.

1 **Q. CAN YOU COMMENT ON STAFF'S PROPOSED CONDITION 32 DEALING**
2 **WITH LONG DISTANCE PREFERRED INTEREXCHANGE CARRIER ("PIC")**
3 **CHANGE CHARGES?**

4 A. Yes. This proposed condition would require CenturyLink to offer Qwest long distance
5 customers the option to change long distance carriers without incurring a PIC change
6 charge for a 90-day period. As outlined in the testimony of Qwest witness Mr. Brigham,
7 the telecommunications market in Washington, including the long distance market, is
8 highly competitive. Mr. Vasconi acknowledges the competitive market in his testimony
9 but then goes on to speculate that long distance prices could increase and that PIC change
10 charges hinder customers from changing long distance carriers.¹⁶ The reality of the
11 situation is that Qwest long distance customers will not see a change as a result of the
12 Transaction – they will continue to receive their long distance services from the same
13 Qwest long distance entity that provides them service today and at the same rates.
14 Requiring CenturyLink to provide a PIC change charge waiver to all of Qwest's long
15 distance customers based on speculative concerns about future price increases or
16 perceived reluctance to change long distance carriers because of PIC change charges is
17 simply unnecessary. The highly competitive nature of the long-distance market will
18 ensure that Qwest's long distance customers are treated appropriately and there is nothing
19 occurring as part of the merger that necessitates this proposed condition. Further, in a
20 market where landline carriers are experiencing a loss of access lines and customers, it is

¹⁶ Staff, Vasconi p. 11, line 17-22.

1 particularly unnecessary to require the Joint Applicants to essentially invite their
2 customers to select another carrier.

3

4

1 **DSL/BROADBAND**

2 **Q. STAFF WITNESS MS. LIU RECOMMENDS SEVEN SEPARATE CONDITIONS**
3 **UNDER THE HEADING OF DSL/BROADBAND. WHAT JUSTIFICATION**
4 **DOES MS. LIU PROVIDE FOR THESE PROPOSED CONDITIONS?**

5 A. Ms. Liu recommends that the Commission condition its approval of the Transaction on
6 the proposed broadband commitments “. . . in order to ensure that the post-transaction
7 company will pass through merger benefits to Washington consumers.”¹⁷

8
9 **Q. IS THIS AN APPROPRIATE JUSTIFICATION GIVEN THE COMMISSION’S**
10 **“NO-HARM” STANDARD OF REVIEW DISCUSSED PREVIOUSLY IN YOUR**
11 **TESTIMONY?**

12 A. No. As explained further in the testimony of CenturyLink witness Clay Bailey, the
13 proposed DSL/Broadband conditions clearly represent financial “net benefits” (not the
14 avoidance of harm) and will limit the Company’s ability to determine how best to use its
15 capital in responding to market and customer demands.

16
17 **Q. DOES MS. LIU IDENTIFY SPECIFIC CONCERNS ABOUT CENTURYLINK’S**
18 **FUTURE BROADBAND INVESTMENT THAT THE PROPOSED CONDITIONS**
19 **PURPORTEDLY ADDRESS?**

20 A. Yes. As I understand Ms. Liu’s testimony, she contends that the proposed broadband
21 conditions are necessary to ensure: 1) that the combined company dedicates a fair portion

¹⁷ Staff, Liu p. 2, lines 9-11.

1 of its synergy savings to the state of Washington in the form of broadband investments¹⁸;
2 and 2) that rural areas (mostly CenturyLink ILEC service areas) are not neglected in
3 favor of Qwest's urban markets.¹⁹
4

5 **Q. ARE THESE CONCERNS WARRANTED?**

6 A. No. CenturyLink and Qwest already have demonstrated a commitment to expansion of
7 broadband availability and capability in their networks, and market forces incent the
8 companies to continue that expansion. As such, any Commission-imposed broadband
9 investment conditions are unnecessary. CenturyLink and Qwest have been investing in a
10 broadband-capable infrastructure in Washington with the overall goal of increasing the
11 availability of broadband service while also increasing broadband speeds in areas where
12 broadband service already exists. There is no reason provided by Ms. Liu to conclude
13 that this broadband investment effort in Washington will cease or be altered negatively
14 after the merger. In fact, Ms. Liu states she believes “. . . the post-transaction
15 CenturyLink will expand its broadband footprint. . .”²⁰
16

17 Staff also appears to ignore the fact that other providers including cable, VoIP, wireless
18 and wireless CETCs are and will be making broadband investment in Washington
19 markets and that CenturyLink and Qwest are not necessarily the only broadband
20 providers in any given market. In fact, with the recent announcement that over \$227M in

¹⁸ Staff, Liu p. 5, lines 8-10.

¹⁹ Staff, Liu p. 6, lines 17-20.

²⁰ Staff, Liu p. 4, lines 13-14.

1 broadband funding has been awarded to various applicants to fund broadband middle
2 mile and infrastructure projects in Washington through the Broadband Initiatives
3 Program and the Broadband Technology and Opportunities Program, there will be even
4 greater deployment of broadband in Washington by companies other than CenturyLink
5 and Qwest. Those other companies may have competitive advantages through use of
6 support funding, which would mean that such a condition in this merger might be
7 harmful to the Company and therefore to the customers who rely on an efficient carrier.

8
9 Both CenturyLink and Qwest have achieved high levels of broadband availability in their
10 Washington service areas as described by Mr. Schafer. Ms. Liu recognizes that the “. . .
11 CenturyLink ILECs have done a great job extending DSL to their rural customers.”²¹
12 Going forward, broadband will continue to be a critical component of CenturyLink’s
13 business strategy, and continuing to increase availability and speeds to meet customer
14 needs in all of our markets, urban and rural, is required for CenturyLink to remain
15 competitive. Further, post-merger, Washington will rank as the combined company’s
16 second largest state operations. With such a large presence, CenturyLink will be incented
17 properly to ensure appropriate levels of broadband investment are dedicated to
18 Washington.

19
20 To be competitive, CenturyLink must continue to deploy broadband in response to
21 customer demand, which is an approach that avoids the risk of wasted or stranded

²¹ Staff, Liu p. 8, lines 3-4.

1 investment and better dedicates capital in a rapidly-changing competitive market.
2 Therefore, there is no need for the Commission to impose broadband commitments since
3 CenturyLink and Qwest already are incented to continue their broadband investments,
4 which are in the best interests of customers, the Company's business and the welfare of
5 other key stakeholders.
6

7 **Q. DO YOU HAVE ANY COMMENTS REGARDING THE BROADBAND SPEED**
8 **AND AVAILABILITY PERCENTAGES REFLECTED IN STAFF'S PROPOSED**
9 **CONDITIONS 14, 15 AND 16?**

10 A. Yes. Staff provides no substantive explanation or justification for their proposed
11 benchmark broadband speed and availability percentages. Staff provides no evidence
12 that their proposal takes into account the estimated costs of achieving these goals, even
13 though they premise the condition on the perceived need to ensure Washington receives
14 its "fair portion" of synergy savings. In addition, Staff's reliance on the standards
15 proposed in the Federal Communication Commission's ("FCC") National Broadband
16 Plan ("NBP") as the basis for their proposed broadband speed goals is premature as the
17 NBP is merely a proposal at this stage and its recommendations have not been adopted, in
18 full or in part, by the FCC. Staff ignores the fact that the NBP contains not-yet-adopted
19 provisions for incremental funding to achieve the plan's proposed speed and availability
20 metrics. As such, the NBP should not be relied upon by the Staff to justify or quantify
21 the parameters of prudent broadband investment.
22

1 **Q. WHAT IS CENTURYLINK'S REACTION TO STAFF'S PROPOSED**
2 **CONDITIONS 19 AND 20?**

3 A. CenturyLink strongly objects to the Staff's attempt to regulate the Company's non-
4 regulated broadband service offerings and prices of the companies post-merger. There is
5 intense competition for broadband services in Washington from a wide array of service
6 providers. Any constraints on CenturyLink's and Qwest's flexibility to modify service
7 offerings or associated rates, terms and conditions, could severely disadvantage the
8 combined company in the competitive, non-regulated marketplace. This disadvantage
9 would be exacerbated by the extraordinarily long duration period of 36 months as
10 reflected in the Staff proposed condition 20. For these reasons, CenturyLink urges the
11 Commission to reject Staff's proposed conditions 19 and 20.

12

13 **RETAIL SERVICE QUALITY**

14 **Q. STAFF WITNESS MS. RUSSELL RECOMMENDS SEVEN SEPARATE**
15 **CONDITIONS RELATED TO RETAIL SERVICE QUALITY (CONDITIONS 21**
16 **THROUGH 27). WHAT RATIONALE DOES STAFF PROVIDE FOR THESE**
17 **PROPOSED CONDITIONS?**

18 A. Ms. Russell testifies that the proposed conditions related to service quality are needed to
19 “. . . protect customers from the harm [related to] a decline in retail service quality. . . and
20 to foster improvements in service quality as a benefit of the proposed transaction.”²²

21

²² Staff, Russell p. 22, line 16 through p. 23, line 1.

1 **Q. DID STAFF EXPRESS ANY CONCERNS WITH THE CURRENT SERVICE**
2 **QUALITY PERFORMANCE OF CENTURYLINK OR QWEST IN**
3 **WASHINGTON?**

4 A. No. In fact, after providing an analysis of the service quality performance of
5 CenturyLink and Qwest for a five-year period, Ms. Russell concludes: “Generally,
6 Qwest and the CenturyLink ILECs meet the service quality benchmarks established by
7 the Commission, so Staff is not concerned about the companies’ current quality of
8 service.”²³ So under Staff’s own assessment, if the service quality provided by the
9 CenturyLink and Qwest Washington operating companies post-merger remains the same
10 as it is today, there would be no harm to consumers.

11

12 **Q. ARE THE STAFF’S CONCERNS ABOUT THE RISK OF A DECLINE IN**
13 **SERVICE QUALITY POST-MERGER WARRANTED?**

14 A. No. As I stated in my direct testimony, continuing to meet customer needs and to provide
15 exceptional customer service is CenturyLink’s top priority. The proposed Transaction
16 will not change that focus and commitment. Furthermore, as I explained earlier,
17 CenturyLink consistently has worked to provide exceptional customer service over an
18 extended period while successfully managing multiple acquisitions and integrations. The
19 Staff’s concerns are based on mere speculation about a possible or hypothetical risk that
20 service quality may degrade as a result of the Transaction, and such speculation does not

²³ Staff, Russell p. 13, lines 16-18.

1 justify the imposition of new or increased customer service credits and new or expanded
2 service quality reporting requirements.

3
4 **Q. DOES STAFF'S TESTIMONY SUGGEST THEY ARE SEEKING**
5 **IMPROVEMENTS IN SERVICE QUALITY?**

6 A. Yes. Ms. Russell makes several references in her testimony to service guarantee credits
7 being necessary to provide "improvements"²⁴ in service quality. Ms. Russell also
8 testifies that service guarantee credits are needed where a company does not provide
9 adequate service²⁵. So, in spite of Ms. Russell's acknowledgement that CenturyLink and
10 Qwest currently are providing good customer service in Washington, Staff's conditions
11 in this area appear to be focused, at least in Staff's view, on requiring improvements in
12 service quality. CenturyLink believes that, based on the companies' current service
13 quality performance and commitment to maintain service quality going forward, no
14 measures designed to "improve" service quality are warranted. Furthermore, to the
15 extent the proposed conditions are designed to provide affirmative benefits in the form of
16 new or increased customer service guarantee payments, the Staff's recommendations go
17 beyond the Commission's "no-harm" standard of review applicable for this Transaction.

18

²⁴ Staff, Russell p. 22, line 17; p. 23, line 18

²⁵ Staff, Russell p. 22, lines 1-3.

1 **Q. COULD YOU COMMENT ON STAFF'S PROPOSED CONDITIONS 21 AND 22**
2 **THAT RELATE TO QWEST'S CUSTOMER SERVICE GUARANTEE**
3 **PROGRAM ("CSGP")?**

4 A. Yes. Proposed condition 21 would request a \$10 increase (from \$25 to \$35) in the CSGP
5 credit provided to residential customers for missed installation and repair
6 appointments/commitments. Proposed condition 22 would also require monthly
7 reporting of CSGP payments on a quarterly basis for three years. Qwest witness Michael
8 Williams addresses these proposed conditions and explains Qwest's concerns with these
9 proposals in more detail. I concur with the positions reflected by Mr. Williams's rebuttal
10 testimony on these proposed conditions and I believe the recommended conditions are
11 not necessary because CenturyLink is committed to continuing to provide high quality
12 customer service to all of its Washington customers.

13
14 **Q. COULD YOU COMMENT ON STAFF'S PROPOSED CONDITIONS 23 AND 24**
15 **THAT WOULD REQUIRE CENTURYLINK TO OFFER THE SAME CSGP AS**
16 **QWEST AND PROVIDE REPORTS OF CSGP PAYOUTS?**

17 A. As explained above, Washington already has in place a comprehensive set of service
18 quality rules designed to protect customers. CenturyLink complies with these rules and
19 the Transaction does nothing to change those rules or any of the existing enforcement
20 mechanisms. Requiring CenturyLink to adopt a service guarantee program that has been
21 designed for and tailored to Qwest is not appropriate as no basis has been established for
22 whether such a program is necessary or suitable for CenturyLink. Furthermore,

1 CenturyLink already is committed to implementing a service guarantee program by virtue
2 of a condition in the CenturyTel/Embarq merger case that is to remain in place for one
3 year after its implementation. Given that there is no substantive evidence that a service
4 guarantee plan for CenturyLink is necessary, the Commission should reject this proposed
5 condition.

6
7 **Q. COULD YOU COMMENT ON STAFF'S PROPOSED CONDITIONS 25 AND 26**
8 **THAT WOULD REQUIRE CENTURYLINK TO EXPAND ITS SERVICE**
9 **REPORTING TO MATCH QWEST'S?**

10 A. Yes. Proposed conditions 25 and 26 would require the CenturyLink ILECs in
11 Washington to adopt changes to their standard service quality reporting to match the
12 service quality reporting currently being provided by Qwest. CenturyLink is opposed to
13 the imposition of the proposed conditions for two reasons. First, it is my understanding
14 that the Qwest service quality reporting requirements underlying these two conditions are
15 unique to Qwest and resulted from specific Commission proceedings where the
16 requirements were established. And since the requirements are unique to Qwest and not
17 reflected in the Commission's standard service quality reporting requirements, it would
18 be inappropriate to attempt to apply them automatically to the CenturyLink ILECs.
19 Second, since the service quality reporting requirements underlying these conditions are
20 unique to Qwest, the associated systems and processes necessary to produce the required
21 reports are also unique. It is not reasonable to expect CenturyLink to adopt unique
22 service quality requirements specifically tailored to Qwest that would require systems

1 and process changes. In summary, Staff has not identified any deficiency in
2 CenturyLink's service quality reporting that in any way causes harm to Washington
3 customers and in fact acknowledges that CenturyLink's current service quality
4 performance is acceptable. As such, these proposed conditions are unnecessary and
5 should not be adopted by the Commission.

6
7 **Q. COULD YOU COMMENT ON STAFF'S PROPOSED CONDITIONS 27 THAT**
8 **OUTLINES ACTIONS THE STAFF MIGHT TAKE IF CENTURYLINK OR**
9 **QWEST EXPERIENCE SERVICE QUALITY DEGRADATION IN THE**
10 **FUTURE?**

11 A. CenturyLink opposes this condition as unnecessary and inappropriate for inclusion as a
12 condition in this proceeding. Although Ms. Russell acknowledges that the imposition of
13 a "Service Quality Performance Plan (SQPP)" involving the potential payment of very
14 large sums of money for repeated failure to meet service quality standards is not
15 necessary for this Transaction²⁶, such a plan is nonetheless included in a condition as an
16 action that Staff, at its discretion, could pursue in some future service quality
17 investigation. As a foundational matter, CenturyLink repeats its commitment to continue
18 providing high quality customer service to all of its Washington customers, and as such,
19 firmly believes that serious and repeated service degradations contemplated in this
20 condition are not likely to occur. Furthermore, CenturyLink believes it is inappropriate
21 for the Company to be required as part of a merger approval process to relinquish any

²⁶ Staff, Russell p. 20

1 rights it may have under applicable statutes and regulations related to any future
2 Commission service quality investigation. Additionally, this condition puts forth a
3 remedy which was initially developed and applied based on the telecommunications
4 environment in 1999, a time when in many cases the ILEC was a consumer's only option
5 for communications services. At that time, wireless was not yet a viable option in many
6 cases, VoIP and satellite services communications were unheard of and cable was only
7 beginning to enter the communications market. Clearly the competitive landscape has
8 changed since 1999, therefore in the highly unlikely event that CenturyLink's service
9 levels were to decline, it would be wholly inappropriate to apply conditions developed
10 during what can be described as nothing short of a different era than today's competitive
11 environment. For these reasons, CenturyLink opposes the proposed condition.

12
13 **Q. WHAT IS CENTURYLINK'S POSITION ON STAFF'S PROPOSED**
14 **CONDITION 28 THAT REQUIRES RETENTION OF PERSONNEL WITHIN**
15 **WASHINGTON STATE TO RESPOND TO CUSTOMER COMPLAINTS?**

16 A. CenturyLink is opposed to this condition as it limits the Company's flexibility to deploy
17 its employees in the most efficient way to support the provision of high quality customer
18 service. While CenturyLink is committed to having knowledgeable, experienced and
19 empowered personnel available to address all customer complaints in a timely and
20 comprehensive fashion, there has been no evidence put forth that those employees need
21 to be in Washington to be effective in serving the needs of Washington customers.

1 **OPERATIONS SUPPORT SYSTEMS**

2 **Q. STAFF WITNESS MR. WILLIAMSON RECOMMENDS SIX CONDITIONS**
3 **ASSOCIATED WITH OPERATIONS SUPPORT SYSTEMS AND NETWORK**
4 **CONVERSIONS (CONDITIONS 33 THROUGH 38). WHAT IS MR.**
5 **WILLIAMSON’S REASONING FOR THESE PROPOSED CONDITIONS?**

6 A. Mr. Williamson expresses concerns that the merged company will move too quickly to
7 complete OSS and network integrations in order to achieve synergy targets which could
8 lead to operational problems similar to those seen in the Hawaiian Telcom and FairPoint
9 transactions. Mr. Williamson put forth several proposed conditions related to OSS and
10 network changes that he believes are necessary to “. . . mitigate the types of failures that
11 may be associated with system conversions.”²⁷

12
13 **Q. ARE STAFF’S CONCERNS AS EXPRESSED BY MR. WILLIAMSON**
14 **WARRANTED?**

15 A. No. As explained earlier in my testimony, CenturyLink has a demonstrated competency
16 in successfully completing transaction-related integrations, including the evaluation,
17 selection and conversion of OSS. CenturyLink’s approach to systems integration ensures
18 critical functionality, efficiency and an overall positive customer experience. Further, as
19 opposed to the FairPoint and Frontier-Verizon transactions, in the CenturyTel/Embarq
20 transaction and this proposed Transaction, CenturyLink is integrating not partial
21 companies but entire companies. The acquisition of total companies, such as Embarq and

²⁷ Williamson, p. 18, lines 13-14.

1 Qwest, provides CenturyLink the ability to operate using dual systems, providing more
2 time for evaluation, selection and well planned conversions of OSS.

3
4 **Q. DOES MR. WILLIAMSON RECOGNIZE THAT THIS TRANSACTION IS**
5 **DIFFERENT FROM THE HAWAIIAN TELCOM AND FAIRPOINT**
6 **TRANSACTIONS?**

7 A. Yes. Mr. Williamson testifies that CenturyLink and Qwest are experienced carriers with
8 established systems and personnel who are knowledgeable and capable of making system
9 and network changes, in contrast to the circumstances in the Hawaiian Telcom and
10 FairPoint transactions.²⁸ Nevertheless, Mr. Williamson still recommends a number of
11 conditions that would limit CenturyLink's flexibility in planning and implementing
12 system and network integration initiatives that the Company determines are in the best
13 interests of the business and its customers. Further, the proposed conditions would
14 require submission of detailed integration plans by the same Company personnel who
15 will be charged with carrying out the identified system and network integrations.
16 CenturyLink believes the valuable time of those charged with systems and network
17 integration initiatives is better spent focused on the actual integration efforts than in
18 developing detailed integration plans solely for the benefit of Staff.

19
20 **Q. COULD YOU COMMENT ON THE SPECIFIC CONDITIONS PROPOSED BY**
21 **MR. WILLIAMSON ON THIS TOPIC?**

²⁸ Staff, Williamson p. 16, line 18 to p. 17, line 7.

1 A. Yes. Proposed condition 33 would require CenturyLink to provide a detailed integration
2 plan to Staff and Public Counsel 180 days in advance of any integration or conversion of
3 OSS supporting retail services completed within five years of the Transaction close. For
4 the reasons described above, CenturyLink believes that this proposed condition
5 unnecessarily limits the combined company's flexibility to efficiently manage the
6 systems integration process and recommends the Commission not adopt it.

7

8 Proposed conditions 34, 35 and 36 are associated with wholesale OSS and are addressed
9 in the testimony of CenturyLink witness Mike Hunsucker.

10

11 Proposed condition 37 would require CenturyLink to provide 90 day advance notification
12 of rearrangements of major network components, including a detailed plan that discusses
13 the changes and timeframes for completion. This proposed condition restricts
14 management's discretion in implementing appropriate network changes that, absent the
15 Transaction, would have been routinely planned and implemented without Commission
16 involvement. For these reasons, CenturyLink recommends the Commission not adopt
17 this condition.

18

19 Proposed condition 38 would require that CenturyLink notify the Commission when the
20 integration of OSS systems has been completed. CenturyLink is willing to provide notice
21 to the Commission as OSS integrations associated with this Transaction are completed.

22

1 **WASHINGTON TELEPHONE ASSISTANCE PROGRAM (“WTAP”)**

2 **Q. STAFF WITNESS MR. CUPP RECOMMENDS CONDITIONS 39 AND 40**
3 **ASSOCIATED WITH WTAP. WHAT IS MR. CUPP’S REASONING FOR**
4 **THESE PROPOSED CONDITIONS?**

5 A. Mr. Cupp expresses concerns that the Transaction may result in reduced compliance with
6 the Commission’s rules with respect to WTAP, potentially impacting a large number of
7 Washington customers.²⁹ Mr. Cupp provides a summary of Staff’s reviews of
8 CenturyLink’s and Qwest’s compliance with WTAP requirements and concludes that
9 both companies have displayed problems with processing WTAP applications.³⁰

10

11 **Q. ARE CENTURYLINK AND QWEST COMMITTED TO COMPLYING WITH**
12 **COMMISSION REGULATIONS REGARDING WTAP?**

13 A. Absolutely. Both CenturyLink and Qwest have defined WTAP processes and
14 procedures, and work diligently to comply with WTAP requirements and to provide
15 eligible customers the program benefits they are due on a timely basis. Where issues or
16 concerns are identified by customers or by the Staff, both companies work to address and
17 resolve those issues in a timely and comprehensive fashion. CenturyLink and Qwest
18 understand the importance of ensuring that WTAP customer needs are met. Both
19 CenturyLink and Qwest have worked cooperatively with the WTAP Program Manager at
20 DSHS and her staff to ensure that processes and procedures are in place to serve this

²⁹ Staff, Cupp p. 4, lines 6-10.

³⁰ Staff, Cupp p. 2, line 5 through p. 4, line 2; p. 4, lines 14-15.

1 customer base effectively. CenturyLink expects this constructive relationship to continue
2 after the Transaction is approved.

3
4 **Q. COULD YOU PROVIDE YOUR PERSPECTIVE ON THE SPECIFIC WTAP**
5 **RELATED CONDITIONS RECOMMENDED BY MR. CUPP?**

6 A. Yes. CenturyLink strongly believes that proposed conditions 39 and 40 are unnecessary.
7 Proposed condition 39 would require WTAP customers be credited an additional \$75 if a
8 WTAP customer's first bill does not reflect all credits and discounts that may be due,
9 even if a customer's subsequent bill properly reflects all WTAP credits due. The
10 proposed condition fails to recognize that there are certain situations where it is not
11 possible to complete all necessary processes to ensure all credits apply on a customer's
12 first bill, but through use of the appropriate effective billing dates within the billing
13 system, a WTAP customer receives all benefits they are due. Under those circumstances,
14 an additional bill credit is unnecessary.

15
16 **Q. IS IT YOUR BELIEF THAT CENTURYLINK AND QWEST'S BILLING**
17 **PRACTICES ARE CONSISTENT WITH OTHER PROVIDERS OFFERING**
18 **WTAP IN COMPETITION WITH CENTURYLINK AND QWEST?**

19 A. Yes, I believe the billing practices related to WTAP for both CenturyLink and Qwest are
20 similar to other WTAP providers. This conclusion is based on the fact that use of billing
21 cycles, bill extraction dates and effective bill dates are, and have been a standard industry
22 practice for years, not only in Washington but across the country. This practice allows

1 rate impacting changes to be made mid-billing cycle while ensuring that the appropriate
2 proportionate charge or credits are ultimately received by the consumer. Again, as I
3 explained above, there are many variables that impact when a credit/debit is reflected on
4 a customer's bill, the industry standard ensures that both the appropriate charges and
5 credits are issued.

6
7 **Q ARE COMPETITIVE ELIGIBLE TELECOMMUNICATIONS CARRIERS**
8 **(CETCs) THAT COMPETE WITH CENTURYLINK AND QWEST FOR WTAP**
9 **CUSTOMERS REQUIRED TO PROVIDE THEIR CUSTOMERS THE CREDITS**
10 **SIMILAR TO THOSE PROPOSED IN STAFF CONDITION 39?**

11 A. No.

12
13 **Q. IS STAFF PROPOSING OTHER CONDITIONS BE APPLIED TO**
14 **CENTURYLINK AND QWEST THAT AREN'T APPLIED TO WTAP**
15 **PROVIDERS WHO COMPETE WITH THE COMPANIES?**

16 A. Yes, proposed condition 40 would require CenturyLink and Qwest to provide detailed
17 monthly reporting for each WTAP application. The report anticipated under the
18 condition has no basis in rule or statute and would be in addition to reports currently
19 provided to DSHS, the agency responsible for administration of the WTAP program.
20 Such a detailed reporting requirement would impose additional costs on the merged
21 company that are not similarly imposed on CenturyLink's competitors, who as previously
22 discussed, typically follow similar billing processes. It is important to note that many of

1 the CETCs are not subject to the Commission's general jurisdiction or complaint
2 handling processes. For this reason, CenturyLink, strongly objects to this proposed
3 WTAP condition.

4
5 **Q. DOES CENTURYLINK HAVE ANY OTHER CONCERNS WITH RESPECT TO**
6 **THESE PROPOSED WTAP RELATED CONDITIONS?**

7 A. Yes. CenturyLink firmly believes that these proposed WTAP related conditions impose
8 processes and related costs on CenturyLink that are not also applied to other Commission
9 designated ETCs who provide WTAP services in competition with CenturyLink. It is not
10 reasonable for the Commission to require more of CenturyLink with regard to the WTAP
11 program than it requires from other ETCs that have been approved to provide WTAP
12 service.

13
14 **911 SERVICE**

15 **Q. STAFF WITNESS MS. BEATON RECOMMENDS CONDITION 41**
16 **ASSOCIATED WITH 911 SERVICE. COULD YOU PROVIDE**
17 **CENTURYLINK'S PERSPECTIVE ON THIS PROPOSED CONDITION?**

18 A. CenturyLink understands the importance of 911 service and its critical role in public
19 safety. As such, the Company is committed to ensuring it continues to meet all 911
20 service obligations and requirements. For these reasons, CenturyLink agrees with Staff's
21 proposed condition 41 which requires CenturyLink to continue to honor all contractual

1 agreements held by Qwest associated with the provision of 911 service, consistent will all
2 terms and conditions of those agreements.

3

4 **RATE CENTER CONSOLIDATION**

5 **Q. STAFF WITNESS MS. BEATON RECOMMENDS CONDITION 42**
6 **ASSOCIATED WITH RATE CENTER CONSOLIDATIONS. DOES**
7 **CENTURYLINK AGREE WITH THIS PROPOSED CONDITION?**

8 A. No. CenturyLink does not believe that a merger proceeding is the appropriate setting to
9 address rate center consolidations and number conservation issues. The merger will have
10 no impact on number conservation issues and therefore will create no harm in this area.
11 Therefore Staff's proposed condition 42 goes beyond the 'no harm' standard as it does
12 not address a potential harm of the merger. Number conservation issues should instead
13 be pursued in an industry-wide workshop to update the Commission's work in this area.

14

15 **Q. WHY DO JOINT APPLICANTS FEEL THAT AN INDUSTRY-WIDE**
16 **APPROACH IS APPROPRIATE IN ADDRESSING NUMBER CONSERVATION**
17 **ISSUES?**

18 A. Several things have changed since 2001 when the Commission delayed the previously
19 scheduled overlay of the "564" area code and opted instead to extend the life of the
20 existing area code through the implementation of number conservation measures such as
21 number pooling and rate center consolidation. Most significantly, due to access line
22 losses; it is no longer the ILECs that are putting a strain on numbering resources. Rather,

1 it is wireless providers and new entrants such as CLECs, VoIP and over-the-top providers
2 who are consuming numbers. Therefore, there is no basis to single out CenturyLink and
3 Qwest for number conservation measures in this or any other proceeding.

4
5 **Q. ARE THERE OTHER CHANGES SINCE 2001 THAT MAKE IT APPROPRIATE**
6 **FOR THE COMMISSION TO ADDRESS NUMBER CONSERVATION ISSUES**
7 **WITH AN INDUSTRY-WIDE APPROACH RATHER THAN AS STAFF HAS**
8 **SUGGESTED IN CONDITION 42?**

9 **A.** There are several developments that make it appropriate for the Commission to re-
10 evaluate number conservation measures on an industry-wide basis. Several factors are
11 potentially affecting the balance between area code overlays versus rate center
12 consolidations as number conservation measures. For example, with the proliferation of
13 wireless services, customers are now much more adept at and comfortable with ten digit
14 dialing. As switches have become ever more sophisticated, it has become easier to
15 implement and load new area codes. These are the kind of factors that the Commission
16 should take into consideration when evaluating the effectiveness of number conservation
17 measures. This merger proceeding is obviously not the forum to do this.

18
19 **Q. ARE THERE OTHER FACTORS THAT ARGUE AGAINST IMPOSING RATE**
20 **CENTER CONSOLIDATION AS PART OF THIS PROCEEDING?**

21 **A.** As I have already noted, Staff has recommended that the CenturyLink and Qwest ILECs
22 be forced to conduct rate center consolidations in spite of the fact that ILECs are no

1 longer putting the strain on number supply and in spite of the fact that no formal
2 measures are being imposed on competing parties that are causing the strain. Staff does
3 so without adequately taking into consideration the direct and indirect costs associated
4 with rate center consolidation. Even rate center consolidations that involve areas with
5 identical calling scopes and rate structures require involvement by many individual
6 departments of the companies. Consolidations that involve areas with varying rates, or
7 calling scopes (as is the case with several proposed by Staff), involve even more time,
8 additional notice expense and could have a direct negative rate impact on Joint
9 Applicants' customers. The imposition of these costs would generate no direct benefit to
10 Joint Applicants' customers, nor has Staff suggested that they would eliminate the need
11 for an overlay in the near term³¹

12
13 **Q DO YOU HAVE ANY OTHER COMMENTS RELATIVE TO STAFF PROPOSED**
14 **CONDITION 42?**

15 **A.** Joint Applicants are not opposed to having further discussions about rate center
16 consolidation as part of a comprehensive industry-wide number conservation plan. Joint
17 Applicants will fully participate just as they have in prior Commission efforts in this area.
18 However, in the context of this merger proceeding there is no basis for the isolated
19 actions proposed in Staff's Condition 42. The proposal does not address any merger-
20 related harm. Nor does it present any cost-benefit analysis what-so-ever.

21

³¹ Staff, Beaton p. 20, lines 4-7.

1 **V. RESPONSE TO CERTAIN ISSUES AND CONDITIONS**
2 **RECOMMENDED BY DOD WITNESS MR. KING.**
3

4 **Q. DOES MR. KING RECOMMEND CONDITIONS RELATED TO SERVICE**
5 **QUALITY BE IMPOSED BY THE COMMISSION?**

6 A. Yes. Mr. King puts forward two proposed conditions that are similar to conditions
7 proposed by Staff and discussed previously in my testimony. Specifically, Mr. King
8 recommends that: 1) current Qwest service guarantees be continued by Qwest for the
9 duration of their AFOR³², and that they be extended to the CenturyLink operations in
10 Washington³³; and 2) the Commission establish a schedule of direct sanctions and
11 penalties if the company fails to meet Commission service metrics.³⁴
12

13 **Q. DOES MR. KING POINT TO ANY EXISTING SERVICE DEFICIENCIES ON**
14 **THE PART OF CENTURYLINK OR QWEST TO JUSTIFY HIS PROPOSED**
15 **SERVICE QUALITY CONDITIONS?**

16 A. No. Mr. King provides a brief analysis of recent service quality results for CenturyLink
17 and Qwest based on FCC and Washington Commission results, but presents no overall
18 concerns about the current service quality performance for either company. Rather, Mr.

³² Mr. King recommends that Qwest's AFOR be extended until merger synergies are realized, including the service guarantee portion of the AFOR. See DoD, King p. 23, lines 1-3.

³³ DoD, King p. 22, line 27 to p. 23, line 1.

³⁴ DoD, King p. 23, lines 10-12.

1 King speculates that the merger might result in service degradation of service quality due
2 to “cost-cutting” and issues associated with integration of operating support systems.³⁵
3

4 **Q. ARE THE CONCERNS EXPRESSED BY MR. KING REGARDING POTENTIAL**
5 **SERVICE QUALITY DEGRADATION ON THE PART OF CENTURYLINK OR**
6 **QWEST WARRANTED?**

7 A. No. As I have previously testified in response to Staff’s proposed service quality issues
8 and conditions, CenturyLink is fully committed to continuing to provide exceptional
9 customer service. Speculative concerns as expressed by Mr. King that CenturyLink will
10 reduce “. . . capital investment and manpower devoted to plant maintenance and customer
11 service” in order to “. . .finance the implementation of the merger”³⁶ are not warranted.
12 As explained in the rebuttal testimony of Mr. Bailey, CenturyLink’s management
13 believes the estimated synergies can be achieved while continuing to provide high-quality
14 service to customers and to invest in the network, and there will be no need to reduce
15 resources dedicated to customer service in order to “fund the merger.” Mr. King’s
16 concerns about service degradation resulting from operating support system integrations
17 are similarly unwarranted. I discussed earlier in my testimony how this Transaction is
18 markedly different from the troubled Hawaiian Telcom and FairPoint transactions with
19 respect to operational support systems and related service quality degradation referred to
20 by Mr. King. Further, Mr. King’s reference to CenturyLink’s identification of risks

³⁵ DoD, King p. 20, lines 9-23.

³⁶ DoD, King p. 20, lines 9-14.

1 associated with the merger in its 10-Q ignore the fact that as an experienced integrator
2 with multiple successful transactions completed over a number of years, CenturyLink has
3 a defined and comprehensive process that serves to address and mitigate the risks
4 associated with the system integrations.

5
6 **Q. DO YOU BELIEVE THE PROPOSED SERVICE QUALITY CONDITIONS**
7 **PROPOSED BY MR. KING ARE NECESSARY?**

8 A. No, for the same reasons I described above with respect to the comparable Staff's
9 proposed service quality conditions, imposition of additional service guarantees or
10 service quality penalties proposed by Dr. King are not justified.

11
12 **Q. COULD YOU COMMENT ON DOD'S PROPOSED CONDITION RELATED TO**
13 **SECURITY CLEARANCES?**

14 A. Yes. Mr. King expresses concerns that personnel changes after the completion of the
15 merger might jeopardize the merged company's ability to meet its requirements related to
16 performance on government contracts. CenturyLink understands the implications of
17 security clearances related to performance on certain government contracts and is
18 committed to making certain that such clearances are obtained as needed to ensure that
19 obligations on government contracts are met. Commission oversight in the form of a
20 condition is not needed to reinforce this commitment.

21

22

1 **VI. RESPONSE TO THE IDENTIFICATION OF CERTAIN NEW ALLEGED**
2 **RISKS WHICH WILL RESULT FROM THE PROPOSED**
3 **TRANSACTION AND CONDITIONS RECOMMENDED BY**
4 **INTERVENORS.**
5

6 **Q. PLEASE COMMENT ON THE CONCERNS OF MR. GATES THAT**
7 **CENTURYLINK IS NOT A BELL OPERATING COMPANY (“BOC”) AND**
8 **COULD HAVE PROBLEMS FULFILLING THE RESPONSIBILITIES OF A**
9 **BOC.³⁷**

10 **A.** CenturyLink and Qwest are merging their entire companies. This is different from a
11 scenario in which CenturyLink might have acquired some of Qwest’s assets or
12 operations. Qwest’s assets, personnel and systems are being absorbed in full, which
13 means that on the day after the closing of the Transaction, the Qwest systems and
14 personnel that currently manage BOC operations will continue to meet any and all
15 obligations to customers and regulators. Qwest has operated as a BOC and will continue
16 to operate as a BOC. While management at Qwest has transitioned over time, the
17 systems and core personnel will remain unchanged and retain the ability to meet BOC
18 obligations. CenturyLink has no intention of eliminating personnel or systems that are
19 important in maintaining the responsibilities of the BOC or its legacy companies. As
20 previously stated, any integration will focus on ensuring all obligations and most
21 importantly customer service is maintained and enhanced through the process.
22

³⁷ Joint CLECs, Gates p. 24, line 15 through p. 25, line 13

1 **Q. CAN YOU COMMENT ON DR. ANKUM'S SPECULATION REGARDING THE**
2 **HYPOTHETICAL RISK IN PURCHASING A BOC'S OPERATIONS?**

3 A. Yes. Dr. Ankum points to a BOC's distinct culture and engineering. Mr. Ankum misses
4 one of the most relevant strengths of the Transaction. Both companies focus on service
5 and positive customer experiences. Combining two companies in today's environment
6 with strong commitments to investment, customer service and solutions-based
7 engineering expertise in both urban and rural Washington markets is a key benefit.
8 CenturyLink has extensive experience managing telecommunications services under a
9 wide range of operating conditions, meeting the needs of retail and wholesale customers
10 in rural and urban areas, engineering robust and reliable networks, and managing the
11 capital and human resources necessary to compete effectively in the telecommunications
12 industry. It also is important to recognize that the combined company resulting from this
13 Transaction will benefit from the assets and personnel of both CenturyLink and Qwest,
14 which will work together to respond to customer demands and opportunities. Thus, the
15 proposed Transaction will utilize, capitalize upon, and enhance the corporate culture and
16 engineering practices "inherited from Ma Bell" based in part on CenturyLink's
17 experience, which is exceptionally strong in terms of its commitment to local presence,
18 culture and technical resources. As an example, both companies are working together
19 and combining their collective resources to close the Transaction. The cultural issues and
20 engineering challenges are not foreign to CenturyLink or Qwest. While Dr. Ankum
21 speculates about a potential or hypothetical problem, CenturyLink provides the
22 Commission with a long and consistent history to support its testimony that this

1 acquisition is not contrary to the public interest, and will result in benefits for
2 Washington customers throughout the state.

3
4 **Q. PLEASE RESPOND TO MR. GATES' RECOMMENDATION IN HIS**
5 **PROPOSED CONDITION 13 THAT, "IN THE LEGACY QWEST ILEC**
6 **TERRITORY, THE MERGED COMPANY SHALL BE CLASSIFIED AS A BELL**
7 **OPERATING COMPANY ('BOC'), PURSUANT TO SECTION 3(4)(A)-(B) OF**
8 **THE COMMUNICATIONS ACT AND SHALL BE SUBJECT TO ALL**
9 **REQUIREMENTS APPLICABLE TO BOCS, INCLUDING BUT NOT LIMITED**
10 **TO THE 'COMPETITIVE CHECKLIST' SET FORTH IN SECTION 271(C)(2)(B)**
11 **AND THE OBLIGATION TO ENSURE THERE IS NO BACKSLIDING, AND**
12 **THE NONDISCRIMINATION REQUIREMENTS OF SECTION 272(E) OF THE**
13 **COMMUNICATIONS ACT."**³⁸

14 A. CenturyLink believes that the type of condition proposed by Mr. Gates regarding the
15 federal definition of, and requirements imposed on, a BOC is an FCC matter, and thus is
16 not appropriate in a state transactional review process. The definition of a BOC is
17 established under federal law. As such, Mr. Gates' proposed condition is unnecessary
18 and not appropriate for this proceeding. In any event, the pre-merger CenturyLink
19 Washington operations are not BOC properties. Further, CenturyLink believes that no
20 non-BOC property has been converted into a BOC up to this time, and none will be
21 converted in the future.

³⁸Joint CLECs. Gates, Exhibit TJG-9 at page 7.

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Q. CAN YOU ADDRESS MR. GATES’ PROPOSED CONDITION 30 WHICH STATES: “IN THE EVENT A DISPUTE ARISES BETWEEN THE PARTIES WITH RESPECT TO ANY OF THE PRE-CLOSING AND POST-CLOSING CONDITIONS HEREIN, EITHER PARTY MAY SEEK RESOLUTION OF THE DISPUTE BY FILING A PETITION WITH THE STATE COMMISSION AT ANY TIME. ALTERNATIVE DISPUTE RESOLUTION PROVISIONS IN AN INTERCONNECTION AGREEMENT SHALL NOT PREVENT ANY PARTY FROM FILING A PETITION WITH THE STATE COMMISSION AT ANY TIME”?³⁹

A. This condition is duplicative and unnecessary. CenturyLink will abide by appropriate dispute resolution procedures contained in the Washington statutes and Commission rules, as well as in negotiated commercial and interconnection agreements. However, CenturyLink does not believe that it is in the best interest of the Commission or any of the parties to encourage frivolous or duplicative dispute resolution processes that potentially waste the resources of the Commission and the companies. There appears to be no specific harm to Washington customers that would be avoided by establishing overlapping mechanisms for dispute resolution. Further, to the extent parties to an interconnection agreement have the ability to file a complaint with the Commission under the terms of the agreement, the merger does not change a parties' ability to do so. As such, the condition proposed by Mr. Gates is unnecessary and could confer additional

³⁹ Joint CLECs, Gates Exhibit TJG-9 at page 12.

1 rights beyond the commercially negotiated contract terms. Such an outcome is
2 inappropriate.

3
4 **Q. DOES THE PROPOSED TRANSACTION RAISE THE LEVEL OF RISK FOR**
5 **COMPETITIVE CARRIERS BECAUSE QWEST IS ABLE TO AVOID PAYING**
6 **ACCESS CHARGES TO THE QWEST ILECS OR CENTURYLINK ILECS, AS**
7 **ALLEGED BY MR. APPLEBY?⁴⁰**

8 A. No. As an initial matter, this line of testimony fails to grasp the nature of the
9 Transaction. As CenturyLink and Qwest have made clear, the CenturyLink operating
10 entities and the Qwest operating entities will remain separate. Also, existing tariffs and
11 agreements for such rates will remain in effect post-merger, and the companies will
12 continue to charge and pay access rates as required. Moreover, as the Commission
13 understands, access charges are intercarrier rates that are set by federal and state
14 regulatory authorities to recover operating expenses and investment-related costs. The
15 costs to invest, manage, and operate ILEC networks do not disappear in an acquisition.
16 In fact, if the economics as suggested by Mr. Appleby were correct, Verizon would not
17 be selling ILEC properties to other carriers or investors (such as Carlyle), thereby losing
18 special access and switched access rates, and Sprint would not have made the decision to
19 divest its local telephone properties in the spin-off entity that became Embarq. The
20 investment and operating costs, recovered in part through special access and switched

⁴⁰ Sprint Appleby p. 5, line 10 through p. 17, line 3.

1 access rates, for ILEC networks have been and continue to be high, particularly as the
2 telecommunications network evolves to accommodate higher speed data services.

3
4 **Q. MR. APPLEBY URGES THE COMMISSION TO CONDITION THE APPROVAL**
5 **OF THE MERGER ON A REDUCTION OF INTRASTATE ACCESS RATES.⁴¹**
6 **WHAT IS YOUR RESPONSE?**

7 A. Mr. Appleby asserts that the merged company will have a competitive advantage for long
8 distance services as it will not have to pay the same “inflated” switched access rates as
9 other long distance providers.⁴² Mr. Appleby also claims that the companies have
10 essentially “signed an agreement to get access services [at] cost-based rates instead of the
11 bloated rates in the Merged Firms’ tariffs.”⁴³ To fix this perceived competitive
12 advantage, Mr. Appleby recommends that the Commission require the merged company
13 to reduce intrastate access rates to mirror Qwest’s interstate rates. Mr. Appleby is
14 incorrect. After the completion of the merger, the combined company will continue to
15 charge the tariffed access rates to *all* long distance providers, just as the companies do
16 currently. The CenturyLink affiliated long distance companies do not currently pay a rate
17 for access service that is different from that of any other long distance company and,
18 post-merger, the affiliated long distance companies will continue to pay for access
19 services at rates that are the same as those paid by all other long distance carriers. The
20 perceived competitive advantage to which Mr. Appleby refers simply does not exist.

⁴¹ Sprint, Appleby/29, lines 18-20; Appleby/32, lines 2-9.

⁴² Sprint, Appleby/29, lines 14-18.

⁴³ Sprint, Appleby/31, lines 22-24.

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Q. CAN YOU SUMMARIZE YOUR REBUTTAL TESTIMONY?

A. CenturyLink and Qwest are confident that the proposed Transaction will result in the creation of a superior, financially sound, and stable service provider. The proposed Transaction addresses market conditions and challenges as it combines assets and skills responsive to a rapidly changing, data-centric world. The potential for enhanced scope and scale better assures employees and customers of a stable and capable telecommunications provider. CenturyLink recommends that the Commission expeditiously approve the proposed Transaction for the good of the public and the ratepayers of the State, as the evidence from CenturyLink and Qwest is compelling in establishing that benefits to Washington and Washington customers will result from the merger, while no reasonable substantive evidence of likely harms has been provided. As such, the “no harm” standard has been met and in reality Washington and Washington customers will receive a net benefit (which goes beyond the appropriate requirement for approval). Clearly, CenturyLink’s long-standing and proven track record of integration and operational execution over-shadows and negates the unsubstantiated speculative concerns of some intervenors. Moreover, Washington customers—retail and wholesale—will benefit from the assurance of having a financially stable, long-term service provider with a history of good customer service, significant investment in advanced services and network reliability.

1 Q. **DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

2 A. Yes.