

**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

SUPPLEMENTAL RESPONSIVE TESTIMONY

OF

BILLY H. PRUITT

CHARTER FIBERLINK WA-CCVII, LLC

November 1, 2010

REDACTED VERSION

Exhibits

- Exhibit No. __BHP-14HC – “Wholesale Diligence Update” document produced by CenturyLink in response to Integra’s First Set of Information Requests, Request No. 143, and Commission Staff Request No. 13.
- Exhibit No. __BHP-15HC – “Due Diligence Response No. 16” document produced by CenturyLink in response to Integra’s First Set of Information Requests, Request No. 143, and Commission Staff Request No. 13.
- Exhibit No. __BHP-16HC – “Operations Overview” document produced by CenturyLink in response to Integra’s First Set of Information Requests, Request No. 143, and Commission Staff Request No. 13.

1 **Q. PLEASE IDENTIFY YOURSELF.**

2 A. My name is Bill Pruitt. I am a Manager of Interconnection Services at Charter
3 Communications, Inc., and I provide support to its subsidiary, Charter Fiberlink
4 WA-CCVII, an intervener in this case (collectively “Charter”).

5 **Q. ARE YOU THE SAME BILL PRUITT WHO FILED RESPONSIVE**
6 **TESTIMONY ON SEPTEMBER 27, 2010 IN THIS MATTER?**

7
8 A. Yes.

9 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL RESPONSIVE**
10 **TESTIMONY?**

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12 A. My supplemental responsive testimony focuses on several concerns that have
13 arisen since I reviewed certain documents produced by CenturyLink and Qwest
14 after the filing of my September 27, 2010 responsive testimony. Specifically, the
15 documents at issue are those which were produced on or around October 11, 2010
16 in response to Integra’s First Set of Information Requests, Request No. 143, and
17 Commission Staff Request Nos. 13 and 133, and which are generally referred to
18 as the “Staff Eyes Only” Hart-Scott-Rodino Act documents (“HSR documents”).

19 **Q. DO YOU KNOW WHY THE HSR DOCUMENTS WERE PRODUCED?**

20 A. I understand that certain HSR documents were produced only after the Joint
21 CLECs filed a motion to compel responses. Unfortunately, they were delivered to
22 interested parties after their responsive testimony and exhibits were filed in this
23 proceeding, and as a result, interested parties did not have an opportunity to
24 address the HSR documents in their responsive testimony. These documents have

1 **Q. DO YOU HAVE CONCERNS WITH THE INFORMATION CONTAINED**
2 **IN THE “WHOLESALE DILIGENCE UPDATE” DOCUMENT?**

3
4 A. Yes. On page 5 of the document [*** BEGIN HIGHLY CONFIDENTIAL [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED] END HIGHLY CONFIDENTIAL ***]

17 **Q. WHY DO YOU EXPECT A CONSOLIDATED AGREEMENT WILL**
18 **HAVE A NEGATIVE IMPACT ON CHARTER, AND OTHER**
19 **COMPETITORS?**

20
21 A. Given that CenturyLink will control the merged company, and because there are
22 significant differences between the terms and conditions of Qwest’s and
23 CenturyLink’s respective interconnection agreements, I expect the merged
24 company’s [*** BEGIN HIGHLY CONFIDENTIAL [REDACTED]
25 [REDACTED]

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[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] **END HIGHLY CONFIDENTIAL**

***]

Q. PLEASE EXPLAIN.

A. The move towards a single [*** **BEGIN HIGHLY CONFIDENTIAL**
[REDACTED]
[REDACTED]
[REDACTED]

END HIGHLY CONFIDENTIAL ***] To avoid such a result, the Joint
CLECs proposed that the Commission adopt a condition that requires the post-
merger company to extend the term of current interconnection agreements for at
least three and a half years from the merger closing date so that competitors like
Charter would not have to engage in the time consuming and expensive process of
negotiating interconnection agreements with the merged company as it works
through the integration process. (See Joint CLEC proposed Condition No. 8;
Exhibit TJG-9).

Second, when Charter's current agreement with Qwest is terminated, Charter will
have to negotiate with the merged company over the terms of a new agreement.

1 Because the [*** BEGIN HIGHLY CONFIDENTIAL [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED] END HIGHLY CONFIDENTIAL ***] Charter will have to expend
5 significant resources to engage in the time-consuming process of negotiating or
6 arbitrating previously settled issues with the post-merger company in an effort to
7 obtain reasonable rates, terms and conditions in the new interconnection
8 agreement. Because the merged company will be larger in size (covering 37
9 states) and scope (serving more than 17 million access lines with \$17 billion in
10 revenue)², it will have a strong incentive to use its market power as leverage
11 during these interconnection agreement negotiations. Resisting that additional
12 leverage and market power will undoubtedly raise Charter's transaction costs, as
13 each new interconnection agreement must be negotiated, and sometimes
14 arbitrated, in order to obtain fair and reasonable terms.

² *Direct Testimony of Mark S. Reynolds*, on behalf of CenturyLink, at 24, lines 17-19.
REDACTED VERSION

1 **Q. HOW DOES CENTURYLINK VIEW CHARTER, AND OTHER CABLE**
2 **COMPANIES?**

3
4 A. These documents show that competition from cable companies is [*** BEGIN

5 **HIGHLY CONFIDENTIAL** [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED] **END HIGHLY CONFIDENTIAL ***]** In

10 fact, I think there are several reasons why cable companies like Charter are

11 viewed by CenturyLink as [*** BEGIN **HIGHLY CONFIDENTIAL** [REDACTED]

12 [REDACTED] **END HIGHLY CONFIDENTIAL ***]** First, cable companies

13 deploying interconnected VoIP services have been very successful at competing

14 with CenturyLink's traditional business by providing competitive voice service in

15 residential markets. Charter, in particular, operates in many of CenturyLink's

16 service areas and therefore competes directly with CenturyLink for voice service

17 customers. Second, cable companies generally offer industry leading high-speed

18 Internet connections in competition with CenturyLink's and Qwest's DSL and/or

19 Internet services. Third, CenturyLink is expanding its IPTV (Internet Protocol

20 Television) services which compete directly with traditional cable television

21 service.⁷ Thus, CenturyLink views cable as a [*** BEGIN **HIGHLY**

⁵ Exhibit__BHP-15HC at 1.

⁶ Exhibit__BHP-16HC at 6.

⁷ *Direct Testimony of Mark S. Reynolds*, on behalf of CenturyLink, at 4, lines 6-16, at 19, lines 8-13.

1 **CONFIDENTIAL** [REDACTED] **END HIGHLY CONFIDENTIAL ***]** in
2 three different market segments – i.e., voice service, broadband and television
3 service.

4 **Q. WHAT IS THE SIGNIFICANCE OF THE FACT THAT CENTURYLINK**
5 **CONSIDERS CABLE COMPANIES AS [*** BEGIN HIGHLY**
6 **CONFIDENTIAL** [REDACTED] **END HIGHLY**
7 **CONFIDENTIAL ***]?**

8
9 **A.**Because CenturyLink views cable companies, like Charter, as a **[*** BEGIN**
10 **HIGHLY CONFIDENTIAL** [REDACTED] **END HIGHLY**
11 **CONFIDENTIAL ***]** it has economic incentives to undermine the cable
12 companies’ ability to compete with CenturyLink by degrading wholesale services
13 provided to the cable companies’ CLEC affiliates. Mr. Gates explained this point
14 in earlier testimony.⁸ Thus, Charter’s position as both a **[*** BEGIN HIGHLY**
15 **CONFIDENTIAL** [REDACTED] **END HIGHLY CONFIDENTIAL ***]**
16 and a wholesale customer provides CenturyLink an opportunity to act on such
17 incentives by degrading wholesale services and systems in order to gain
18 competitive advantage against Charter.

⁸ *Responsive Testimony of Timothy Gates*, on behalf of Joint CLECs, at 31-33.
REDACTED VERSION

1 **Q. BUT CENTURYLINK WITNESSES HAVE STATED THAT**
2 **MAINTAINING SERVICE QUALITY IS OF CRITICAL IMPORTANCE**
3 **WHICH SUGGESTS THAT THE POST-MERGER COMPANY HAS NO**
4 **INCENTIVE TO DEGRADE SERVICE QUALITY OR OTHERWISE**
5 **IMPAIR ITS WHOLESALE CUSTOMERS ABILITY TO COMPETE. DO**
6 **YOU AGREE?**

7
8 A. No. Although CenturyLink witnesses have stated that wholesale customers will
9 benefit from the transaction,⁹ and thereby implicitly suggest that the post-merger
10 company will have no incentive to degrade wholesale services, [*** BEGIN

11 **HIGHLY CONFIDENTIAL** [REDACTED]

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED] **END HIGHLY CONFIDENTIAL ***]** there does not
17 appear to be evidence of any CenturyLink analysis identifying “key” wholesale
18 customers. This suggests that there was far more emphasis during due diligence
19 on ensuring that there were appropriate synergies to compete against [***
20 **BEGIN HIGHLY CONFIDENTIAL** [REDACTED] **END HIGHLY**
21 **CONFIDENTIAL ***]** than there was an effort to ensure the provision of high
22 quality and competitively neutral service to their wholesale customers.

23 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

24 A. Yes.

⁹ *Direct Testimony of Mark S. Reynolds*, on behalf of CenturyLink, at 25, lines 1-11
REDACTED VERSION