

1 The parties were present as follows: (continued)

2 JOINT CLECS, XO COMMUNICATIONS, COVAD, TW TELECOM OF
3 WASHINGTON, MCLEOD TELECOMMUNICATIONS d/b/a/ PAETEC, CHARTER
4 FIBERLINK and PAC-WEST TELECOMM, by MARK TRINCHERO, Attorney
5 at Law, Davis, Wright, Tremaine, 1300 Southwest Fifth
6 Avenue, Suite 2300, Portland, Oregon 97201; Telephone
7 503-241-2300

8 SPRINT/T-MOBILE, by JUDITH A. ENDEJAN, Attorney at Law,
9 Graham & Dunn PC, 2801 Alaskan Way, Suite 300, Seattle,
10 Washington 98121; Telephone 206-340-9694
11 &
12 by KENNETH SCHIFMAN, Director/Senior Counsel, 6450 Sprint
13 Parkway, Overland Park, Kansas 66251; Telephone 913-315-9783

14 LEVEL 3, 360NETWORKS & CBeyond, by ARTHUR BUTLER,
15 Attorney at Law, Ater Wynne, 601 Union Street, Suite 1501,
16 Seattle, Washington 98101; Telephone 206-623-4711

17 DEPARTMENT OF DEFENSE & FEDERAL EXECUTIVE AGENCIES, by
18 STEPHEN MELNIKOFF, General Attorney, Office of the Judge
19 Advocate General, 901 North Stuart Street, Suite 700,
20 Arlington, Virginia 22203; Telephone 703-696-1643

21 INTEGRA TELECOM, by TED GILLIAM, Senior Corporate
22 Counsel, 1201 Northeast Lloyd Boulevard, Suite 500,
23 Portland, Oregon 97232; Telephone 503-453-8000

24
25

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regarding the status of contemporaneous

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1 proceedings before other commissions and
2 agencies (original response filed on June 3,
3 2010; supplemental response filed on July 9,
4 2010; second supplemental response filed on
5 August 9, 2010; third supplemental response
6 filed on September 9, 2010; fourth supplemental
7 response filed on October 8, 2010; fifth
8 supplemental response filed on October 13,
9 2010; sixth supplemental response filed on
10 November 8, 2010; seventh supplemental response
11 filed on November 12, 2010; eighth supplemental
12 response filed on December 7, 2010; ninth
13 supplemental response filed on December 22,
14 2010

15 B-2 Comcast's response to BR-2 regarding its motion
16 to withdraw from proceeding and whether it had
17 any side agreements with Applicants (response
18 filed on June 11, 2010)

19 B-3 Sprint's response to BR-3 regarding whether its
20 motion to compel a response to DR No. 5 is moot
21 (response filed on August 30, 2010)

22 B-4 Sprint's response to BR-4 regarding whether its
23 motion to compel responses to DR Nos. 41 and 42
24 is moot (response filed on August 30, 2010)

25 B-5 Joint CLECs' and Level 3's responses to BR-5

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1 regarding the issues that remain unresolved
2 following the Integra Settlement (response
3 filed on January 3, 2011)

4 SETTLEMENT AGREEMENTS AND SUPPORTING MATERIALS

5 1 Settlement Agreement filed October 21, 2010
6 2 Joint Memorandum Supporting Settlement
7 Agreement

8 3 Settlement Agreement filed November 10, 2010
9 4 Petition for Consideration and Approval of
10 Settlement and Narrative in Support of
11 Settlement Pursuant to WAC 480-07-740

12 5 Settlement Agreement filed December 23, 2010
13 6 Appendix A - Settlement Conditions

14 JJ/MR/MV/SJ-7T Joint Testimony in Support of Settlement
15 Agreement

16 8 Settlement Agreement filed December 30, 2010
17 9 Narrative in Support of Settlement Agreement

18 10 Broadband Reporting Formats Conceptual Samples

19 PARTY: JOINT APPLICANTS

20 WITNESS: MARK S. REYNOLDS

21 MSR-1T Direct Testimony describing Qwest operations in
22 Washington and proposed benefits to customers
23 and competition

24 MSR-2RT Rebuttal Testimony addressing AFOR conditions
25 raised by Staff and price caps suggested by the

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1 DoD/FEA

2 WITNESS: JOHN JONES

3 JJ-1T Direct Testimony concerning the merger
4 transaction and CenturyLink's managerial,
5 operational, technical ability, and experience
6 needed to manage the combined company

7 JJ-2 Corporate Organization Charts

8 JJ-3 Local Operating Model/Premier Nationwide
9 Network Map

10 JJ-4RT Rebuttal Testimony regarding, inter alia,
11 integration concerns, AFOR and retail
12 service/rate concerns, and DSL/Broadband
13 saturation

14 JJ-5 CenturyLink/Qwest TIER 2 Announcements

15 JJ-6C Integration Overview: September 9, 2010

16 JJ-7C IT Systems Integration Overview

17 WITNESS: G. CLAY BAILEY

18 GCB-1T Direct Testimony addressing the financial state
19 of both individual companies and the proposed
20 combined company, as well as a financial
21 overview of the transaction

22 GCB-2 PowerPoint Slides describing the transaction
23 and its projected financial results

24 GCB-3 Publication from Morgan Stanley, dated April
25 29, 2010, entitled "CenturyTel 1Q10 Preview:

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1 Awaiting Embarq Synergy/Integration Update and
2 Additional Color on Qwest Deal
3 GCB-4 Publication from Moody's Investors Service,
4 dated April 22, 2010, entitled "Rating Action:
5 Moody's changes CenturyTel's outlook to
6 negative; reviews Qwest's ratings for upgrade
7 GCB-5 Publication from Standard & Poor's, dated April
8 22, 2010, entitled "Research Update: CenturyTel
9 'BBB-' rating on watch negative on deal to
10 acquire Qwest Communications; Qwest 'BB' rating
11 on watch positive
12 GCB-6HCRT Rebuttal Testimony addressing financial and
13 other concerns raised by Staff, Joint CLECs,
14 Sprint, and the DoD/FEA
15 WITNESS: TODD SCHAFER
16 TS-1T Direct Testimony regarding the history of
17 CenturyLink and the company's localized
18 business model
19 TS-2 Chart listing CenturyLink's consolidation
20 history from 1997 to 2009
21 TS-3 Chart analyzing the integration of the Embarq
22 transaction
23 TS-4 Chart describing the regional management
24 approach and how it fits into CenturyLink's
25 Go-To-Market model

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1 TS-5 Map showing the five regions at the close of
2 the Embarq transaction
3 TS-6HCRT Rebuttal Testimony concerning operational
4 issues raised by Staff
5 WITNESS: MICHAEL R. HUNSUCKER
6 MRH-1RT Rebuttal Testimony concerning proposed OSS
7 conditions raised by Staff and wholesale and
8 interconnection-related issues raised by the
9 Joint CLECs
10 MRH-2 Proposed CLEC Merger Conditions
11 MRH-3SRT Supplemental Rebuttal Testimony regarding
12 HSR-related concerns raised by Joint CLECs and
13 Charter
14 MRH-4HC Consumer Sales Channels
15 WITNESS: ROBERT H. BRIGHAM
16 RHB-1RT Rebuttal Testimony addressing claims that the
17 proposed merger will be anti-competitive
18 RHB-2SRT Supplemental Rebuttal Testimony responding to
19 HSR-related claims raised by Sprint
20 RHB-3 Ex parte letter filed by Qwest with the FCC on
21 October 26, 2010, and the declaration of Beth
22 A. Halvorson
23 WITNESS: CHRISTOPHER VIVEROS
24 CV-1RT Rebuttal Testimony regarding conditions
25 proposed by the Joint CLECs, Integra, Level 3,

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1 and Pac-West

2 WITNESS: MICHAEL G. WILLIAMS

3 MGW-1RT Rebuttal Testimony concerning wholesale
4 performance assurance issues raised by Staff,
5 Integra, and Joint CLECs

6 MGW-2 Summary of Analysis - Proposed APAP Payments
7 with Identical Pre-Merger and Post-Merger
8 Performance Levels (using 2009 data)

9 PARTY: COMMISSION STAFF

10 WITNESS: RICK T. APPLGATE

11 RTA-1HCT Response Testimony relating to financial
12 aspects of the proposed transaction, the
13 resulting risks of harm, and recommended
14 conditions for approval

15 RTA-2 S-4 Pro Forma Combined Condensed Financials

16 RTA-3HC Consolidation Model

17 RTA-4 S-4 Risk Factors

18 RTA-5HC Synergies, Attachment to CenturyLink's Response
19 to UTC Staff Data Request No. 16

20 RTA-6HC Debt Maturities, Attachment to CenturyLink's
21 Response to UTC Staff Data Request No. 27.5

22 RTA-7 Fitch Ratings, Attachment to CenturyLink's
23 Response to UTC Staff Data Request N. 27.1

24 RTA-8 Moody's Ratings, Attachment to CenturyLink's
25 Response to UTC Staff Data Request No. 27.3

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1 RTA-9 Standard & Poor's Ratings, CenturyLink's
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4 RTA-11HC CenturyLink Revenue Forecast
5 RTA-12HC Cash Flow Analysis
6 RTA-13C CenturyLink ILECs' 2009 Annual Report
7 RTA-14C Qwest's 2009 Annual Report

8 WITNESS: REBECCA BEATON

9 RB-1T Response Testimony addressing the potential
10 impact on the state's Enhanced 911 network, the
11 increasing scarcity of numbering resources and
12 recommended conditions for approval

13 RB-2 Qualifications

14 RB-3 Qwest ESI Net Contract

15 RB-4 Rate Center Consolidations

16 RB-5 Supplemental Response of Joint Applicants to
17 UTC Staff Data Request No. 138

18 RB-6 NRRI Paper: Evaluating the Proposed Merger of
19 CenturyLink and Qwest Communications

20 WITNESS: JOHN H. CUPP

21 JHC-1T Response Testimony relating to customer service
22 issues, the most recent Commission compliance
23 investigation of Qwest, and recommended
24 conditions for approval

25 WITNESS: JING LIU

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1 JL-1HCT Response Testimony concerning Applicants'
2 future investment in broadband deployment and
3 increasing broadband speeds

4 JL-2HC DSL Availability and Household Density Scatter
5 Plot (Revised on January 5, 2011)

6 JL-3HC DSL Availability at Wire Center Level (Revised
7 on January 5, 2011)

8 WITNESS: KRISTEN M. RUSSELL

9 KMR-1T Response Testimony analyzing the companies'
10 service quality histories and including
11 recommended conditions for approval

12 KMR-2 WAC 480-120-439

13 KMR-3 Service quality requirements

14 KMR-4 Qwest's tariff pages (CSGP)

15 KMR-5 Response to DoD/FEA JA II-27

16 KMR-6C Embarq's customer credit payouts

17 WITNESS: MARK J. VASCONI

18 MJV-1T Response Testimony including a general overview
19 of the proposed transaction, the possible risks
20 associated with it, and recommended conditions
21 for approval

22 MJV-2 Qualifications

23 MJV-3 Pre-Merger organizational structure diagram

24 MJV-4 Post-Merger organizational structure diagram

25 MJV-5 Customer benefits

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1 MJV-6 Staff list of conditions

2 WITNESS: ROBERT T. WILLIAMSON

3 RTW-1CT Response Testimony concerning the conversion of
4 operations support systems and recommended
5 conditions for approval

6 RTW-2 Qualifications

7 RTW-3C CenturyLink/Qwest Network Elements, September
8 9, 2010

9 PARTY: SPRINT NEXTEL

10 WITNESS: JAMES A. APPLEBY

11 JAA-1CT Response Testimony addressing the potential
12 competitive harm of the merger due to increased
13 market share

14 JAA-2C Per Minutes of Use Competitive Advantage

15 JAA-3C Competitive Advantage from Access Services

16 JAA-4C Access Merged Condition Estimate

17 JAA-5C Dividend Yield of the Merged Firm

18 JAA-6C Stock Appreciation of the Merged Firm

19 JAA-7HCSRT Supplemental Responsive Testimony describing
20 HSR-related concerns

21 JAA-8HC HSR Document - Key Transaction Risks and
22 Concerns

23 JAA-9HC HSR Document - Quartz IXC Observations

24 JAA-10HC HSR Document - Quartz Network Summary

25 JAA-11HC HSR Document - Rating Agency Presentation -

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1		April 20, 2010
2	JAA-12HC	HSR Document - Synergy Opportunities
3	JAA-13HC	HSR Document - Key Transaction Benefits and
4		Considerations
5	JAA-14HC	HSR Document - Key Transaction Positives and
6		Opportunities
7	JAA-15HC	HSR Document - Project Crown Summary
8		Information
9	JAA-16HC	HSR Document - Segmentation: Local and National
10	JAA-17HC	HSR Document - Quartz IXC Observations
11	JAA-18HC	HSR Document - Review Summary of Wholesale
12		Revenue
13	JAA-19HC	HSR Document - Wholesale Revenue Assumptions
14	JAA-20HC	HSR Document - Due Diligence Response No. 8
15	JAA-21HC	HSR Document - Long Range Plan Assumptions
16	JAA-22HC	HSR Document - Strategic Partnerships
17	JAA-23HC	HSR Document - Operations Overview - Video
18	JAA-24HC	HSR Document - Operations Overview -
19		Infrastructure Investment
20	JAA-25HC	HSR Document - Network Diligence Update - April
21		19, 2010
22	JAA-26HC	HSR Document - Customer Profile and Churn
23		Trends
24	JAA-27HC	HSR Document - Customer ARPU
25	JAA-28HC	HSR Document - Mass Market ARPU

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1 JAA-29HC HSR Document - IPTV Quartz Review
2 JAA-30HC HSR Document - Operational Overview - Higher
3 ARPU
4 JAA-31HC HSR Document - Project Crown Summary
5 Information - Pages 5 and 6
6 JAA-32HC HSR Document - Efficiencies graph
7 JAA-33HC HSR Document - IPTV Revenue
8 JAA-34HC HSR Document - Crystal IPTV Data
9 JAA-35HC HSR Document - Crystal Operations Overview -
10 IPTV
11 JAA-36HC HSR Document - IPTV Quartz Review
12 JAA-37HC HSR Document - Overview of Stand-Alone Plans
13 JAA-38HC HSR Document - Overview of Wholesale Segment
14 JAA-39HC HSR Document - Overview of Stand-Alone Plans
15 JAA-40HC HSR Document - Financial Review - 3Q 2009
16 PARTY: PAC-WEST
17 WITNESS: JAMES C. FALVEY
18 JCR-1T Responsive Testimony concerning
19 anti-competitive potential of the proposed
20 merger
21 PARTY: DEPARTMENT OF DEFENSE/ALL FEDERAL EXECUTIVE AGENCIES
22 WITNESS: CHARLES W. KING
23 CWK-1T Responsive Testimony discussing the proposed
24 mergers impact on basic business service rates,
25 service quality, and competition,

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1 qualification, and appearances of Mr. King
2 before regulatory agencies

3 CWK-2 Joint Petition for consent and approval of the
4 transfer of Verizon's local exchange and long
5 distance business in West Virginia to companies
6 to be owned and controlled by Frontier
7 Communications, West Virginia PSC, Case No.
8 09-0871-T-PC, Commission Order (August 16,
9 2010)

10 CWK-3 Excerpts from CenturyTel, Inc.'s SEC Form 10-Q,
11 filed August 16, 2010, pages: Cover, Title,
12 27-39

13 CWK-4 Qwest and CenturyLink FCC ARMIS Service Quality
14 Reports for 2009

15 PARTY: CHARTER FIBERLINK

16 WITNESS: BILLY H. PRUITT

17 BHP-1T Responsive Testimony discussing CenturyLink's
18 wholesale practices and policies

19 BHP-2 CenturyLink's response to Charter's Information
20 Request No. 4

21 BHP-3 CenturyLink's response to Charter's Information
22 Request No. 18

23 BHP-4 CenturyLink's response to Charter's Information
24 Request No. 25

25 BHP-5 CenturyLink's response to Charter's Information

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1		Request No. 26
2	BHP-6	CenturyLink's response to Charter's Information
3		Request No. 34
4	BHP-7	CenturyLink's response to Charter's Information
5		Request No. 35
6	BHP-8	CenturyLink's response to Charter's Information
7		Request No. 36
8	BHP-9	CenturyLink's response to Charter's Information
9		Request No. 38
10	BHP-10	CenturyLink's response to Charter's Information
11		Request No. 44 and a map of the various
12		Washington exchanges
13	BHP-11	CenturyLink's response to Charter's Information
14		Request No. 45 and attached map
15	BHP-12	Qwest's response to Charter Information Request
16		No. 17
17	BHP-13	Qwest's response to Charter Information Request
18		No. 21
19	BHP-14HCSRT	Supplemental Responsive Testimony addressing
20		HSR-related issues
21	BHP-15HC	Wholesale Diligence Update document produced by
22		CenturyLink in response to Integra's First Set
23		of Information Requests, Request No. 143, and
24		Commission Staff Request No. 13
25	BHP-16HC	Due Diligence Response No. 16 document produced

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1 by CenturyLink in response to Integra's First
2 Set of Information Requests, Request No. 143,
3 and Commission Staff No. 13

4 BHP-17HC Operations Overview document produced by
5 CenturyLink in response to Integra's First Set
6 of Information Requests, Request No. 143, and
7 Commission Staff Request No. 13

8 BHP-18CT Supplemental Testimony on proposed Integra
9 Settlement

10 PARTY: LEVEL 3

11 WITNESS: RICHARD E. THAYER

12 RET-1T Responsive Testimony regarding competitive
13 issues such as compensation for ISP-bound
14 traffic

15 RET-2 Qualifications

16 RET-3 Excerpts of Qwest's and CenturyLink's
17 application filed with the FCC locating
18 CenturyLink's Washington exchanges

19 PARTY: JOINT CLECS

20 WITNESS: AUGUST H. ANKUM

21 AHA-1T Responsive Testimony addressing potential
22 hazards of the proposed merger to CLECs

23 AHA-2 Qualifications

24 AHA-3 The Promises vs. Realities of Recent ILEC
25 Mergers and Acquisitions

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1 AHA-4 Discovery Responses Demonstrating the
2 Significant Uncertainty Resulting from the
3 Proposed Transaction
4 AHA-5 Joint Applicants' Claims About Alleged Benefits
5 Resulting From the Merger Compared to Their
6 Discovery Responses
7 AHA-6 Letter from Qwest Corporation to Kim Isaacs,
8 OneEighty Communications, Inc, dated April 30,
9 2010 and e-mail communication from Bonnie J.
10 Johnson of Integra to Scott Schipper
11 AHA-7 Letter from Thomas Jones, Counsel for Integra
12 to Marlene H. Dortch, Secretary, FCC, dated May
13 13, 2010, labeled Ex Parte and referencing FCC
14 WC Docket No. 09-95
15 WITNESS: TIMOTHY J. GATES
16 TJG-1HCT Responsive Testimony addressing potential harms
17 to Qwest's Wholesale Operations
18 TJG-2 Qualifications
19 TJG-3 Description of Qwest's OSS Testing in Relation
20 to 271 Authority
21 TJG-4 Assurances Not Met
22 TJG-5 A letter from Karen L. Clauson, Vice President,
23 Law & Policy, Integra Telecom and William Haas,
24 PAETEC, to Linda Gardner, Senior Regulatory
25 Attorney, CenturyLink and Todd Lundy, Associate

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1 General Counsel, Qwest Corporation, dated July
2 9, 2010 and a letter from Linda Gardner, Senior
3 Regulatory Attorney, CenturyLink and Todd
4 Lundy, Associate General Counsel, Qwest
5 Corporation to Karen L. Clauson, Vice
6 President, Law & Policy, Integra Telecom, dated
7 July 1, 2010

8 TJG-6 In the Matter of Applications Filed by Qwest
9 Communications International Inc. and
10 CenturyTel, Inc., d/b/a CenturyLink for Consent
11 to Transfer Control, F.C.C. WC Docket No.
12 10-110, Comments of Cbeyond, Integra Telecom,
13 Socket Telecom, and tw telecom, dated July 12,
14 2010

15 TJG-7 Letter from Thomas Jones, Counsel for Integra
16 to Marlene H. Dortch, Secretary, FCC, dated May
17 19, 2010, regarding OSS problems

18 TJG-8 Daily Mail article, Thursday July 1, 2010,
19 Phone transition not going smoothly for a few
20 customers, by George Hohmann; Eyewitness Online
21 Webcast Video entitled July 21, 2010 Frontier
22 Problems - Local Business Having Major Problems
23 Since Frontier Switch, Reported by Darrah
24 Wilcox; and TradingMarkets.com article entitled
25 Frontier claims overtime is needed: Problems

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1 force telecom company to work employees up to
2 70 hours a week, by George Hohmann, dated July
3 28, 2010

4 TJG-9 Preliminary Conditions

5 TJG-10 Comparison of CLEC-Proposed Conditions to
6 Similar Conditions Adopted in Prior Merger
7 Proceedings

8 TJG-11 Letter from CenturyLink to Legacy Embarq CLEC,
9 dated August 10, 2010, RE: My Account/WebRRS
10 Access Changes for Legacy EMBARQ CLECs

11 TJG-12 Map showing Qwest and CenturyLink Exchanges in
12 Washington

13 TJG-13HCSRT Supplemental Responsive Testimony concerning
14 HSR-related issues

15 TJG-14HCRT Rebuttal Testimony responding to Staff's
16 September 27, 2010, testimony

17 TJG-15C CenturyLink OSS Flow Diagram

18 TJG-16 Excerpt from Qwest's online Product Catalog
19 entitled Pre-Ordering Overview Containing a
20 Qwest Table Reflecting How Qwest Back-End
21 Service Order Processing Systems Process CLEC
22 Orders Differently Depending on Qwest Region
23 (Central, East, or West)

24 TJG-17 Matrix Comparing CenturyLink's and Qwest's LSR
25 Submission OSS Functionality

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1 TJJ-18 CenturyLink Discovery Responses Regarding OSS
2 Pre-Order Functions and Order Types

3 TJJ-19 CMP August 14 and 16, 2001 CMP Redesign Meeting
4 Minute Excerpts

5 TJJ-20CT Supplemental Testimony on proposed Staff/Public
6 Counsel and Integra Settlements

7 TJJ-21 November 30, 2010, Announcement from Qwest to
8 Charter regarding White Pages Listings - V53.0

9 WITNESS: WILLIAM A. HAAS

10 WAH-1HCT Direct Testimony concerning PAETEC's operations
11 and the Integra Settlement

12 WAH-2 October 22, 2010, letter from Eric J. Branfman,
13 Bingham McCutchen LLP, to Marlene H. Dortch,
14 Secretary, FCC

15 WAH-3 December 10, 2010, letter from Eric J.
16 Branfman, Bingham McCutchen LLP, to Marlene H.
17 Dortch, Secretary, FCC

18 PARTY: INTEGRA

19 WITNESS: DOUGLAS DENNEY

20 DD-2 Additional Performance Assurance Plan

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P R O C E E D I N G S

(On the record at 9:00 a.m.)

JUDGE FRIEDLANDER: Good morning. It is approximately 9:00 a.m. on Wednesday, January 5th, 2011. This is the time and place set for the evidentiary hearing in Docket UT-100820, the Joint Application of Qwest Communications International, Inc. and CenturyTel, Inc. for Approval of an Indirect Transfer of Control of Qwest Corporation, Qwest Communications Company LLC, and Qwest LD Corp, Marguerite Friedlander, Administrative Law Judge, presiding over this matter for the Commission.

The first thing we're going to do is take appearances. And then we'll go ahead and address some procedural matters. Since most of you have appeared before me in the past, we'll go ahead and do abbreviated appearances.

Appearing today on behalf of Qwest.

MS. ANDERL: Thank you, Your Honor. Lisa Anderl, associate general counsel for Qwest.

JUDGE FRIEDLANDER: Thank you. Appearing today on behalf of CenturyLink.

MR. SIMSHAW: Yes, Calvin Simshaw, in-house senior regulatory counsel for CenturyLink.

JUDGE FRIEDLANDER: Thank you. Appearing today on behalf of Staff.

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1 MS. CAMERON-RULKOWSKI: Jennifer
2 Cameron-Rulkowski, Assistant Attorney General, on behalf of
3 Staff.

4 JUDGE FRIEDLANDER: Thank you. Appearing today on
5 behalf of Public Counsel.

6 MR. FFITCH: Good morning, Your Honor. Simon
7 ffitch, Senior Assistant Attorney General, for Public
8 Counsel.

9 JUDGE FRIEDLANDER: Thank you. Appearing today on
10 behalf of the Joint CLECs.

11 MR. TRINCHERO: Yes, Your Honor. Appearing today
12 on behalf of XO Communications, tw telecom, Pac-West, McLeod
13 d/b/a PAETEC, Covad and Charter Fiberlink, Mark P.
14 Trincherro, Davis, Wright, Tremaine.

15 JUDGE FRIEDLANDER: Thank you. Appearing today on
16 behalf of Level 3.

17 MR. BUTLER: Arthur A. Butler, of the Ater Wynne
18 Law Firm appearing on behalf of Level 3, 360networks and
19 Cbeyond.

20 JUDGE FRIEDLANDER: Thank you. Appearing today on
21 behalf of Sprint?

22 MR. SCHIFMAN: Good morning, Your Honor.
23 Appearing on behalf of Sprint is Ken Schifman, senior
24 counsel and Ms. Judy Endejan, outside counsel.

25 JUDGE FRIEDLANDER: Thank you. Could you spell

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1 your last name, Mr. Schiffman?

2 MR. SCHIFMAN: Sure. It's S-c-h-i-f-m-a-n.

3 JUDGE FRIEDLANDER: Thank you. And appearing
4 today on behalf of Integra.

5 MR. GILLIAM: Good morning, Your Honor, Ted
6 Gilliam, appearing for Integra Telecom.

7 JUDGE FRIEDLANDER: Thank you. Appearing today on
8 behalf of the Department of Defense and all other executive
9 agencies. I should say Federal Executive Agencies.

10 MR. MELNIKOFF: Good morning, Your Honor. Stephen
11 Melnikoff on behalf of the United States Department of
12 Defense and all other Federal Executive Agencies.

13 JUDGE FRIEDLANDER: Thank you. Is there anything
14 else that I have missed? Okay, hearing nothing let's go
15 into some housekeeping matters.

16 It sounds like the conference bridge is up and
17 running, contrary to what happened last Thursday, so we
18 should be good to go on that. If you are appearing via the
19 conference bridge I just want to let you know that,
20 especially if you're testifying, please speak slowly and
21 clearly so the court reporter can understand you. And
22 that's actually good advice for anybody testifying or
23 appearing before us today. Just speak slowly and clearly so
24 we can hear you.

25 If you have any cell phones please go ahead and

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1 turn them off or turn them to vibrate so we're not disturbed
2 during the hearing. And I'll go ahead and repeat that for
3 whoever just tuned in. If you are testifying please go
4 ahead and speak clearly for the court reporter. Please
5 also, if you're on the conference bridge, do not put us on
6 hold. You will be playing some very lovely but unnecessary
7 music in the hearing room.

8 Let's go ahead and get into the exhibit list. I
9 distributed a revised exhibit list on Monday afternoon, and
10 I believe since then it has been revised at least a couple
11 of times. We received testimony from the Joint CLECs,
12 Mr. Haas, Mr. Gates and Mr. Pruitt. Those I have added to
13 the master exhibit list. And I believe we have some more
14 exhibits coming in this morning. So we'll go ahead and
15 start with, I believe, the settlement exhibit, broadband
16 reporting formats. Does somebody want to tell me more about
17 this?

18 MS. ANDERL: Thanks, Your Honor. Lisa Anderl.
19 And others can speak to this, as well. But as it states on
20 the cover sheet it's a nine page document that is conceptual
21 samples of the format of the reporting that is going to be
22 required after, or to implement the broadband commitment
23 that is merger Condition No. 14. We were planning on
24 offering that through Mr. Reynolds on the retail part of the
25 initial settlement panel. And he can explain a little bit

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1 more about that. But that's, I believe, an exhibit that's
2 been agreed to by the Joint Applicants and Staff and Public
3 Counsel.

4 JUDGE FRIEDLANDER: Okay. This is in relationship
5 then to obviously that settlement agreement, the Staff,
6 Public Counsel, Joint Applicants settlement agreement?

7 MR. FFITCH: That's correct, Your Honor, on behalf
8 of Public Counsel. This exhibit does contain samples from
9 multiple parties just for illustrative purposes to the
10 Commission. And the parties have jointly reviewed and
11 discussed it, the exhibit that is. And it is our intention
12 to no later than 30 days after close of the transaction to
13 submit a final form of report both for the annual report and
14 for the initial 180 day plan document.

15 JUDGE FRIEDLANDER: Okay, thank you. And we have
16 two other exhibits, I believe, that are exhibits to the
17 testimony of Jing Liu. Ms. Cameron-Rulkowski, if you want
18 to tell me a little bit about these.

19 MS. CAMERON-RULKOWSKI: Your Honor, these are
20 errata pages. There were two data entry errors that Ms. Liu
21 discovered late in the game. So we have corrected those.
22 And Ms. Liu informs me that the data is correct even though
23 you cannot tell any difference on the scatter plot in her
24 Exhibit 2, but it now should, both exhibits should now
25 reflect the correct data.

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1 JUDGE FRIEDLANDER: Okay. So these are just
2 revisions, they're not additional exhibits to be entered
3 into the record?

4 MS. CAMERON-RULKOWSKI: That's correct, Your
5 Honor, and they are probably being filed at this moment.

6 JUDGE FRIEDLANDER: Okay. Thank you.

7 I would advise also for the Joint Applicant, Staff
8 and Public Counsel, that the broadband reporting format
9 obviously does have to be filed, as well. We can't accept
10 filings at the Bench, so that needs to be filed with the
11 records center.

12 MR. FFITCH: And, Your Honor, also you request an
13 electronic copy of that, as well?

14 JUDGE FRIEDLANDER: Yes.

15 MR. FFITCH: Thank you, Your Honor.

16 JUDGE FRIEDLANDER: Thank you.

17 MS. ANDERL: Your Honor, a question then, did you
18 want to give out an exhibit number at this time?

19 JUDGE FRIEDLANDER: Yes, since that is a
20 settlement exhibit let's go ahead and give that Exhibit
21 No. 10. And I'll add that to the finalized exhibit list.
22 At this point are there any other exhibits we need to
23 discuss, objections to exhibits or any other matters
24 relating to the exhibit list itself?

25 Mr. Trincherro.

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1 MR. TRINCHERO: Your Honor, I just note that
2 Exhibit B-5, that was reserved for Joint CLECs response to
3 Bench Request No. 5, I want to make sure you did receive
4 that, and it has been added to the revised exhibit list?

5 JUDGE FRIEDLANDER: Yes, I have received that and
6 it has been added to the finalized exhibit list.

7 MR. TRINCHERO: Thank you.

8 JUDGE FRIEDLANDER: You're welcome.

9 MS. ENDEJAN: Your Honor, I have two questions.
10 And I don't know if this is the right time to bring them up,
11 but I will. The first question is in terms of how do you
12 intend to handle, you know, some corrections to testimony
13 that has been marked as, you know, prefiled exhibits?

14 JUDGE FRIEDLANDER: Sure. If the party -- I
15 should say if the witness is testifying we can do that on
16 the record. If the witness is not testifying I would
17 recommend that there be either a revised exhibit depending
18 on how lengthy the corrections are or some kind of errata,
19 much like what was filed by Staff.

20 MS. ENDEJAN: Okay.

21 JUDGE FRIEDLANDER: I hope that helps.

22 MS. ENDEJAN: That helps. And Mr. Appleby will
23 make his corrections to his testimony when he's on the
24 stand.

25 JUDGE FRIEDLANDER: Certainly.

0145

1 MS. ENDEJAN: My second question is for purposes
2 of compiling the exhibit list. For instance, we designated
3 a number of exhibits in connection with a witness, but I
4 want to clarify that we're not precluded from
5 cross-examining a witness by using an exhibit that wasn't
6 designated as being for that witness.

7 JUDGE FRIEDLANDER: No, I don't see any -- I don't
8 have any qualms with that. If the exhibit has been
9 designated for -- if it has been designated incorrectly, for
10 example, and someone else would have more knowledge about
11 that exhibit you're certainly free to ask another witness.

12 MS. ENDEJAN: Okay, thank you.

13 JUDGE FRIEDLANDER: Certainly.

14 Yes, Mr. Melnikoff.

15 MR. MELNIKOFF: Your Honor, we have two
16 corrections to Mr. King's testimony. He is not going to be
17 appearing as a witness as you know. I can do that orally
18 when the commissioners are here if you would like so they
19 can take his exhibit, and then I will file an errata --

20 JUDGE FRIEDLANDER: Okay.

21 MR. MELNIKOFF: -- if you keep the record open for
22 a few days?

23 JUDGE FRIEDLANDER: Right. And we will. I'll
24 keep the record open for approximately a week.

25 MR. MELNIKOFF: That's perfect.

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1 JUDGE FRIEDLANDER: And we're certainly going to
2 be doing the closing briefs, as well. So those will be
3 coming in, as well.

4 My question though was the first settlement panel
5 I had Mr. King down as being -- we talked about this before
6 though. Is he going to be testifying, is he going to be
7 appearing via the conference bridge at all?

8 MR. MELNIKOFF: No, Your Honor, nobody has
9 questions for him. So on that basis he won't appear.

10 JUDGE FRIEDLANDER: Okay, thank you.

11 MR. BUTLER: Your Honor, with respect to B-5?

12 JUDGE FRIEDLANDER: Yes.

13 MR. BUTLER: Bench request responses indicated
14 here is for Joint CLEC's response on January 3rd. Level 3
15 also filed a supplemental response to that. Would that just
16 be included as part of that exhibit?

17 JUDGE FRIEDLANDER: It would be part of B-5. Any
18 other questions? Mr. Trincherero.

19 MR. TRINCHERO: Your Honor, just one question. I
20 just want to confirm this was received and that there are no
21 objections to it. I believe Mr. Halm of our D.C. office
22 filed just the other day an updated errata version of
23 BHP-14, the Pruitt supplemental responsive testimony, there
24 has been some minor errors.

25 JUDGE FRIEDLANDER: Right.

0147

1 MR. TRINCHERO: Did you receive those?

2 JUDGE FRIEDLANDER: Yes. The records center did
3 receive it. I've received it. And as far as I know the
4 commissioners have received it as well.

5 MR. TRINCHERO: Thank you.

6 JUDGE FRIEDLANDER: Okay. Are there any other
7 questions? Ms. Endejan.

8 MS. ENDEJAN: Again, I don't know if this is when
9 you want to talk about it, but with respect to the post
10 hearing briefing.

11 JUDGE FRIEDLANDER: Uh-huh.

12 MS. ENDEJAN: When will we discuss that?

13 JUDGE FRIEDLANDER: We will discuss that -- we'll
14 actually discuss that today. We can discuss it now if you'd
15 like. I have received the comments from the parties
16 regarding the -- I guess now it's the modified joint motion
17 to revise the deadline for those post-hearing briefs. At
18 this point I'm going to hold the modified motion in
19 abeyance, because we don't know at this point what the
20 issues will be that the Commission is going to ask the
21 parties to address.

22 And once I know those, which most likely will be
23 at the end of the hearing tomorrow, or assuming we go into
24 Friday it will be on Friday, and at that point I'll also
25 rule on the motion when I give you the issues.

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1 MS. ENDEJAN: Okay. I guess point of
2 clarification. So the post-hearing briefing will be limited
3 to issues that commissioners request further briefing on or
4 will the post-hearing briefing be allowed to incorporate
5 basically unresolved or disputed issues?

6 JUDGE FRIEDLANDER: Well, my sense of it is that
7 the post-hearing briefs will be limited to the issues that
8 the Commission would like you to address. It's not another
9 bite at the apple. You will have closing arguments though.

10 So, yes, Mr. Trincherro.

11 MR. TRINCHERO: Your Honor, I wanted to let you
12 know that we have been discussing with the Joint Applicants
13 this morning whether or not we might jointly request that
14 these briefs include the ability to brief all of the issues
15 that are in dispute in a written fashion. These are fairly
16 complicated issues. Certainly if the Commission also wants
17 us to provide oral closing we could do that, or we could
18 dispense with that. But we do feel that it impinges on our
19 due process rights to not be allowed to fully brief that.

20 I know that the Joint Applicants have not really
21 had a chance yet to socialize that within the companies to
22 find out if they would agree or not. But I wanted to raise
23 that.

24 JUDGE FRIEDLANDER: Well, you can certainly make
25 an oral motion when we address the modified joint motion at

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1 that time that the Commission allow for additional topics to
2 be briefed. I can tell you though that we're not looking
3 for lengthy submissions here, and there may be a page limit.
4 So if you want to address additional issues you would have
5 to have first hopefully address the issues that we've given
6 you. And if there is some leftover then you're certainly,
7 you know, that would be the point at which to take up the
8 additional issues you want to address.

9 MR. TRINCHERO: Certainly, Your Honor. We would,
10 of course, first focus on whatever issues the Commission has
11 specified. We would just like the opportunity to also brief
12 the other issues to the extent possible within the page
13 limit.

14 JUDGE FRIEDLANDER: Thank you. Okay. Are there
15 any other questions? Yes, Ms. Cameron-Rulkowski.

16 MS. CAMERON-RULKOWSKI: I believe that, Your
17 Honor, that you had asked if there were any objections, and
18 I didn't hear any? Does that mean you would entertain a
19 stipulation to admit the exhibits? Or do we need to go
20 ahead and have them actually -- have a stipulation in place
21 but have them admitted after corrections are made on the
22 record? How would you like to handle that?

23 JUDGE FRIEDLANDER: No, I think what we can do is
24 go ahead and admit the exhibits. I will ask, first of all,
25 and we can do that right now, whether anyone has objections

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1 to exhibits that have been filed?

2 MS. ANDERL: Your Honor, as long as you're
3 speaking of only the direct or rebuttal or responsive
4 testimony and not the cross-examination exhibits that are
5 included on the exhibit list?

6 JUDGE FRIEDLANDER: Right.

7 MS. ANDERL: Then no objection.

8 JUDGE FRIEDLANDER: Right. So the direct and
9 rebuttal testimony will be allowed in. You can certainly
10 make corrections on the record when the witness is
11 testifying. And that would be most helpful to the
12 Commission. Again, if your witness is not testifying
13 obviously that should be done -- it should be filed with the
14 Commission. And I don't think it will be necessary to do
15 that on the record, we can just have you file that with the
16 records center.

17 MS. ENDEJAN: So to clarify, Your Honor, what
18 exhibits are not being admitted?

19 JUDGE FRIEDLANDER: The cross-examination
20 exhibits.

21 And I would assume, Ms. Anderl, that your
22 intention was to hold those off in case during
23 cross-examination people have objections?

24 MS. ANDERL: Right. The cross-examination
25 exhibits that are marked right now are either offered or

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1 identified by the Joint CLECs or by Sprint. And in the
2 agreement we have with the Joint CLECs the Joint CLEC's
3 cross-exhibits would only be used on cross-examination of
4 the Joint Applicants' oral surrebuttal if necessary for
5 that. So that would limit the scope of those. Then with
6 regard to Sprint cross-examination exhibits we would like to
7 just take them up one at a time as they are used or not used
8 in cross-examination.

9 JUDGE FRIEDLANDER: I see. Okay. So let me just
10 take a minute here. Right, all of the cross-examination
11 exhibits appear to have been filed by Joint CLECs or Sprint.
12 And per the agreement that you have with the Joint CLECs
13 those, I assume, are not going to be used unless there is
14 some question regarding the testimony?

15 MS. ANDERL: That's correct, Your Honor. It is
16 our intent to not offer them at this time, but to offer only
17 those which we do end up using as part of the
18 cross-examination on the rebuttal, the surrebuttal
19 testimony.

20 JUDGE FRIEDLANDER: Okay, thank you.

21 MS. CAMERON-RULKOWSKI: One more question. Was it
22 your intent then also to admit Exhibits 1 through 10?

23 JUDGE FRIEDLANDER: Yes, the settlement exhibits,
24 as well as the direct and rebuttal exhibits, everything but
25 the cross-examination exhibits.

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1 MS. CAMERON-RULKOWSKI: Thank you, Your Honor.

2 JUDGE FRIEDLANDER: You're welcome.

3 So those have been admitted into the record.

4 We'll deal with the cross-examination exhibits as they come.

5 If there are objections I would expect that you would make

6 those in a timely manner when the witness is appearing.

7 So let's talk about the schedule, as well. The

8 parties will be permitted to make opening statements. And

9 before the commissioners come in I would like to get a sense

10 of who will be making the opening statements for the

11 parties. Do the Joint Applicants intend to make one

12 statement or will each of the attorneys be making a

13 statement?

14 MR. SIMSHAW: Your Honor, Calvin Simshaw for

15 CenturyLink. I will be making the statement for both Joint

16 Applicants.

17 JUDGE FRIEDLANDER: Okay. Great, thank you. How

18 about on behalf of Staff, will Staff be making an opening

19 statement?

20 MS. CAMERON-RULKOWSKI: Yes, Your Honor, I will be

21 making that statement on behalf of Staff.

22 JUDGE FRIEDLANDER: I assume, Mr. ffitch, that you

23 will be making a statement on behalf of Public Counsel?

24 MR. FFITCH: That's correct, Your Honor. Thank

25 you.

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1 JUDGE FRIEDLANDER: Thank you. And on behalf of
2 the Joint CLECs, Mr. Trincherero?

3 MR. TRINCHERO: Yes, Your Honor, I will be making
4 the opening statement on behalf of the Joint CLECs. I
5 believe also that Level 3 and Cbeyond have authorized me to
6 include them in that.

7 JUDGE FRIEDLANDER: I see. I was wondering how
8 that was going to work with Mr. Butler.

9 MR. TRINCHERO: Unless Mr. Butler would rather do
10 the opening statement?

11 MR. BUTLER: It's okay. Thank you.

12 JUDGE FRIEDLANDER: Okay, thank you.

13 And so, Mr. Butler, I assume then you will be
14 doing the opening statement for 360networks?

15 MR. BUTLER: As a settling party I don't know if
16 we are making an opening statement.

17 JUDGE FRIEDLANDER: Then that's fine.

18 And also as a settling party, Mr. Gilliam
19 (phonetically pronounced Gilem), did I pronounce your name
20 right, Gilliam or Gilliam?

21 MR. GILLIAM: You did, Your Honor.

22 JUDGE FRIEDLANDER: And will you be making that
23 opening statement on behalf of Integra?

24 MR. GILLIAM: No, Your Honor.

25 JUDGE FRIEDLANDER: Okay. On behalf of DoD/FEA,

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1 Mr. Melnikoff?

2 MR. MELNIKOFF: I will make a brief opening
3 statement, Your Honor.

4 JUDGE FRIEDLANDER: Thank you. Ms. Endejan or
5 Mr. Schiffman, who will be make the opening statement?

6 MS. ENDEJAN: Mr. Schiffman will be making the
7 opening statement on behalf of Sprint/T-Mobile.

8 JUDGE FRIEDLANDER: Thank you. Okay. They will
9 be limited to 15 minutes.

10 And after that the Commission will hear from the
11 witnesses supporting the settlement agreements first, as we
12 discussed in prehearing last Thursday. We will have the
13 first panel address the settlement agreement between Joint
14 Applicants, Staff and Public Counsel, as well as the
15 settlement agreement between Joint Applicants and the
16 DoD/FEA.

17 Then from what I have down the first panel will
18 include Mr. Jones, Mr. Reynolds, Mr. Vasconi and
19 Ms. Johnson. And I don't hear any corrections to that so
20 I'm going to assume that's what we're going to go with that.

21 The second panel will address the settlement
22 agreements between the Joint Applicants and 360networks and
23 Integra. And I have down that those witnesses will be
24 Mr. Denney, Mr. Hunsucker, Mr. Viveros, Mr. Williams and
25 Mr. Gustavson.

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1 MR. BUTLER: Because she can appear by phone it
2 will be Ms. Singer Nelson.

3 JUDGE FRIEDLANDER: Okay. Thank you. So we will
4 have Ms. Single Nelson appearing on behalf of 360networks.

5 MR. TRINCHERO: Your Honor, I'm not sure if this
6 is the appropriate time to interrupt, but at the prehearing
7 conference I had indicated that the Joint CLECs had no
8 cross-examination for Mr. Denney. I would like to just
9 modify that, we have two or three questions for Mr. Denney.

10 JUDGE FRIEDLANDER: Okay. That's fine.

11 MS. ANDERL: Your Honor, at this point I don't
12 think we were planning on putting Mr. Williams up on the
13 direct panel but rather on the rebuttal.

14 JUDGE FRIEDLANDER: Okay. Thank you. I
15 appreciate the clarification.

16 Following the settlement panels we'll go ahead and
17 get into the oral rebuttal phase with testimony on behalf of
18 Sprint/T-Mobile from Mr. Appleby. We'll then reassemble the
19 two settlement panels for the surrebuttal before taking the
20 closing arguments. And as I've stated previously, the
21 modified joint motion to address the schedules for the
22 post-hearing briefs will be handled after -- I'm holding
23 that in abeyance, and when I give you the issues I'll rule
24 on the motion itself.

25 Ms. Endejan.

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1 MS. ENDEJAN: Yes, Your Honor, I believe you may
2 have omitted the opportunity for us to cross-examine
3 witnesses in the disputed, whatever we called the panels.

4 JUDGE FRIEDLANDER: I did, I apologize. I did, I
5 apologize. What we were referring to last Thursday as the
6 "second bucket," which are the disputed issues that have not
7 been addressed by the settlement agreements that I believe
8 that Sprint/T-Mobile has raised.

9 So with that are there any other preliminary
10 matters that we need to address before I call the
11 commissioners in?

12 Mr. Schifman.

13 MR. SCHIFMAN: Yes, that second bucket that you
14 just described what -- how does that go as far as the order?
15 Is that with panel four and five or is that after panel four
16 and five?

17 JUDGE FRIEDLANDER: That would be after the
18 surrebuttal panels which are actually four and five, yes.
19 And I have that there are about eight witnesses that Sprint
20 intends to call. And I assume those are going to be done
21 individually?

22 MR. SCHIFMAN: Yes.

23 JUDGE FRIEDLANDER: And, actually, it will be the
24 sponsoring party calling the witness. And then you'll be
25 allowed to cross-examine. But I have down Mr. Reynolds,

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1 Mr. Jones, Mr. Bailey, Mr. Shafer, Mr. Hunsucker,
2 Mr. Brigham, Mr. Vasconi and Ms. Liu?

3 MS. ENDEJAN: I believe that's correct. And it
4 may be possible, Your Honor, that because sometimes these
5 issues merge that the need to cross-examine in the second
6 bucket may be alleviated by what we talk about on some of
7 the other panels.

8 JUDGE FRIEDLANDER: Certainly. Understood. Okay,
9 thank you. Are there any other preliminary matters before
10 we take a brief recess? Okay. Hearing nothing we'll be on
11 recess.

12 (Break taken from 9:27 to 9:38 a.m.)

13 JUDGE FRIEDLANDER: We'll go back on the record.
14 I will note that I'm now joined by Chairman Jeffrey Goltz to
15 my immediate right, Commissioner Patrick Oshie and
16 Commissioner Philip Jones.

17 We'll go ahead and begin with opening statements.
18 Due to the amount of work ahead of us I am going to go ahead
19 and limit those to 15 minutes each. And giving the opening
20 statement on behalf of Qwest CenturyLink, Mr. Simshaw.

21 MR. SIMSHAW: Thank you.

22 Good morning, Mr. Chairman, Commissioners and Your
23 Honor. My name is Calvin Simshaw, I am an in-house counsel
24 with CenturyLink. And as Your Honor noted, I will be
25 delivering the opening statement on behalf of both the Joint

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1 Applicants if this case. And we certainly appreciate the
2 opportunity to deliver these initial remarks.

3 This is not the first time that CenturyLink has
4 stood before this Commission as the acquirer of telephone
5 operating properties in the state of Washington. In 1997
6 CenturyLink acquired PTI Communications. I was on the PTI
7 communications end of that particular transaction. More
8 recently in 2009 CenturyLink acquired the Embarq properties
9 including those operating properties within the state of
10 Washington. As a consequence, CenturyLink is certainly a
11 known entity to the Commission when it comes to acquiring
12 and successfully operating properties within the state of
13 Washington.

14 Nonetheless, throughout this process the
15 Commission Staff and the Public Counsel repeatedly reminded
16 Joint Applicants that this is a big deal. It's after all
17 not every day that there's a change in control of the
18 largest ILEC in the state. We get that. And as a
19 consequence this has been a very involved process. The
20 Joint Applicants have responded to more than 500 data
21 requests. There has been thousands of pages of testimony
22 and exhibits submitted. There have been numerous technical
23 and settlement conferences.

24 Nor is Washington alone in its scrutiny of this
25 transaction. To date 17 states and the Department of

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1 Justice have approved the transaction. Colorado, Nebraska,
2 and Utah, just within the last few days, have issued their
3 orders approving the transaction. There still remain four
4 outstanding state approvals, as well as the FCC. The
5 remaining states are Minnesota, Arizona, Oregon and, of
6 course, Washington. This hearing represents the last
7 evidentiary hearing before state commissions.

8 As the Commission listens to the testimony and
9 arguments we would urge that you keep in mind how this
10 transaction can be differentiated, and should be
11 differentiated, from other transactions that the Commission
12 may have reviewed in recent years.

13 It's important to note what you have and what you
14 don't have in this transaction. What you have are two
15 parties, CenturyLink and Qwest, who have a long history of
16 providing high quality service in the state of Washington.
17 What you do not have is a party that is receiving a pile of
18 cash and leaving the state. This is a stock transaction.
19 As such there is no cash changing hands and there is no
20 party that's attempting to exit the state. The shareholders
21 of both companies will continue to be heavily invested in
22 providing telecommunication services in the state of
23 Washington.

24 One of the areas you're likely to hear substantial
25 testimony and discussion of, and this is fairly typical of

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1 these types of transactions, is in the area of systems
2 integration. And, again, there is a basis to distinguish
3 this transaction from some others that you may be familiar
4 with.

5 In this case the combined company will keep the
6 Qwest systems and the employees. This is significant. This
7 means that the combined company will not have to try to
8 operate systems without having the employees that are
9 familiar with and maintaining those systems.

10 The commission is going to hear from two
11 settlement panels this morning. These basically can be
12 divided with the terms retail settlements and wholesale
13 settlements.

14 On the first retail panel this arises as a result
15 of the fact that the Joint Applicants have entered a very
16 comprehensive settlement with the Commission Staff and the
17 Public Counsel. There is also an add-on settlement with the
18 Department of Defense. As you listen to that panel we think
19 you will see that the Staff and the Public Counsel have done
20 precisely the detailed and in-depth analysis that one would
21 expect with a transaction of this magnitude.

22 The settlement agreement covers 27 conditions, as
23 well as some sub parts. In our view these address all the
24 areas potentially impacting public interest. These include
25 financial reporting, and that includes synergy tracking and

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1 earnings review. The settlement has terms on quality of
2 service. There are caps or freezes on rates for basic
3 services. There are provisions relating to integration
4 issues. And there's a multitude of other conditions that
5 apply to an assortment of consumer issues.

6 I will not attempt to go through or burden you
7 with my attempt at a description of the detail of each of
8 those conditions. You will have access to a settlement
9 panel with people that are more qualified to talk about
10 that.

11 One area of the settlement though that I would
12 like to touch upon just briefly is in the area of a
13 broadband commitment. The record in this docket shows that
14 with respect to the availability of broadband services
15 CenturyLink and Qwest are starting at a point that is
16 advanced beyond that which the Commission dealt with in the
17 Frontier and Verizon case. Even so, Staff and Public
18 Counsel were extremely aggressive in negotiating a broadband
19 commitment. And at the end of the day they succeeded in
20 extracting a commitment in Washington, a broadband
21 investment commitment that is higher than that in any of the
22 other states involved in this transaction.

23 Let me move to the second area which is, of
24 course, the wholesale issue. As the Commission is probably
25 painfully aware, when you put ILECs and CLECs in the same

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1 room you will quite often generate a very contentious
2 environment. This case is no exception. I would observe
3 that in this case the CLECs, in particular Integra Telecom,
4 were extremely engaged in the transaction and its review and
5 scrutiny.

6 The second settlement panel on wholesale issues
7 will deal with a comprehensive settlement that the Joint
8 Applicants entered with Integra Telecom as a result of some
9 very substantial and far-reaching negotiations. Also the
10 subject of that panel is a more basic settlement between the
11 Joint Applicants and 360networks.

12 As I stated, in our view the Integra settlement
13 covers all legitimate merger related CLEC or wholesale
14 issues. These include OSS integration, service performance
15 assurances and extension of existing agreements. Again, I
16 will not attempt to go into detail on the various conditions
17 in that settlement, as once again you will have access to a
18 panel of experts that are very qualified to discuss that.

19 It is important to note that the terms of the
20 Integra settlement, and they are comprehensive in nature,
21 are available to all CLECs, whether those CLECs were parties
22 to this docket or not. Nonetheless, you are going to hear
23 from the nonsettling CLECs claims that the terms of the
24 Integra settlement, as comprehensive as it is, does not
25 address all of the issues that they have with CenturyLink

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1 and Qwest.

2 This is not surprising. We don't feel that it
3 should address all issues. The issue here is not whether it
4 addresses all the issues that the CLECs may have identified.
5 The issue here is whether it addresses the legitimate merger
6 related issues.

7 As you listen to the testimony and arguments of
8 the nonsettling CLECs you will note that in many instances
9 they seek favorable resolution of nonmerger related industry
10 issues that heretofore they have either lost or have failed
11 to gain traction of in other commission dockets or
12 arbitration, FCC or court proceedings. We urge that the
13 Commission not confuse this CLEC wish list with the
14 legitimate merger related issues.

15 I would like to spend just one quick moment
16 commenting on the parties who did not participate in this
17 docket. AT&T Wireless and Verizon Wireless are not here.
18 Comcast is not here. Google and Microsoft are not here.
19 Now, I mention these parties because they represent the real
20 competitors that CenturyLink and Qwest must face whether
21 these companies merge or not. These are very large
22 nonregulated entities.

23 CenturyLink and Qwest need to combine to gain the
24 strength to be effective competitors with these entities.
25 Only then will the state of Washington have a viable

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1 wireline competitive alternative to these entities. And
2 only then will CenturyLink and Qwest be in a position to
3 continue to provide service in higher cost areas that these
4 entities have chosen not to invest in or provide services
5 in.

6 Finally, pursuant to my lawyerly duties I need to
7 comment just quickly on standard of a review. The
8 Washington Administrative Code at 480-143-170 provides that
9 no transaction can be inconsistent with the public interest.
10 Over time the Commission has interpreted this to create a no
11 harm standard.

12 In conclusion, we submit that the record will show
13 that this transaction, subject to the conditions contained
14 in the comprehensive retail and the comprehensive wholesale
15 settlements, and with no need for additional conditions,
16 clearly meets that standard.

17 Thank you.

18 JUDGE FRIEDLANDER: Thank you, Mr. Simshaw. And I
19 would ask now if Staff is ready to provide their opening
20 statement?

21 MS. CAMERON-RULKOWSKI: Yes, Your Honor.

22 JUDGE FRIEDLANDER: Thank you.

23 MS. CAMERON-RULKOWSKI: Good morning,
24 Mr. Chairman, Commissioner Jones, Commissioner Oshie and
25 Judge Friedlander.

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1 Staff is here today to support the settlement it
2 entered into with the Joint Applicants and Public Counsel.
3 The conditions in the settlement contain protections for all
4 stakeholders. And Staff believes that these conditions
5 render the transaction consistent with the public interest.
6 Does the settlement cover the entire known universe of
7 potential harms from the transaction? No. Staff has
8 confidence, however, that the settlement conditions mitigate
9 and offset those potential harms to the public interest that
10 are vital to address in this transaction.

11 Other settlements have been filed in this docket.
12 And I will just note here that Staff does not oppose any of
13 these. Each telecommunications merger in this state has
14 been unique. And Staff has made different recommendations
15 about what was in the public interest for each one.

16 The Commission has a history of examining each
17 such transaction based on the particular circumstances
18 surrounding the transaction. This transaction is the
19 largest telecommunications merger in Washington in recent
20 history in terms of the number of access lines and the
21 number of customers affected.

22 Both of the applicants have long histories as
23 regulated companies and long histories in Washington. Staff
24 and Public Counsel have worked with these companies for
25 years. While the companies are known entities, as

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1 Mr. Simshaw mentioned, and from Staff's regulatory
2 perspective are not bad actors, there are risks of harm to
3 the public interest associated with this transaction. Staff
4 considered these circumstances as it analyzed the issues and
5 as it negotiated a settlement to mitigate the risks of harm.

6 Staff identified what it considered to be the
7 central issues in this proceeding after months of
8 investigation and analysis. The settlement addresses
9 Staff's issues including financial issues, broadband
10 deployment, service quality, retail pricing, operational
11 support systems, network integration, WTAP, that's W-T-A-P,
12 911 and rate center consolidation, as well as general
13 reporting and monitoring in many of these areas.

14 I would like to highlight the breadth of the
15 monitoring provided for in the settlement by pointing to the
16 financial condition in -- or the financial reporting in
17 Condition 1, which will allow the Commission to track
18 intercompany receivables and payables for the
19 posttransaction local operating companies in Washington.
20 Condition 4 which requires CenturyLink to report synergy
21 savings and merger costs to the Commission. Condition 13
22 which requires CenturyLink to report capital expenditures
23 and budgets for capital expenditures in Washington.
24 Condition 14 which provides for progress reports on
25 broadband deployment, service quality reporting conditions.

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1 Service quality reports requirements in Conditions 16 and
2 17. OSS integration status reports and OSS conversion
3 notifications in Condition 22. Notification requirements
4 related to replacement or integration of Qwest OSS systems
5 in Condition 23. Condition 24's requirement of advance
6 notice of rearrangements of major network components.
7 Notification of the completion of OSS system conversions or
8 integration required in Condition 25. And required
9 reporting on lifeline complaints in Condition 26.

10 One issue that the settlement addresses in a small
11 but significant way is the issue of access charges. This is
12 an issue that Sprint discusses in depth in its prefiled
13 testimony, but which Staff believes would be better
14 addressed in CenturyLink and Qwest's upcoming AFOR
15 proceedings rather than in this merger proceeding.

16 Accordingly, Staff wholeheartedly supports
17 settlement Condition 3 which provides for an AFOR proceeding
18 for all of CenturyLink's post-merger local operating
19 companies in three to four years after closing and
20 guarantees that access charges will be an issue in that AFOR
21 proceeding.

22 Mr. Simshaw alluded to the effort that has gone
23 into analyzing this transaction. To reach its positions in
24 this settlement Staff issued over 160 data requests,
25 reviewed hundreds of data request responses, reviewed

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1 Commission filings and other public documents relating to
2 the Joint Applicants, conducted internal Staff discussions,
3 followed some of the merger proceedings in other
4 jurisdictions, participated in large group, small group and
5 one-on-one technical conferences with the Joint Applicants
6 and other parties and further discussed issues with various
7 parties during many settlement meetings.

8 Staff's policy witness is Mr. Mark Vasconi. He
9 authored prefiled responsive testimony for Staff, as well as
10 testimony in support of the settlement. And he will be
11 available to answer questions about the settlement
12 conditions on the panel.

13 That concludes Staff's opening statement.

14 JUDGE FRIEDLANDER: Thank you. Mr. ffitch.

15 MR. FFITCH: Thank you. Good morning, Chairman
16 Goltz, Commissioners and Judge Friedlander.

17 I do not have much to add to the statements of
18 Joint Applicants and Staff, so my opening statement
19 hopefully will be reasonably brief.

20 Public Counsel supports the settlement agreement
21 with Joint Applicants and Staff because it contains, in our
22 view, conditions and commitments which we believe adequately
23 mitigate the potential harm posed to the public interest by
24 the merger as filed.

25 Key elements of the negotiated settlement from

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1 Public Counsel's perspective include the broadband
2 commitment about which you've already heard from Joint
3 Applicants, which is the largest broadband commitment of any
4 state involved in the merger. And I would note also
5 includes the largest dollar allocation to unserved and
6 underserved areas of any commitment of any state.

7 Secondly, multiyear rate protection for all
8 CenturyLink residential and business customers and also for
9 all Qwest residential and business customers.

10 Thirdly, it was very important to us to see that
11 the agreement included provision for a full earnings review
12 at the time of the upcoming AFOR and appropriate filing
13 requirements for the financial information be provided to
14 the Commission at that time so that it was in a position to
15 conduct that review.

16 And, finally, the tracking and reporting of
17 synergies for consideration in that future AFOR.

18 Other provisions are also important to us, but I
19 wanted to specifically highlight those four as being
20 particularly significant from our perspective.

21 Public Counsel's focus in this case has been on
22 the retail impacts of the merger in keeping with our role as
23 a representative of residential and small business
24 customers. We have no objection to, and have agreed to the
25 wholesale provisions incorporated in the settlement

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1 agreement with Joint Applicants and Staff.

2 Public Counsel does not take any position with
3 respect to the other wholesale issues being raised by other
4 parties in the case with one exception, Public Counsel
5 agrees with Staff and Joint Applicants that this docket is
6 not the appropriate proceeding in which to consider access
7 charge issues.

8 In conclusion, Public Counsel would request that
9 the Commission approve the settlement between Joint
10 Applicants, Public Counsel and Staff for the reasons set
11 forth in the joint testimony including the testimony of
12 Stephanie Johnson on behalf of our office. Ms. Johnson is a
13 member of the settlement panel, which will be seated
14 shortly, and will be available to respond to additional
15 questions regarding our support for the settlement. Thank
16 you very much.

17 CHAIRMAN GOLTZ: Judge, may I ask a question?

18 JUDGE FRIEDLANDER: Certainly.

19 CHAIRMAN GOLTZ: Mr. Ffitch, do you agree with
20 counsel for the applicants that we should judge this on a no
21 harm standard?

22 MR. FFITCH: Yes, Your Honor.

23 CHAIRMAN GOLTZ: Is that because you think that's
24 required by law or that's simply just following Commission
25 precedent that is not required by law.

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1 MR. FFITCH: Your Honor, we're comfortable that
2 under the existing state of statutory law in Washington with
3 the gloss of many years of Commission interpretation that
4 the no harm standard is the correct standard for
5 telecommunication mergers. As you're aware, Your Honor, the
6 standard for energy mergers is the form of the net benefit
7 standard. So we do not contest that the no harm standard is
8 the correct standard.

9 CHAIRMAN GOLTZ: Thank you.

10 JUDGE FRIEDLANDER: Thank you. Okay.

11 Mr. Melnikoff.

12 MR. MELNIKOFF: Thank you, Your Honor. Good
13 morning, Mr. Chairman, Commissioners, Judge.

14 I am Stephen Melnikoff appearing on behalf of the
15 United States Department of Defense and all other Federal
16 Executive Agencies. DoD/FEA is participating in this
17 proceeding as both a customer of Qwest and CenturyLink. As
18 we noted in our petition for intervention, DoD/FEA is one of
19 the largest users of telecommunication services in the state
20 of Washington with numerous military installations, civilian
21 offices that require a variety of services ranging from very
22 simple exchange services to very large complex systems.

23 It is essential to the federal agencies that we
24 receive high quality state-of-the-art performance at
25 reasonable cost, that this transaction not result in any

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1 harm or degradation of service or unreasonable pricing of
2 services has formed the foundation of our participation.

3 Dod/FEA submitted prefiled testimony of our expert
4 Charles King. Mr. King identified potential benefits
5 associated with the transaction, but he noted concern as to
6 basically three aspects.

7 First, he observed that the cost of the
8 transaction and integrating the companies must not be born
9 by the customers, by the Applicants' customers.

10 He also recommended that the merged company offer
11 a retail service guarantee program as a step to insure
12 service does not suffer through the integration process.

13 Finally, Mr. King noted a concern unique to
14 DoD/FEA, the possibility that CenturyLink employees will not
15 have the required security clearances to work on current or
16 future government contracts that require such clearances.
17 That was a publicly alerted concern by CenturyLink,
18 announced by CenturyLink, in this summer in one of its ten Q
19 filings at the FCC.

20 Subsequent to filing that testimony DoD/FEA
21 participated in the discussions that lead to the settlement
22 agreement among the Staff, Public Counsel and the
23 Applicants. We also met with the Applicants to seek
24 resolution of our concerns. As a result of those meetings
25 and the agreements that resulted therefrom we believe that

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1 grant of the joint application with associated agreements is
2 in the public interest. All of DoD/FEA's contested issues
3 are resolved.

4 Other parties will address the benefits that flow
5 from the Staff, Public Counsel, Applicants agreement. Our
6 settlement builds on that agreement and includes two
7 important features. First, the DoD agreement insures that
8 government contracts are not jeopardized by the absence of
9 employees holding the requisite security clearances. The
10 agreement states in part that CenturyLink and Qwest affirm
11 that no organizational or personal changes will impair
12 either the post-merger companies of building to perform
13 under existing contracts or its ability to bid on new
14 contracts that require security clearances of the company's
15 personnel. By recognizing the importance of and committing
16 to maintaining staff with necessary clearances Applicants
17 have dealt adequately with DoD/FEA's concerns and have
18 obviated the need for the Commission action on this point.

19 Second, Applicants agree to make an individual
20 case basis, ICB filing, with the Commission that commits not
21 to increase certain basic business service rates paid by the
22 Federal Executive Agencies and DoD pursuant to current
23 tariffs or price lifts for a three year period. This
24 provision alleviates DoD/FEA's concern that federal agencies
25 may be subject to rate increases for competitively

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1 classified services that may be based in whole or in part on
2 Applicants' need to recover transaction or integration
3 costs.

4 This rate stability assurance is an exchange for
5 DoD/FEA's commitment to Applicants to maintain the federal
6 agencies billings in Washington and a minimum of 90 percent
7 of the average quarterly billings preceding the four
8 quarters preceding the date of the agreement, essentially
9 it's rate stability assurance in exchange for revenue stream
10 assurance for the Applicants.

11 Because the commitments are filed as an ICB in
12 accordance with the Commission's rules and practice, those
13 terms will be available to similarly situated customers
14 pursuant thereto. The Colorado and Utah Commissions
15 recently approved settlement agreements exactly similar to
16 the price cap that we just talked about and the security
17 clearance provision.

18 Also the DoD/FEA agreement insures that all
19 service quality requirements that are part of a Commission
20 order on the merger will be applicable to services provided
21 to the federal agencies under our settlement.

22 This provision and the provisions of the Staff,
23 Public Counsel settlement satisfy all of DoD/FEA's initial
24 concerns about the possible degradation of service quality
25 resulting from the integration process.

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1 The DoD agreement, while the product of gives and
2 takes of the negotiation process, provides Applicants and
3 ratepayers in general benefits that will enhance the merger
4 of the applicants. Given those benefits and resolving all
5 DoD/FEA's contested issues, DoD/FEA can now urge the
6 Commission to approve the transaction and the DoD agreement
7 as being in the public interest. I would note that no
8 parties, including the Staff and Public Counsel, opposed the
9 DoD/FEA settlement. Thank you very much.

10 JUDGE FRIEDLANDER: Thank you. Mr. Schifman.

11 MR. SCHIFMAN: Good morning, Commissioners,
12 Mr. Chairman, Commissioner Oshie, Commissioner Jones and
13 Judge Friedlander. May it please the Commission, my name is
14 Ken Schifman, and I am here representing Sprint.

15 We heard from the Joint Applicants that they don't
16 believe some of their real competitors are here today.
17 Sprint does believe that we are a real competitor to
18 CenturyLink and Qwest. We compete with CenturyLink and
19 Qwest in the enterprise market, in the corporate market,
20 business market, and our wireless services compete with
21 their residential services. So we do believe that we are a
22 real competitor to the Joint Applicants, and we have real
23 concerns that this merger before it becomes approved needs
24 to be addressed.

25 We are here to examine whether the merger between

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1 the two largest ILECs with over 74 percent of the ILEC lines
2 in the state is in the public interest.

3 The Commission has recently had to make this
4 determination when confronted with the CenturyLink/Embarq
5 merger in 2009, and the Verizon Frontier merger in 2010,
6 which the Commission noted made the CenturyLink/Embarq
7 merger pale in comparison. However, this merger makes the
8 Frontier Verizon merger pale in comparison and requires
9 substantially more scrutiny from the Commission.

10 In previous telecom mergers the Commission
11 addressed the public interest by taking into consideration
12 several important factors including--and this was noted in
13 the Verizon Frontier merger--the impact on competition at
14 both the wholesale and retail level including whether the
15 transaction might distort or impair the development of
16 competition.

17 Sprint has presented testimony from its witness,
18 Jim Appleby, that unequivocally establishes that the merger
19 will cause harm to the development of competition in this
20 state. Mr. Appleby's testimony focuses on two key sources
21 of this harm. The first is the significant imbalance in the
22 high rates that Qwest and CenturyLink charge for intrastate
23 switched access.

24 While the merger will allow Qwest to avoid paying
25 CenturyLink exorbitant charges on an economic basis, Qwest

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1 competitors like Sprint will have to pay them. Which gives
2 Qwest a tremendous pricing advantage in the enterprise and
3 business market, and also an advantage because Sprint's
4 wireless company pays switched access charges to these two
5 ILECs.

6 The second source of competitive harm stems from
7 the Joint Applicants unwillingness to allow competitors to
8 simplify and unify the complicated interconnection
9 agreements that both wireless companies and wireline CLECs
10 enter into with the ILECs.

11 None of the settlement agreements provide any
12 solution to these two competitor harms which is why Sprint
13 opposes these settlement agreements. In fact, a proposed
14 agreement with the Staff actually increases the harm that
15 this merger does because it pushes any opportunity for
16 meaningful access charge reductions out for at least four to
17 five years.

18 While Sprint appreciates the fact that Staff is
19 considering access charges, we do think that the settlement
20 agreement that Staff reached, which pushes out the AFOR
21 reviews of both Qwest and CenturyLink for four years, up to
22 four years, is a net detriment because we won't be allowed
23 to pursue these issues either here, as part of the merger
24 review or any other subsequent proceedings. So Sprint does
25 believe, while we recognize Staff has put in a lot of work

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1 into its settlement with the Joint Applicants, we do believe
2 that that particular issue causes a net harm and a net
3 detriment.

4 The Commission has stated in previous mergers, and
5 in a discovery order in this proceeding, "That the merger's
6 impact on access charges and competition is within the
7 purview of our examination." Accordingly we ask the
8 Commission to conduct such an examination.

9 Sprint opposes settlement agreements as they do
10 not fix the competitive harms that will result from this
11 merger as identified by Mr. Appleby, Sprint's witness in
12 this proceeding. Sprint opposes these settlements as they
13 only address wholesale conditions in the Qwest territory.
14 CenturyLink indicated that the Integra settlement could be
15 signed on to by various -- by other CLECs. But unless the
16 Commission orders that all the terms and conditions of the
17 Integra settlement be made available to other CLECs, then we
18 have no opportunity to sign on to it because it basically
19 says that you have to support them in this merger
20 proceeding, and obviously Sprint is not prepared to do that.

21 None of the conditions apply to the Embarq and
22 CenturyTel ILECs and their interconnection commercial and
23 wholesale agreements with wireless providers and CLECs. The
24 integra settlement agreement just deals with proceedings and
25 interconnection agreements and commercial agreements in the

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1 Qwest territory. Well, Sprint purchases switched access, it
2 has interconnection agreements, it has other types of
3 agreements for special access within the CenturyLink
4 territories here in Washington, as well. The fact that the
5 Integra settlement that is being pushed here does not apply
6 to any of the CenturyLink territories we believe is a major
7 problem that needs to be addressed.

8 Sprint is the third largest wireless carrier in
9 the country and has rolled out 3G and 4G wireless services
10 in the state of Washington and across the country without
11 the benefit of receiving intrastate switched access charges
12 from its competitors. We can't charge anybody switched
13 access charges. So when one of our customers calls
14 CenturyLink customers we have to pay their charges. Their
15 customer calls our customer, we can't collect intrastate
16 access charges.

17 And the amounts for switched access charges here
18 in the state are really quite high. The Qwest rates are 2
19 cents a minute which is multiple times the .0007 rate that
20 applies for most local traffic. And the CenturyLink rates
21 range all the way up to for one of its companies, 14 cents a
22 minute. We believe this is an issue that needs to be
23 addressed. And there are merger related harms that arise
24 from these high access charges because of the combination of
25 these two ILECs and their IXC affiliates.

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1 Instead of addressing a proposed condition
2 regarding these access charges, as I said earlier, the Staff
3 settlement delays any consideration of the access charges
4 for at least four years when Qwest and CenturyLink are to
5 make their AFOR initial filing. Qwest was slated to file a
6 new AFOR in the first quarter of 2011. In the CenturyLink
7 ILECs, according to the merger order that you approved when
8 CenturyTel and Embarq merged, were slated to file their AFOR
9 in 2014. Now this settlement doesn't require AFOR filings
10 for both the Qwest and CenturyLink ILECs until 2015,
11 cementing in stone their access advantages and the
12 competitive harms due to these ridiculously high intrastate
13 access charges.

14 Staff rationalizes this position claiming that
15 this delay will give the Commission time to determine the
16 amount of synergy savings. But the truth is that the merged
17 firm will begin realizing synergies from day one because of
18 the "owners economics," as explained by Mr. Appleby in his
19 testimony, that will occur once the merged firm is able to
20 route traffic over its significantly expanded local network.

21 Sprint is not proposing major access charge reform
22 but is simply asking the Commission to put in place a
23 condition when approving the merger that removes the
24 competitive harm due to the imbalance between the Qwest and
25 CenturyLink access charges. The access conditions proposed

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1 by Sprint are not meant to engage in this type of major
2 reform. They are meant to specifically address merger
3 related harms identified by Mr. Appleby and if imposed will
4 temper the possibilities that the merger will distort or
5 impair competition--remember, that's the standard the
6 Commission used in the Frontier and Verizon order--and
7 thereby allowing the Commission to find the mergers in the
8 public interest.

9 In addition to the access charge issues Sprint
10 objects to the Staff settlement in the Integra, 360 and DoD
11 settlements for other reasons. Those settlements are
12 inadequate means to insure that the merger does not "distort
13 or impair the development of competition." Sprint objects
14 to those settlements for six reasons, in addition to the
15 access issues that I explained earlier.

16 Number one, the settlements do not require that
17 the CenturyLink interconnection agreements be extended, they
18 only apply to the Qwest agreements.

19 Number two, the extensions are for only three
20 years and not for four years. And we believe four years is
21 a more appropriate timeframe.

22 Number three, they do not allow for the porting of
23 interconnection agreements between states or between the
24 Qwest and CenturyLink entities into a consolidated Qwest,
25 CenturyLink, Embarq interconnection agreement. In other

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1 words, we don't get the opportunity to merge together our
2 interconnection agreements. The companies are merging
3 together achieving all kinds of synergies from doing so, but
4 we're not able to achieve those same synergies in our
5 interconnection agreements. More interconnection agreements
6 we have to manage, the different rates that are involved,
7 the higher costs that imposes on competitors.

8 Number four, the conditions do not require single
9 point of interconnection that be made available. As I just
10 said, the companies are merging together, they're merging
11 their networks together, we should be able to have a single
12 point of interconnection between our networks and the new
13 merged company's networks.

14 Number five, they do not prevent the now third
15 largest ILEC in the country from claiming exemptions from
16 competition due to the rule exemption.

17 And, number six, these settlement agreements
18 contain no condition on enforcement of the merger condition.

19 This brings me to another point. Just because
20 certain settlements have been reached the Commission must
21 still make its, quote, public interest determination based
22 upon a full record that includes testimony supporting the
23 settlement agreements and testimony that opposes them.

24 Sprint will address the settlement agreements and
25 supplemental testimony that our witness, Jim Appleby, will

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1 provide orally.

2 Sprint urges the Commission to not ignore the
3 testimony offered by Sprint and the other interveners
4 offered before the settlement because we have the
5 settlements here before us. Yes, they're important. Yes,
6 they need to be addressed. But we believe that there's
7 other issues that need to be reviewed, as well, and that the
8 Commission should not ignore those issues.

9 JUDGE FRIEDLANDER: Mr. Schiffman, I think you've
10 went a little bit over your 15 minutes. So if you want to
11 go ahead and wrap things up.

12 MR. SCHIFMAN: I'll wrap up here.

13 JUDGE FRIEDLANDER: Thank you.

14 MR. SCHIFMAN: Two quick points to wrap up here.

15 Sprint does suggest that the Commission scrutinize
16 the broadband commitment. One reason is that CenturyLink
17 when it bought Embarq made a commitment to the FCC to role
18 out broadband in 100 percent of its territory. We think
19 that the Commission needs to review and examine whether the
20 broadband commitment made here, how that overlaps or is
21 already covered by the commitment made to the FCC.

22 Now I'll sum up. In sum, the Commission must do a
23 thorough independent review of the merger and the proffered
24 settlement agreements and not assume that all the issues
25 have been settled. The Commission did that in reviewing the

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1 CenturyTel/Embarq merger and the Frontier and Verizon merger
2 where it actually added conditions over and on top of what
3 the Staff and the other parties' settlements with the
4 Applicants.

5 Here in reviewing the merger of the largest ILEC
6 in the state we think it's even more important for the
7 Commission to do its independent and thorough review.
8 Sprint suggests that the Commission impose the conditions
9 recommended by Sprint to insure that the public interest
10 standard is met and address the competitive harms that will
11 be caused by the merged firms unconsolidated intrastate
12 access rates. This should be addressed now and not in some
13 future AFOR review three to four years down the line.

14 In addition, merger approval should be conditioned
15 on extending all the interconnection and wholesale agreement
16 conditions to the CenturyLink ILEC's agreements and allow
17 the parties to consolidate and port their interconnection
18 agreements. This is very important from a competitive
19 perspective.

20 I appreciate the opportunity to appear before
21 everybody here at the Washington Commission and look forward
22 for the rest of the hearing.

23 JUDGE FRIEDLANDER: Thank you. Mr. Trincherro.

24 MR. BUTLER: Excuse me, Your Honor. I might just
25 interject. I indicated that I didn't need to make an

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1 opening statement on behalf of 360. But in light of
2 Mr. Schiffman's statements I think I need to make a brief
3 opening statement.

4 JUDGE FRIEDLANDER: Okay. Why don't we go ahead
5 and have Mr. Butler, and then, Mr. Trincherro, we'll allow
6 you to give your opening statement.

7 MR. BUTLER: 360networks intervened in this
8 proceeding because it was concerned that the transaction
9 proposed by the Joint Applicants could adversely impact the
10 competition in Washington, and in particular 360network's
11 rights and abilities to obtain interconnection and related
12 services that it needs to provide services.

13 In particular, the problem that 360 faced is the
14 fact that its interconnection agreement expired in March of
15 2009 and continues in effect on a month to month basis. 360
16 was concerned that with the introduction of new management
17 the new entity would decide not to continue the existing
18 interconnection agreement and would also change the template
19 agreement for successor agreements. And so 360 entered into
20 a settlement that the terms of which allowed 360network's
21 interconnection agreement to be extended for a period of
22 three years and allowed 360 to negotiate successor
23 agreements using the existing template of its agreement.

24 And, in addition, the terms of the agreement said
25 that 360 would be able to benefit from any conditions that

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1 was subsequently placed by the FCC. That's why it felt that
2 it wasn't disadvantaged by not resolving the other wholesale
3 issues.

4 In no way does the 360 settlement affect the
5 rights of any other entity nor resolve any of the wholesale
6 issues with respect to them. So, contrary to Mr. Schiffman's
7 statement, the 360networks' settlement would not impact
8 Sprint's ability to argue about or resolve any wholesale
9 issue. Thank you.

10 MR. MELNIKOFF: Your Honor.

11 JUDGE FRIEDLANDER: Yes.

12 MR. MELNIKOFF: I'm sorry to interject. Could I
13 ask for a clarification? I thought I heard Mr. Schiffman in
14 Sprint's opening remarks say that they objected to the
15 Staff's, Public Counsel's and DoD's settlement. I don't
16 believe I've heard that they've objected to DoD's settlement
17 ever before. Is that -- did I mishear you?

18 JUDGE FRIEDLANDER: Mr. Schiffman, would you please
19 answer.

20 MR. SCHIFMAN: Well, Sprint didn't file testimony
21 regarding the DoD settlement. We do believe it's a
22 settlement made available to one retail customer and terms
23 should be made available to wholesale customers, as well.
24 So I don't have any specific objection to the DoD
25 settlement. And Sprint didn't provide any testimony on

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1 that. So I would say we take no position on the DoD
2 settlement.

3 MR. MELNIKOFF: Thank you, Your Honor.

4 JUDGE FRIEDLANDER: Thank you. Mr. Trincherero.

5 MR. TRINCHERO: Thank you, Judge Friedlander,
6 Mr. Chairman, Commissioners. My name is Mark Trincherero, and
7 I'm here today representing XO Communications, tw telecom,
8 Pac-West Telecomm, McLeod USA Telecom d/b/a PAETEC Business
9 Services, Covad Communications and Charter Fiberlink. In
10 addition, Level 3 Communications and Cbeyond Communications,
11 who are represented in this proceeding by Mr. Butler, have
12 agreed to have me deliver this opening statement on their
13 behalf, as well.

14 My clients are both wholesale customers of the
15 Joint Applicants and competitors. Apparently, according to
16 the Joint Applicants, we are not the real competitors in the
17 state; however, we do believe that this cross-section of
18 competitors represents a substantial and significant amount
19 of the competition in the state, including competitors not
20 only of Qwest but of CenturyLink. For example, Charter
21 Fiberlink provides services not only in Qwest territory but
22 in many of the rural parts of the state that are served by
23 CenturyLink.

24 My clients have intervened in this proceeding in
25 order to urge the Commission to counterbalance the risks of

1 harm to the competitive market in the state of Washington
2 inherent in the proposed transaction by adopting a number of
3 proposed conditions that would act as a means of mitigating
4 these risks.

5 The riskiness of mergers of this magnitude are
6 discussed in detail in the prefiled testimony of Dr. Ankum
7 and Mr. Gates, and I will not repeat them here. Those
8 witnesses also provide a discussion of why competitors in
9 the competitive market in the state are likely targets for
10 downsizing and other integration processes designed to
11 capture merger related synergies touted by the Joint
12 Applicants to be in the neighbor of over \$600 million to be
13 realized over the next three to five years.

14 The Joint Applicants counter that CenturyLink and
15 its predecessor CenturyTel have strung together a series of
16 successful mergers including the recent merger with Embarq,
17 a company that was larger than CenturyTel when CenturyTel
18 acquired it.

19 In response to these arguments, in addition to the
20 fact that Qwest is, of course, a much larger acquisition
21 than was Embarq, I would like to paraphrase from the
22 cross-examination testimony of Dr. Ankum in the recent
23 hearings in the Oregon merger proceeding. Wherein
24 discussing the purported success of the recent Embarq merger
25 he stated, "Each merger is inherently different because of

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1 merging of different cultures." With respect to the Embarq
2 merger the jury is still out on that, but for the moment
3 let's assume that that will work out as envisioned. That in
4 no way is an assurance that now adding Qwest into this mix
5 with a radically different culture is necessarily going to
6 work out.

7 In other words, past success in the business is no
8 assurance at all of future success. And we're not saying
9 that things will necessarily go wrong, all that we are
10 proposing is an insurance policy that if things do go wrong
11 the Commission should have in place certain conditions that
12 insulate competitors and competition.

13 The other thing you'll hear from the Joint
14 Applicants is that the settlement agreement with Integra
15 does exactly that. However, as detailed in the testimony
16 filed earlier this week by Mr. Gates, Mr. Pruitt of Charter
17 and Mr. Haas of PAETEC the conditions agreed to by Integra,
18 while they may protect the vital interests of Integra, are
19 not sufficient to protect the interests of other CLECs with
20 markedly different business plans and market entry methods.

21 Now, this morning the Joint Applicants said that
22 the Integra merger -- I'm sorry, the Integra settlement
23 addresses all legitimate merger related issues. Well, you
24 will hear from the remaining CLECs is simply a wish list of
25 items that have nothing to do with the merger. I believe

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1 when you read the testimony that has been filed this week
2 you will see that each and every one of the proposed
3 conditions has to do with merger related harms. This is not
4 simply a wish list of CLECs, this is proposed conditions
5 related to potential harms that are meant to protect
6 competitors just as are the conditions in the Integra
7 settlement agreement. However, the conditions in the
8 Integra settlement agreement are sufficient from the
9 perspective of Integra which has a different business model
10 than these other CLECs.

11 While the Integra settlement agreement does
12 include a number of conditions that provide adequate
13 assurance to protect competitors in competition generally,
14 there are several areas where the Integra settlement
15 agreement conditions, or lack thereof, is woefully deficient
16 to sufficiently protect the interests of other competitors
17 and thus the competitive landscape in the state.

18 For this reason my clients, as well as Cbeyond and
19 Level 3, propose several important conditions not addressed
20 or addressed inadequately by the Integra settlement that the
21 Commission should impose in order to approve the merger in
22 the public interest.

23 First, in the Qwest legacy territory the merged
24 company should use and offer to wholesale customers the
25 legacy Qwest OSS for a minimum of three years. This is the

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1 absolute minimum time period associated with the three to
2 five year integration synergy timeframe CenturyLink has
3 repeatedly forecasted. The Integra settlement timeframe is
4 inadequate, it is only two years. It does not cover the
5 minimum synergy time frame. And as a result, CLECs would
6 face significant risk of harm related to OSS post-merger,
7 especially those CLECs like PAETEC that have spent
8 significant amounts of money to develop sophisticated
9 interfaces with Qwest to insure realtime interactions with
10 Qwest to the benefit of end users.

11 Second, absent from the Integra settlement is any
12 requirement for third party OSS testing. The merged company
13 should be required to conduct independent third party
14 testing similar to that used in the Qwest 271 proceedings
15 for any OSS that replaces a Qwest OSS that has undergone
16 third party testing. Third party testing is critical in
17 determining the commercial readiness of OSS. CenturyLink
18 has never been through a Section 271 process. And its
19 systems have never been found to be 271 compliant.

20 The Commission should require CenturyLink and
21 Qwest to commit to the independent third party testing
22 provisions of the Joint CLEC condition 19B.

23 Furthermore, any replacement of a Qwest OSS must
24 result in true functional equivalence as described in
25 Mr. Haas' testimony.

1 Third, the applicable time periods for nonUNE
2 commercial and wholesale agreements and tariffs should be at
3 a minimum three years. Many CLECs rely significantly on
4 nonUNEs--unbundled network elements, that's U-N-E, small
5 s--purchased from Qwest under commercial and wholesale
6 agreements and tariffs including special access in order to
7 provide service to customers in Washington.

8 These nonUNEs are typically the exact same
9 functionalities as their UNE counterparts, the only
10 difference is in the terms and rates under which those
11 facilities are provided. Therefore, it is essential for
12 protection against merger related harm to cover the breadth
13 and diversity of local competition as it relates to
14 availability of wholesale services on which CLECs rely to
15 provide competitive service.

16 The applicable time periods in the Integra
17 settlement agreement for nonUNE offerings are as follows:
18 Commercial agreements 18 months, wholesale agreements 18
19 months and tariffs 12 months. These time periods are
20 significantly shorter than the minimum three year synergy
21 time frame, and they're also significantly shorter than the
22 minimum three year time period associated with
23 interconnection agreements in the Integra settlement.

24 These shorter time frames for nonUNE wholesale
25 agreements place CLECs to rely on them at a competitive

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1 disadvantage relative to CLECs who purchase wholesale
2 services as UNEs under interconnection agreements. CLECs
3 should not be discriminated against or penalized because of
4 their particular mode of entry.

5 At an absolute minimum these agreements and
6 tariffs should be extended for at least three years
7 following merger closing to match the minimum three year
8 synergy time frame and the applicable time frame for
9 interconnection agreement extensions under this Integra
10 settlement agreement.

11 Fourth, competitors should not be permitted to
12 adopt or opt into any interconnection agreement to which
13 Qwest is a party in the same state or in any state to which
14 Qwest is an ILEC. This was covered also in Mr. Schiffman's
15 opening statement.

16 The lack of any interconnection agreement porting
17 or cross-state adoption provisions in the Integra settlement
18 constitute a significant omission of necessary conditions to
19 insure the competitor's transaction costs do not increase as
20 a result of the proposed merger. This is particularly true
21 for competitors that operate in multiple CenturyLink and
22 Qwest service areas and who, therefore, have many different
23 agreements on a state-by-state basis with both Qwest and
24 CenturyLink.

25 To address these concerns the Commission should

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1 adopt an additional condition that permits a competitor to
2 adopt or opt into any interconnection agreement to which
3 Qwest is a party in the same state or in any state to which
4 Qwest is an ILEC subject to a state commission required
5 terms and pricing to be included in the porting agreement.

6 Fifth, the Commission should impose a condition
7 that provides CLECs with the right to use a single point of
8 interconnection per LATA for all of the merged company
9 entities operating within the LATA. This is also similar to
10 a provision proposed by Sprint and discussed in
11 Mr. Schifman's opening statement; and, therefore, I will not
12 belabor that point.

13 I would simply mention that our proposal is
14 limited to situations in which the networks of the Joint
15 Applicants after merger are interconnected. If the Joint
16 Applicants post-merger have the ability to carry their own
17 traffic then they should also be required to carry the
18 traffic of competitors that choose to interconnect at only
19 one point on their network. This basic principle reflects
20 well-established nondiscrimination standard under Section
21 251 which requires the incumbent to provide interconnection
22 to the competitor on terms that are equivalent to what the
23 incumbent provides to itself.

24 Sixth, the merged company should commit to comply
25 with federal and state law as it relates to its directory

1 assistance and directory listing responsibilities in all of
2 its ILEC territories just as Qwest currently does. The
3 Integra settlement fails to address any of the Joint CLECs
4 concerns with respect to CenturyLink's failure to provide
5 wholesale access to directory listing and directory
6 assistance functions in a nondiscriminatory manner.

7 Currently, Qwest allows CLECs to submit its
8 directory service requests to retain at or change a CLEC
9 directory listing in the white and yellow pages directories
10 that Qwest causes to be published for its own customers
11 without charge. The merged company should be required to
12 follow that same pre-merger practice.

13 Seventh, Commission should impose a commitment
14 that prevents CenturyLink from avoiding its obligations as
15 an ILEC under Section 251(c) by using the rural exemption as
16 a shield against network interconnection obligations which
17 promote competition.

18 Although the Integra settlement addresses the
19 rural exemption issue it is limited to the rural exemption's
20 application to only the Qwest ILEC service territory.
21 Because this condition only applies to Qwest, and not to
22 CenturyLink, it is of limited use to competitors such as
23 Charter who provide service in Washington's smaller less
24 densely populated communities in competition with
25 CenturyLink.

1 CenturyLink's assertion of the rural exemption has
2 the effect of increasing operational costs for such
3 competitors, and the Commission should go beyond the limited
4 terms of the Integra settlement by securing commitments from
5 the merged company to waive its right to seek rural
6 exemption for rural telephone companies and to waive its
7 right to seek suspension and modification for rural carriers
8 under Section 251(f) (2).

9 Eighth, the extension of nonUNE commercial
10 wholesale agreements and tariffs including terms and volume
11 discounts should apply to wholesale agreements in place as
12 of the merger filing date.

13 The Integra settlement states that term and volume
14 discount plans offered by Qwest as of the closing date will
15 be extended by 12 months beyond the expiration date other
16 than existing term. The phrase offered by Qwest as of the
17 closing date presents a problem for CLECs who rely on
18 Qwest's regional commitment plan agreements.

19 Qwest grandfathered the RCP in June 2010 and
20 replaced it with a new RCP that results in significantly
21 higher costs for CLECs. Qwest is now arguing that the
22 existing RCP agreements with CLECs, which are based on the
23 now grandfathered regional commitment plan, are no longer
24 offered by Qwest as of the closing date. So the CLECs
25 current RCP agreements are not eligible for extension.

1 Based on this position there would be no extension
2 for CLEC's existing RCP agreements under the conditions of
3 the proposed Integra settlement. Likewise, if a CLEC's
4 existing regional commitment plan agreement expires before
5 the closing date the CLEC would be unable to extend its
6 existing RCP agreement with Qwest and would be forced onto
7 the new RCP that increases the CLEC's cost and negatively
8 impacts its ability to compete.

9 Ninth, the Integra settlement fails to include the
10 Joint CLEC's proposed additional performance assurance plan
11 or APAP which would allow -- which would apply if the merged
12 company failed to provide wholesale service quality at
13 levels Qwest provided prior to the merger.

14 The APAP is a minimum five year performance
15 assurance plan applicable to the legacy Qwest ILEC territory
16 which would compare the merged company's monthly performance
17 with the Qwest performance that existed in the 12 months
18 prior to the merger filing date.

19 This comparison would be made using the current
20 Washington performance indicators or PIDs, products and
21 disaggregation, as well as the same statistical methodology
22 that's used in the Qwest performance assurance plan to
23 determine whether a statistically significant deterioration
24 in the performance exists.

25 The QPAP was designed to capture discriminatory

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1 treatment, not merger related service quality degradation,
2 and as such the QPAP compares wholesale service quality to
3 retail service quality. This comparison would not capture
4 or address deterioration in wholesale service quality
5 related to the merger, particularly if both retail and
6 wholesale service quality were to deteriorate after the
7 merger.

8 To properly capture merger related deterioration
9 and wholesale service quality, pre-merger wholesale service
10 quality must be compared to post-merger wholesale service
11 quality as the APAP does.

12 Moreover, the APAP provides financial incentives
13 in the form of APAP remedy payments for merger related
14 wholesale service quality deterioration. These remedies
15 would provide the necessary incentives to the merged company
16 to not pursue merger savings at the extent of wholesale
17 service quality or pay current QPAP remedies as a cost of
18 doing business.

19 JUDGE FRIEDLANDER: Mr. Trincherro, you're right up
20 to that 15 minute mark. If you want to just go ahead and
21 wrap it up.

22 MR. TRINCHERO: I am on my last two here.

23 The moratorium on Qwest's request to reclassify
24 our wire centers as nonimpaired and request for forbearance
25 should apply for a longer period of sometime than in the

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1 Integra. While the Joint CLECs agree with moratoriums on
2 nonimpairment filings and petitions for forbearance to
3 address merger related harm, the time period proposed in the
4 Integra settlement is too short and arbitrary. If the
5 proposed transaction is ultimately approved in the first
6 quarter of 2011, as CenturyLink and Qwest are hoping, the
7 June 1, 2012, expiration date results in effective
8 moratorium of about only 15 months. This falls far short of
9 the three to five year time period during which the merged
10 company will be integrating and capturing merger related
11 synergies. The Joint CLECs have proposed in Condition 14
12 that such moratoriums should remain in effect for at a
13 minimum of three years consistent with the synergy time
14 frame.

15 Then, finally, the Commission should adopt a most
16 favored state condition proposed by the Joint CLECs. This
17 condition would insure that the public interest benefits
18 obtained as a result of conditions agreed to by CenturyLink,
19 and other jurisdictions or at the FCC, can also be applied
20 in Washington. This is consistent with provisions that have
21 been imposed by this Commission in energy cases, and we
22 believe it would allow Washington customers to benefit from
23 the review and conditions imposed in other states.

24 And with that, thank you.

25 JUDGE FRIEDLANDER: Thank you. We're going to go

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1 ahead and take our midmorning break. But before we do I'll
2 just give you a heads up of what's going to happen as soon
3 as you come back into the room. When you do come back in
4 we're going to try to seat the first panel. And I will have
5 each of the counsel call their witnesses to the stand. When
6 we have all of the witnesses on the panel I will swear them
7 in. And we'll begin with direct, go to cross and then
8 redirect. So we are on recess for ten minutes.

9 (Break taken from 10:48 to 11:03 a.m.)

10 JUDGE FRIEDLANDER: Okay. We'll go back on the
11 record. At this time I would like to seat, for Commission
12 inquiry, the first settlement panel addressed in this
13 settlement between Joint Applicants, Staff, Public Counsel
14 and the DoD/FEA.

15 I'll ask counsel for the parties to call their
16 witness beginning with Mr. Simshaw.

17 MR. SIMSHAW: Thank you, Your Honor. To
18 participate on the retail panel CenturyLink would call John
19 Jones.

20 JUDGE FRIEDLANDER: Thank you. If you just want
21 to -- yeah, just fill in the chairs.

22 And, Ms. Anderl, would you like to call your
23 witness?

24 MS. ANDERL: Yes, thank you. Qwest calls Mark
25 Reynolds to the stand or to participate in the retail panel.

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1 JUDGE FRIEDLANDER: Thank you.

2 Ms. Cameron-Rulkowski, if you would like to call your
3 witness.

4 MS. CAMERON-RULKOWSKI: Staff calls Mr. Mark
5 Vasconi.

6 JUDGE FRIEDLANDER: Thank you. Mr. Ffitch.

7 MR. FFITCH: Public Counsel calls Ms. Stephanie
8 Johnson.

9 JUDGE FRIEDLANDER: Thank you. And you might as
10 well stay standing because I'm going to go ahead and
11 administer the oath.

12

13 JOHN JONES, MARK REYNOLDS, MARK VASCONI, STEPHANIE JOHNSON,

14 having been first duly sworn on oath

15 testified as follows:

16

17 JUDGE FRIEDLANDER: Mr. Simshaw, if you want to
18 begin the direct.

19

20 DIRECT EXAMINATION

21 BY MR. SIMSHAW:

22 Q. Mr. Jones, could you state your name and position
23 for the record?

24 A. (Jones) My name is John Jones. I work for
25 CenturyLink. And I'm the vice president of the state

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1 government affairs.

2 JUDGE FRIEDLANDER: I don't know if your mic is
3 on.

4 A. (Jones) How is this?

5 JUDGE FRIEDLANDER: Thank you.

6 Q. (By Mr. Simshaw) Mr. Jones, are you sponsoring
7 testimony that is encompassed with the document that is
8 entitled the joint testimony of parties in support of the
9 Public Counsel and Staff settlement?

10 A. (Jones) Yes, I am.

11 Q. Do you have any charges or corrections to the
12 testimony that is encompassed within that document?

13 A. (Jones) I do not.

14 MR. SIMSHAW: With that, Your Honor, I believe
15 Mr. Jones is available to participate in the panel.

16 JUDGE FRIEDLANDER: Thank you. Ms. Anderl.

17 MS. ANDERL: Thank you, Your Honor.

18

19 DIRECT EXAMINATION

20 BY MS. ANDERL:

21 Q. Mr. Reynolds, would you please state your name and
22 your business address for the record?

23 A. (Reynolds) Yes. My name is Mark Reynolds. And my
24 business address is 1600 Seventh Avenue, Room 1506, Seattle,
25 Washington 98166.

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1 Q. Thank you. By whom are you employed and in what
2 position?

3 A. (Reynolds) I'm employed by Qwest Corporation. And
4 I'm the assistant vice president of regulatory affairs.

5 Q. Were you also one of the sponsors of the joint
6 testimony in support of the Staff and Public Counsel and
7 Joint Applicants' settlement agreement?

8 A. (Reynolds) Yes, I am.

9 Q. Thank you.

10 MS. ANDERL: Your Honor, subject to the other
11 witnesses being impaneled, we do have the one item with
12 regard to Exhibit 10 that we would inquire of Mr. Reynolds
13 on. Would you like me to wait or do that now?

14 JUDGE FRIEDLANDER: Why don't we wait. Yeah,
15 thank you. And Ms. Cameron-Rulkowski.

16 MS. CAMERON-RULKOWSKI: Thank you, Your Honor.

17

18 DIRECT EXAMINATION

19 BY MS. CAMERON-RULKOWSKI:

20 Q. Mr. Vasconi, would you please state your full
21 name?

22 A. (Vasconi) My full name is Mark Vasconi.

23 Q. And where are you employed?

24 A. (Vasconi) I'm employed with the Washington
25 Utilities & Transportation Commission.

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1 Q. What position do you currently hold with the
2 Commission?

3 A. (Vasconi) I currently hold the position of interim
4 director of regulatory services.

5 Q. When you filed a responsive testimony in this case
6 was that the position that you held at that time?

7 A. (Vasconi) No. At the time I was a
8 telecommunications manager in the regulatory services
9 division.

10 Q. Did you jointly sponsor testimony in support of
11 the settlement?

12 A. (Vasconi) Yes, I did.

13 Q. Thank you.

14 MS. CAMERON-RULKOWSKI: Mr. Vasconi is available.

15 JUDGE FRIEDLANDER: Thank you. And, Mr. ffitch.

16 MR. FFITCH: Thank you, Your Honor.

17

18 DIRECT EXAMINATION

19 BY MR. FFITCH:

20 Q. Good morning, Ms. Johnson.

21 A. (Johnson) Good morning.

22 Q. Would you please state your full name for the
23 record and your business address?

24 A. (Vasconi) My name is Stephanie Johnson. My
25 business address is 800 Fifth Avenue, Suite 2000, Seattle,

0205

1 Washington 98104.

2 Q. And by whom are you employed and in what capacity?

3 A. (Johnson) I'm employed by the Attorney General's
4 Office of Washington of the Public Counsel section. And I'm
5 a regulatory analyst.

6 Q. Ms. Johnson, have you prepared testimony on behalf
7 of Public Counsel in support of the settlement agreement
8 with Joint Applicants and Staff in this case?

9 A. (Johnson) Yes, I have.

10 Q. Is that testimony included as a portion of what's
11 been marked as Exhibit 7T?

12 A. Yes, it is.

13 Q. You have any changes or corrections to that
14 testimony?

15 A. (Johnson) No, I don't.

16 Q. Is that testimony true and correct to the best of
17 your knowledge?

18 A. (Johnson) Yes, it is.

19 MR. FFITCH: Your Honor, Ms. Johnson is available
20 for inquiry from the Bench and for cross-examination.

21 JUDGE FRIEDLANDER: Thank you. Ms. Anderl, you
22 mentioned earlier the broadband exhibit, Exhibit 10. Why
23 don't we go ahead and do that now and then we will open the
24 panel up for cross-examination.

25 MS. ANDERL: Okay. Thank you, Your Honor. Now,

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1 has the Bench been provided with the copies?

2 JUDGE FRIEDLANDER: We have. Thank you.

3

4 DIRECT EXAMINATION (continued)

5 BY MS. ANDERL:

6 Q. Mr. Reynolds, do you have in front of you what's
7 been marked for identification as Exhibit No. 10?

8 A. (Reynolds) Yes, I do.

9 Q. Can you generally -- does that exhibit relate to
10 the broadband commitment in the settlement agreement that's
11 identified as Number 14, Condition No. 14?

12 A. (Reynolds) Yes, it does.

13 Q. Can you describe generally what this document
14 reflects?

15 A. (Reynolds) Yes. It reflects reporting commitments
16 that are required in Condition 14 regarding the broadband
17 commitment that is contained in Condition 14, which includes
18 annual reporting regarding availability of broadband
19 services, deployment costs, expenditures. There's also a
20 draft report that pertains to the 180 day report that will
21 be the initial layout of planned deployments by wire center
22 that will be the subject of discussion by Public Counsel and
23 Staff and the Joint Applicants regarding selecting the wire
24 centers for the first deployment.

25 Q. Okay. On the cover sheet it says broadband

0207

1 reporting formats, plural, and then it says conceptual
2 samples. So do I understand that these are not the final
3 form of reports?

4 A. (Reynolds) That's correct. In fact, the parties
5 commit to submitting a final format template within 30 days
6 of the close of the transaction.

7 Q. Thank you.

8 MS. ANDERL: I have no further questions. And,
9 Your Honor, if Exhibit 10 hasn't already been swept into the
10 record we would move its admission.

11 JUDGE FRIEDLANDER: And it has. Thank you.

12 MS. CAMERON-RULKOWSKI: Your Honor, at this time
13 we did have an issue with regard to Exhibit 6. With your
14 permission I would like to address that briefly.

15 JUDGE FRIEDLANDER: Yes, please.

16 MS. CAMERON-RULKOWSKI: Thank you. This is the
17 settlement conditions that are attached to the joint
18 settlement between Staff, Public Counsel and the Joint
19 Applicants. And the witnesses on the panel are prepared to
20 answer any questions that you might have with regard
21 specifically to Condition No. 16. But the parties would
22 like to go ahead and refile the conditions' list in order to
23 clarify some of the language in 16B.

24 I'll just reiterate that the witnesses on the
25 panel are ready to explain any questions that you might

0208

1 have. And we will be attempting to refile that as soon as
2 possible, and we hope today.

3 JUDGE FRIEDLANDER: Okay, thank you. And so we're
4 talking about Condition 16B of Exhibit 6 and you all are
5 still working on language; is that correct?

6 MS. CAMERON-RULKOWSKI: That's correct. And there
7 are no substantive changes, it's just to clarify what is
8 there right now.

9 JUDGE FRIEDLANDER: Okay. And as you said before
10 that the group would try to get this to us today?

11 MS. CAMERON-RULKOWSKI: That is our intent.

12 JUDGE FRIEDLANDER: Okay. If the settlement panel
13 is still up here then the Commission and the parties will
14 have the opportunity to cross-examine and ask clarifying
15 questions of the panel. If the panel is not seated at the
16 time that we get the revisions they will be subject to
17 recall by the other parties and for clarifying questions
18 just so everyone is aware of that. And I believe that will
19 be provided to the Commission and to the other parties; is
20 that correct?

21 MS. CAMERON-RULKOWSKI: That's correct, Your
22 Honor.

23 JUDGE FRIEDLANDER: Thank you. And I believe
24 without anything further, Ms. Endejan, the witnesses are
25 available for cross.

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1 MS. ENDEJAN: Thank you, Your Honor. If it would
2 please the Bench, Mr. Schiffman and I have kind of divided
3 responsibilities for the witnesses. I will question the
4 Joint Applicants and Mr. Schiffman will question the Staff.

5 JUDGE FRIEDLANDER: Thank you.

6

7 CROSS-EXAMINATION

8 BY MS. ENDEJAN:

9 Q. Okay. This could go to either Mr. Jones or
10 Mr. Reynolds, okay. So I consider you both Joint
11 Applicants. So you can flip a coin to see who answers, all
12 right. I'm going to ask you some questions about the
13 specifics of the Staff settlement agreement, do you have a
14 copy of that in front of you?

15 A. (Reynolds) Yes.

16 Q. Okay. Now, I'm going to ask you about some of the
17 conditions here, and I'm going to go through it,
18 specifically Condition No. 3, the AFOR filing.

19 Now, Qwest was obligated to make a new AFOR filing
20 irrespective of this settlement agreement; correct,
21 Mr. Reynolds, I mean another AFOR filing, I believe, in
22 February of this year were it not for the settlement?

23 A. (Reynolds) Right. The current Qwest AFOR
24 terminates in November of 2011. And that AFOR had a
25 requirement that Qwest engage in discussions and

0210

1 negotiations for a new AFOR prior to the term, the
2 concluding term of the existing AFOR.

3 Q. Okay. So that new AFOR filing was a preexisting
4 obligation prior to the settlement agreement; correct?

5 A. (Reynolds) Yes, it's embedded in the AFOR language
6 in the AFOR order that approved the settlement.

7 Q. So in effect would you agree with me that this
8 settlement agreement, to the extent that it has conditions
9 affecting the AFOR, constitutes an amendment to or change to
10 the existing AFOR?

11 A. (Reynolds) It certainly affects the termination
12 date of the existing AFOR and extends it out as indicated in
13 the condition.

14 Q. Okay. So it does modify the existing AFOR?

15 A. (Reynolds) Yes.

16 Q. All right. Now when you look at the pro forma
17 results of operations filing in Section 3(b)(i), is this
18 something that the company is required to do irrespective of
19 the settlement agreement?

20 A. (Reynolds) The Qwest AFOR, and this is also
21 contained in that section towards the end of the section.
22 The requirement for the financials under the Qwest AFOR is
23 required in the AFOR for Qwest to produce those financial
24 reports for the Commission in anticipation of negotiations
25 for a new AFOR. The CenturyLink company requirements are

0211

1 consistent with what would be required of a company that may
2 be negotiating in an AFOR.

3 Q. Okay. So this provision again reflects a
4 pre-existing obligation prior to the settlement agreement?

5 A. (Reynolds) It does for Qwest.

6 Q. All right. Now going to Sub d of Section 3, it
7 appears that the Joint Applicants have agreed "that the
8 issues in the future AFOR proceedings shall include the
9 analysis and disposition of merger synergies," do you see
10 that?

11 A. (Reynolds) Yes.

12 Q. Was it anticipated by those who negotiated the
13 settlement agreement that the Joint Applicants would share
14 the merger synergies with the citizens of Washington State?

15 A. (Reynolds) I don't think there's any condition
16 that relates to exactly how the disposition of those
17 synergies would be realized, certainly there isn't in the
18 condition only that given the fact that synergies will occur
19 over a three to five year period. Part of the reason for
20 extending the AFOR's was to allow those synergies to occur
21 so that they could be evaluated in the financial reports
22 that the companies would file in anticipation of an AFOR.

23 Q. So is it the Joint Applicants' position that the
24 language disposition of merger synergies does not
25 necessarily mean that the Joint Applicants will share those

0212

1 merger synergies with Washington customers?

2 A. (Reynolds) I don't think we formulated a position.

3 Q. Perhaps we could ask -- Mr. Schiffman will ask
4 Mr. Vasconi his understanding of that term.

5 Okay. And, actually, I believe that one of the
6 rationalizations put forth in the testimony in support of
7 the settlement was that the Commission would be able to take
8 into account any synergy savings that would not be available
9 immediately. Do you agree with me that that's one of the
10 justifications for, I guess, prolonging the next AFOR filing
11 for a period of three to four years?

12 A. (Jones) I would agree that's so they can take it
13 into account, yes.

14 Q. Now, Mr. Jones, I take it that you've read the
15 testimony of Mr. Bailey filed on behalf of CenturyLink in
16 this proceeding, have you not?

17 A. (Jones) I've reviewed it. I have not read it
18 recently.

19 Q. Okay. Well, and I don't know if you have it in
20 front of you, but I want to test your recollection of that
21 testimony because Mr. Bailey states in his -- I believe it's
22 his testimony dated November 1, 2010, he states, and I'll
23 read this to you, subject to check, that Mr. Bailey said,
24 "Additionally, as has been the experience of the company in
25 previous transactions, including the Embarq acquisition,

0213

1 CenturyLink begins to realize synergies immediately after
2 the consummation of the merger providing a still larger
3 buffer for the merged company to fund one time integration
4 and transaction costs without reducing network investment or
5 raising rates"?

6 MS. ANDERL: Your Honor, may I just interpose a
7 clarifying question. And that is for the reference to that
8 testimony, again, and the opportunity to provide the witness
9 with a copy of it.

10 JUDGE FRIEDLANDER: Certainly.

11 MS. ENDEJAN: It's Exhibit GCB-6HCRT, testimony of
12 November 1st, 2010, Page 30, Lines 17 through 21.

13 MS. ANDERL: May I approach, Your Honor?

14 JUDGE FRIEDLANDER: Yes.

15 (Document handed to the witness.)

16 A. (Jones) Page 30, Line 21?

17 BY MS. ENDEJAN:

18 Q. Page 30, Lines 17 through 21.

19 A. (Jones) Okay.

20 Q. Do you recall reading this testimony?

21 A. (Jones) Yes.

22 Q. Okay. Would you disagree that CenturyLink knew
23 that synergies would be, I guess, begin to occur immediately
24 after the consummation of the merger, and they would not
25 have to occur over time?

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1 A. (Jones) I am not the financial witness, and we do
2 have a financial witness available for cross, but my
3 understanding is that conceivably certain synergies do begin
4 occurring at close, but for them to fully manifest the three
5 to five year timeframe is what the company has declared
6 publically.

7 Q. You were involved in the negotiation of the
8 settlement agreement, were you not, though?

9 A. (Jones) Indirectly.

10 Q. Okay. Would it be fair to say that you knew that
11 the estimated synergies for the merger has been presented
12 as, I guess, \$625 million?

13 A. (Jones) Yes.

14 Q. Is that on an annual basis?

15 A. (Jones) I'm not -- I would defer to Mr. Bailey
16 just for clarification on that.

17 Q. Okay. And you would defer with him in terms of --
18 strike that.

19 Did you have any understanding if any of those
20 synergy savings would cover the integration and transaction
21 costs when you were entering into this settlement agreement?

22 A. (Jones) No.

23 Q. Okay. Did you have any idea, before you entered
24 into this settlement agreement, what the amount of synergies
25 would be for, I guess, achieved by the Joint Applicants in

0215

1 the state of Washington?

2 A. (Jones) No, I did not.

3 Q. Do you have any ballpark estimate?

4 A. (Jones) I do not.

5 Q. Okay. So I guess I'll have to ask Mr. Bailey
6 questions about when synergies were to be achieved or not?

7 A. (Jones) That would probably be best.

8 Q. Okay. So in the testimony that was put forth
9 supporting this would you agree with me that there's at
10 least a question as to whether or not synergies would not be
11 available and known and quantified for a period of three to
12 four years?

13 A. (Jones) I don't believe all synergies would, no.

14 Q. Let me go back to the settlement agreement. And,
15 again, this could be for either Mr. Reynolds or Mr. Jones,
16 it would be Conditions 5 and 6, do you see those? Where you
17 agree that you will not seek recovery of management costs or
18 merger costs from retail or wholesale customers?

19 A. (Jones) Yes.

20 Q. What is your understanding that anticipated
21 synergy savings would cover those costs?

22 A. (Jones) I do not know if the synergy savings would
23 directly cover those costs. Again, I would defer to
24 Mr. Bailey to go into more of the details of that. This was
25 really more of our assurance that we would not pass those

0216

1 costs on to Washington consumers.

2 Q. Did you make that assurance with the knowledge
3 that the company had planned for, and had a plan in place,
4 to cover those anticipated costs?

5 A. (Jones) Yes, the company would have a way of
6 recovering those costs.

7 Q. Okay. Now, turning to Condition No. 11 in that it
8 deals with affiliated interest compliance. Now, the Joint
9 Applicants are obligated by law to comply with all
10 applicable state and federal statutes regarding affiliated
11 interest transactions; correct?

12 A. (Jones) Correct.

13 Q. So this really isn't a concession or a commitment,
14 it's just a commitment to comply with the law, isn't it?

15 A. (Jones) Correct. And it's No. 9 instead of 11.

16 Q. I'm sorry, No. 9.

17 Furthermore, in Condition No. 11 you have agreed,
18 "you" meaning Joint Applicants, have agreed to make a number
19 of books and records available for inspection by the
20 Commission, do you not?

21 A. (Jones) Yes.

22 Q. Now, you are aware that the Commission Staff has
23 the right pursuant to Washington statutory law to ask you to
24 produce any book or record for inspection; correct?

25 A. (Jones) That's correct.

0217

1 Q. Okay. So, again, this really isn't a commitment
2 to do something that you're not already required to do;
3 right?

4 A. (Jones) I think if you look at all of the
5 financial reporting conditions and commitments that we have
6 made here you'll find that they're substantive and
7 substantial as compared to probably anything we have
8 committed to in any other state. So if you look at them as
9 a whole you will see the Commission has more than adequate
10 incite into the company's books, records, merger costs,
11 management costs, anything that relates to the merger
12 itself.

13 Q. Right. But the Commission has that right
14 independent of anything you agree to provide to them in this
15 settlement agreement; right? They could ask you to produce
16 them?

17 A. (Jones) I would think they could. I'm not an
18 expert of what the full authority of this Commission is.
19 But I believe this probably exceeds in some respects when
20 you look at it in total.

21 Q. Okay. Then finally Condition 27 deals with, I
22 guess, committing to live up to the existing 911 service
23 contracts. It's on Page 12. Do you see that?

24 A. (Reynolds) Yes, that's correct.

25 Q. So this, again, was a preexisting legal obligation

0218

1 of Qwest, was it not?

2 A. (Reynolds) Yes.

3 Q. So this is just simply an agreement to abide by
4 your contractual commitment?

5 A. (Reynolds) That's correct. And it memorializes
6 that agreement within the context of this settlement.

7 Q. Okay. Now, I believe that all of you, including
8 the Joint Applicants, have testified that you believe the
9 settlement agreement is consistent with the public interest,
10 would that be a fair characterization of your position?

11 A. (Reynolds) Yes.

12 A. (Jones) Yes.

13 Q. Okay. And I think, Mr. Reynolds, in your direct
14 testimony in favor and support of the merger, and I don't
15 know if you have that in front of you, Mr. Reynolds?

16 A. (Reynolds) I do. Just one minute, let me access
17 it.

18 Q. Sure. Okay. If you could turn to Page 11 of your
19 direct testimony, which is Exhibit MSR-1T, and Lines 18 and
20 19 specifically, do you see that?

21 A. (Reynolds) Yes.

22 Q. Okay. Now, that sentence specifically states that
23 you are testifying that the transaction is in the public
24 interest and will provide a number of benefits to customers
25 of CenturyLink and Qwest in Washington. When you use the

0219

1 term "customers" did you intend to include wholesale
2 customers?

3 A. (Reynolds) Yes.

4 Q. And further on in your testimony, I believe at
5 Page 25, Lines 1 through 12, you testify about the benefits
6 that wholesale customers might benefit from the merger
7 transaction. Could you take a minute to read that?

8 A. (Reynolds) I've reviewed it.

9 Q. Okay. And I don't mean to mischaracterize your
10 testimony, but from it I've derived what you perceive to be
11 three primary benefits from wholesale customers. The first
12 is you state that the combined company will continue to
13 serve wholesale customers, you see that?

14 A. (Reynolds) Yes.

15 Q. Now, that is basically the continuance of an
16 existing obligation, is it not?

17 A. (Reynolds) Yes, I believe both companies have
18 obligations to serve the wholesale customers both by tariff
19 and by contractual agreements.

20 Q. Okay. So there's no intent to cease continuing to
21 serve wholesale customers?

22 A. (Reynolds) That's correct.

23 Q. As a result of the merger?

24 A. (Reynolds) It's an assurance.

25 Q. Okay. And then you state that another advantage

0220

1 is that you'll provide a bigger footprint for the existing
2 services that you already provide. Is that the second
3 identified benefit that you testify about for wholesale
4 customers?

5 A. (Reynolds) Yes.

6 Q. Okay. So essentially what it means is you'll just
7 cover a larger area, but you won't do anything different
8 from providing the existing services?

9 A. (Reynolds) Not initially, but I think over time as
10 the company seeks to, you know, achieve synergies on a
11 network basis that there may be some benefits to combining
12 the networks in certain ways that might benefit wholesale
13 customers.

14 Q. Okay. But you don't talk about that in your
15 testimony here?

16 A. (Reynolds) I don't. But that was part of my
17 thought as I drafted it.

18 Q. Okay. Then, finally, you talk about a commitment
19 regarding broadband wireless services. Now, was Qwest in
20 the business of provisioning broadband wireless services
21 prior to the merger?

22 A. (Reynolds) No.

23 Q. It's your testimony that Qwest did not have plans
24 to provision broadband wireless services prior to the
25 merger?

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1 A. (Reynolds) Not on a retail basis.

2 Q. Is this a new service that you claim the merger
3 will bring about?

4 A. (Reynolds) No. I'm saying -- here I'm saying that
5 as the companies extend fiber deeper into their network all
6 customers can benefit, including wireless providers, to the
7 extent that we put more capacity in fiberoptic cable deeper
8 into our network that provides opportunities for hauling all
9 traffic including retail and wholesale traffic.

10 Q. Okay. Now, Qwest would have continued to make
11 that investment in expanding its fiber network without the
12 merger, would it not?

13 A. (Reynolds) It would have independently, but to the
14 extent that the combined company will be planning both
15 companies together there are certain economies that the
16 companies may achieve in the network design.

17 Q. Okay. But other than those identified benefits
18 for wholesale customers I guess is there any other testimony
19 from a Qwest or CenturyLink witness that would describe the
20 benefits wholesale customers would get from the merger other
21 than your testimony here?

22 A. (Reynolds) I think that both CenturyLink/Qwest
23 witnesses that deal with wholesale, such as Mr. Hunsucker,
24 Mr. Viveros, deal with those issues.

25 Q. Okay. Now in terms of -- again I'm trying to put

0222

1 this in the context of the settlement agreement, all right?
2 And the settlement agreement with Staff which there's been
3 representations today incapsulates, I guess, all relevant
4 merger related concerns.

5 Let me ask you about the commitment made by the
6 companies regarding retail rates. Now, you've agreed that
7 you're going to freeze retail rates for at least the next
8 three years; correct?

9 A. (Reynolds) With the exception -- not all retail
10 rates, no.

11 Q. Well, with the exception of, I guess, the 1FB
12 rate?

13 A. (Reynolds) Well, for Qwest under its AFOR what
14 Qwest has agreed to freeze -- and maybe we should take the
15 companies independently. CenturyLink has agreed to freeze
16 their basic residential service and their basic business
17 service. Qwest has agreed to freeze its basic residential
18 service. All three of those services are currently under
19 tariff. Qwest business service, simple business service, is
20 competitively classified, not just under the AFOR but by a
21 prior proceeding. We have agreed to cap that business
22 service for three years allowing only a \$1 increase during
23 that three year period.

24 Q. Okay. So the settlement agreement represents a
25 commitment from the Joint Applicants with respect to rate

0223

1 treatment for business and retail customers, wouldn't you
2 agree?

3 A. (Reynolds) Yes, for their basic exchange services
4 only.

5 Q. Okay. And to the extent you're making this
6 commitment this revises the AFOR, again, because it provides
7 a term that isn't in the existing AFOR; correct?

8 A. (Reynolds) It does create a new condition,
9 especially for the business services. The business services
10 currently has pricing flexibility. And I will say that it
11 is -- and repeat that it is only the simple business
12 service, what we call the 1FB, that is affected by the
13 commitment here.

14 Q. Okay, but there's no provision in the settlement
15 agreement that addresses or reflects any commitment with
16 respect to wholesale rates; correct?

17 A. (Reynolds) I believe any commitments that the
18 company has with respect to wholesale rates would be
19 included in the Integra settlement, and I'm really not the
20 correct witness to respond to that.

21 Q. Okay. But you were involved in negotiating the
22 settlement agreement with Staff?

23 A. (Reynolds) That's correct.

24 Q. And in those, I guess, wholesale rate treatment
25 was not a subject of negotiation?

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1 A. (Reynolds) It was not a subject of negotiation in
2 this settlement conference that this panel represents, yes.

3 Q. Okay.

4 A. (Reynolds) But I'm sure it was a topic of
5 discussion when the company met with the CLECs which
6 resulted in the Integra settlement.

7 Q. When you use the term the CLECs -- strike that.
8 Would it be fair to say that Integra is not
9 representative of all CLECs?

10 A. (Reynolds) Yes, I think that's a fair statement,
11 but, I guess, it's my testimony that the company had
12 settlement discussions with all CLECs that are parties to
13 this proceeding.

14 Q. Okay. But in terms of the Staff settlement would
15 it be fair to say there was really very little discussion of
16 wholesale issues or concerns?

17 A. (Reynolds) The one issue that deals with some
18 wholesale issues is the issue pertaining to wholesale OSS,
19 and I don't remember exactly what the condition was, but
20 that directly pertains to wholesale customers.

21 Q. Okay. Nothing to do with wholesale rates?

22 A. (Reynolds) That's correct.

23 Q. Okay. Now, I believe in your testimony at
24 Page 25, again, referring to what we were talking about, you
25 agreed that wholesale customers should be included in the

0225

1 group of, I guess, recipients of the benefits of the merger,
2 would that be a fair statement?

3 A. (Reynolds) I believe my representation is is that
4 they are included in the benefits and I try to discuss what
5 a few of those benefits might be.

6 Q. Okay. Did the topic of intrastate access charges
7 ever come up during the discussions with Staff regarding
8 this settlement agreement?

9 A. (Reynolds) They came up in regard to -- and I
10 think that they're memorialized in Condition No. 3 regarding
11 the issues that would be discussed in the upcoming AFOR
12 discussions that intrastate access would be one of the
13 subjects of the discussion.

14 Q. And that discussion is to take place four years
15 from now; is that correct?

16 A. (Reynolds) I believe that the condition suggests
17 no later than three years and no -- or no later than four
18 years, no earlier than three. So it's in year four, I
19 believe, that those discussions would take place. However,
20 initial discussions could start prior to that. When we
21 initially negotiated the Qwest AFOR it was a very long
22 period. It was a period of probably 18 months that we were
23 in discussions with the various parties.

24 Q. But between today, January 5, 2011, and that
25 future AFOR date, the intrastate access rates of Century and

0226

1 Qwest are to remain the same?

2 A. (Reynolds) They remain under tariff. There's no
3 condition in here that affects switched access charges one
4 way or the other. They remain as they exist pre-closing,
5 they remain the same post-closing until the discussions that
6 will be had during the upcoming AFOR discussions.

7 Q. So it's possible they could even increase?

8 A. (Reynolds) It's possible they could increase, it's
9 possible they could decrease.

10 Q. Are you aware of -- do you know what the
11 CenturyLink intrastate access rates currently are?

12 A. (Reynolds) No.

13 Q. Okay. You wouldn't have any reason to question
14 that the top end of the rate is 14 cents a minute in some
15 CenturyLink territories, whereas the Qwest intrastate access
16 rate is 2 cents a minute?

17 A. (Reynolds) I don't have any knowledge to confirm
18 that.

19 Q. Okay. Now, I believe a lot of the testimony put
20 forward by the Joint Applicants is the need to merge in
21 order to face intense competition in the telecommunications
22 industry. Would that be a fair characterization of the
23 Joint Applicants' position?

24 A. (Jones) Yes, that would be one of the components.

25 Q. And competition, would you agree that competition

0227

1 is intense in the telecommunications industry?

2 A. (Jones) Yes, I would.

3 Q. Would you agree that technology changes quite
4 rapidly in the telecommunications industry?

5 A. (Jones) Yes.

6 Q. And customer choice changes quite rapidly in the
7 telecommunications industry?

8 A. (Jones) Yes.

9 Q. So would it be fair to say that for purposes of
10 today's competitive environment four years could be a very
11 long time for no change to occur?

12 A. (Jones) It could be. But the very technology
13 you're talking about is actually changing--going back to
14 your intrastate access issue. What's going to happen in
15 four years is intrastate access minutes for us are going to
16 decline rapidly, and a lot of that traffic is moving to
17 carriers like Sprint who are picking up those revenues due
18 to the lost minutes and lost access lines on our part. That
19 is a major change going on. That will keep happening.

20 The AFOR will give us a chance to look at both
21 companies combined. Look at some of the synergy effects
22 that are out there, and then determine through a full
23 commission proceeding what all the moving parts need to be
24 to keep from disparaging Washington customers.

25 Q. So is it your testimony, Mr. Jones, that it's in

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1 the public interest to delay considering reducing the Joint
2 Applicants' access charges to competitive carriers for a
3 four year period?

4 A. (Jones) My understanding of Washington rules is
5 that a carrier like yourself has the opportunity to come in
6 and file a complaint. There's recourse in those four years
7 to challenge those rates if you choose to do so.

8 Q. When a carrier comes in and files a complaint,
9 that carrier bears the burden of proof though, does it not?

10 A. (Jones) I believe so.

11 Q. Now, have you done any analysis of whether any of
12 the anticipated synergies could have covered rate reductions
13 for access charge reductions, are you aware of any such
14 analysis?

15 A. (Jones) No, I'm not.

16 Q. Have you done any analysis that shows basically
17 the amount of revenues that the merged company will keep if
18 access revenues remain at current levels over the next four
19 years?

20 A. (Jones) No, I have not, and I have not seen any
21 documentation around that.

22 Q. Did you review the testimony of Mr. Appleby filed
23 by Sprint in this case?

24 A. (Jones) Earlier. It's been a while though.

25 Q. Now, would you agree with me that intrastate

0229

1 access charges are a significant cost to competitive
2 carriers?

3 A. (Jones) They could be, yes.

4 Q. Okay. And would you also agree with me that if
5 they were reduced it would benefit those carriers?

6 A. (Jones) It would probably benefit the carriers.

7 Q. And in your experience would a reduction in access
8 charges, intrastate access charges, lead to lower ultimate
9 rates provided by competitive carriers?

10 A. (Jones) That's really a good question. I think
11 the issue is what the carrier who receives the benefit of
12 reduced access charges does with those. Was that a pass
13 through for customers? I mean where does the benefit
14 ultimately end up.

15 Q. Well, wouldn't you agree that a competitive market
16 would force rate reductions if costs are lowered in order
17 for carriers to keep competing?

18 A. (Jones) Depending on the market it could.

19 MS. ENDEJAN: Your Honor, I think I will reserve
20 the remainder of my questions for the last bucket panel or
21 whatever you call it.

22 JUDGE FRIEDLANDER: For clarification, we have
23 been referring to the disputed issues not related to the
24 settlement as the "second bucket." So thank you,
25 Ms. Endejan.

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1 MS. ENDEJAN: Thank you.

2 JUDGE FRIEDLANDER: Mr. Schiffman, I'm looking at
3 the clock now thinking about lunch and when we should break.
4 And are your questions longer than 15 minutes? Is this
5 something that we should maybe take an early break before we
6 interrupt you?

7 MR. SCHIFMAN: My questions are likely to be more
8 than 15 minutes. I do have a couple of questions to
9 follow-up with Mr. Reynolds and Mr. Jones, and they will be
10 very brief. Maybe we do those and then do a break for lunch
11 before we address the other two witnesses on the panel.

12 MS. ANDERL: Your Honor, I guess I would object to
13 that procedure. Typically, without some extenuating
14 circumstances, one attorney for a party gets to cross a
15 witness, not multiple attorneys ganging up on a witness from
16 the same -- multiple attorneys from the same party. If
17 there are extenuating circumstances we're certainly willing
18 to reconsider our objection, but at this point I would
19 object.

20 JUDGE FRIEDLANDER: Mr. Schiffman.

21 MR. SCHIFMAN: We do have a panel of witnesses
22 here that are addressing a settlement agreement that was
23 just entered into within the last few days, with testimony
24 filed within the last few days. I think it probably makes
25 sense to give us a little levity here just for levity sake.

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1 JUDGE FRIEDLANDER: These are not questions that
2 Ms. Endejan can ask?

3 MR. SCHIFMAN: I suppose I can dictate them to
4 her, but I thought it might be easier for us to just quickly
5 go through them, less than five minutes here.

6 JUDGE FRIEDLANDER: Unless Ms. Anderl can quote me
7 a rule that says we can't have multiple attorneys I'm going
8 to allow it. And then following the follow-up questions
9 we'll go ahead and talk about a recess. So please proceed.

10

11 CROSS-EXAMINATION

12 BY MR. SCHIFMAN:

13 Q. Just a quick question for Mr. Reynolds.

14 Mr. Reynolds, you mentioned that the rate freeze in the
15 settlement pertains to Qwest for only the 1FB rate; is that
16 correct --

17 A. (Reynolds) That's correct.

18 Q. -- for business. Okay.

19 A. There's also a provision in there that requires us
20 to continue UNE rate stabilization plans we have in place
21 for our complex business services, the PBX trunks, Centrex,
22 other complex business services. We do have rate
23 stabilization plans in our catalog for virtually all those
24 services. So those would continue through the AFOR
25 discussions.

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1 Q. And so the other services, for example, bundles
2 that are offered by Qwest, are not capped by this
3 settlement; is that correct?

4 A. (Reynolds) That's correct --

5 Q. So --

6 A. (Reynolds) -- nor are features.

7 Q. Sorry to talk over you there. You said neither
8 are features?

9 A. (Reynolds) No. That's correct. Bundles, packages
10 and features are not capped.

11 Q. Okay. And so if there are reductions to Qwest or
12 CenturyLink's revenues as a result of the Commission's
13 approval of the merger in other areas, for example, in
14 intrastate access charges you would have the ability to
15 recover some of those costs from your own customers in your
16 bundles and features rates; is that correct?

17 A. (Reynolds) We may have the ability to charge a
18 higher rate. I don't know that we have the ability to
19 recover the cost depending on how competitive the market is,
20 and it's very competitive.

21 Q. Mr. Jones, as far as -- let me go back to
22 Mr. Reynolds.

23 Mr. Reynolds, your testimony, your rebuttal
24 testimony in the case basically said that you wanted to have
25 the Qwest AFOR renewal start in February of this year; is

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1 that correct?

2 A. (Reynolds) Could I have a reference?

3 Q. Pages 2 and 3 of your rebuttal. Let's see if we
4 can get to it here. In other words, you objected to the
5 Staff conditions that proposed to extend the AFOR; is that
6 right?

7 A. (Reynolds) That's not entirely right. I believe
8 that I objected to the conditions that Staff would impose
9 during the extension. I believe I also have a Q and A where
10 I believe it's -- I believe it's on Page 7, the Q and A
11 starting at three where I ask myself the question about the
12 extension. And the answer is based on my testimony above
13 regarding Staff Conditions Nos. 29 and 30. "Proposal is
14 unacceptable unless the price cap conditions are
15 eliminated." Then I go on to talk, but I say "absent those
16 conditions Qwest would not oppose extension of the AFOR."

17 Q. Okay. In considering the settlement of this
18 matter did Qwest perceive it to be a benefit that its access
19 charges would not be reviewed in the context of an AFOR
20 renewal until three to four years after the closing of the
21 merger?

22 A. (Reynolds) I don't think we thought about that. I
23 mean that was not a basis for discussions of the extension.
24 Obviously if -- well, I'll just stop there.

25 Q. Mr. Jones, I'll ask you the same question, did

0234

1 CenturyLink consider it to be a benefit from the settlement
2 agreement that its access charges would not be reviewed from
3 three to four years after the closing date of the merger due
4 to the AFOR renewal provisions?

5 A. (Jones) Only from the standpoint that we believe
6 that would be the right process and vehicle to look at
7 access charges in conjunction with many other factors that
8 go into that consideration.

9 Q. But CenturyLink went through the United companies,
10 here in Washington, went through a review of its intrastate
11 access rates outside of an AFOR plan; is that correct?

12 A. (Jones) Due to a complaint, I believe, that was
13 filed, yes.

14 MR. SCHIFMAN: Okay. I have nothing further for
15 these witnesses.

16 JUDGE FRIEDLANDER: Thank you. I'm thinking that
17 since it's approximately seven to noon, why don't we go
18 ahead and take an hour lunch break and return here around
19 let's just say 1:00. We're in recess. Thank you.

20 (Break taken from 11:53 to 1:03 p.m.)

21 JUDGE FRIEDLANDER: We'll be back on the record.
22 Before the lunch recess I believe we left off with
23 Mr. Schifman asking questions. Do you have questions for
24 the panel?

25 MR. SCHIFMAN: Yes, I do, Your Honor.

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1 JUDGE FRIEDLANDER: Great. Please proceed.

2 MR. SCHIFMAN: Thank you.

3

4 CROSS-EXAMINATION (continued)

5 BY MR. SCHIFMAN:

6 Q. Hi, Mr. Vasconi, Ken Schifman, on behalf of
7 Sprint. How are you?

8 A. (Vasconi) Fine. Good afternoon.

9 Q. Good afternoon. Do you have the motion to approve
10 the settlement agreement before you? Or actually the
11 settlement agreement first is what I want to look at, not
12 the conditions, the actual settlement agreement.

13 A. (Vasconi) Yes, I do.

14 Q. Okay. And if you don't mind could you turn to
15 Page 4, Paragraph 12. Can you just review that to yourself,
16 please. And basically that provision, sir, allows a party
17 to the settlement agreement to state its rejection of
18 additional conditions that the Commission may impose and
19 withdraw from the agreement. Is that how you interpret that
20 condition or that paragraph?

21 A. (Vasconi) Let me continue reading it, please.
22 Thank you.

23 MS. CAMERON-RULKOWSKI: Your Honor, I'm going to
24 probably object if this question is going to end up asking
25 for a legal conclusion from Mr. Vasconi.

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1 JUDGE FRIEDLANDER: Mr. Schiffman.

2 MR. SCHIFMAN: I don't think I'm asking for a
3 legal conclusion.

4 JUDGE FRIEDLANDER: Okay. Then I guess I will go
5 ahead and overrule the objection. Mr. Vasconi, have you
6 reviewed?

7 A. (Vasconi) Yes, I've review.

8 JUDGE FRIEDLANDER: Please proceed, Mr. Schiffman.

9 BY MR. SCHIFMAN:

10 Q. My question, Mr. Vasconi, is if the Commission
11 orders additional conditions than are the ones that are
12 embodied in the Staff settlement agreement, is Staff stating
13 by virtue of this Paragraph 12 that it will be rejecting the
14 settlement that's been reached with the Joint Applicants?

15 A. (Vasconi) No, I don't believe so.

16 Q. Okay. For example, if the Commission imposes a
17 condition that the interconnection agreement conditions that
18 relate to the Qwest territory also apply to the CenturyLink
19 territory, would Staff at that point exercise its right to
20 reject the settlement?

21 A. (Vasconi) I think at that point Staff would
22 examine the settlement and make a determination in the
23 period of time that we have available under this provision.

24 Q. Okay. Sitting here today do you have an opinion
25 on that?

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1 A. (Vasconi) No, I do not.

2 Q. If I asked you the same questions with respect to
3 the interconnection agreement being extended for four years
4 rather than three years would your answer be the same
5 related to how Staff would approach that?

6 A. (Vasconi) Yes, it would be the same.

7 Q. The same issue with respect to whether intrastate
8 access charges would be considered in the context of the
9 Commission's resolution of this matter, is Staff saying that
10 they would reject the settlement if the Commission decided
11 to do that?

12 A. (Vasconi) We would consider what the Commission
13 came up with, and we would then make a determination as to
14 what we do going forward in that period where we have
15 available to us.

16 Q. Okay. So sitting here today you have no specific
17 opinion regarding the intrastate access charge condition and
18 whether or not it would cause Staff to opt out of this
19 settlement agreement?

20 A. (Vasconi) That is correct.

21 Q. Let's move to the settlement agreement conditions
22 themselves, please. And settlement agreement Condition 4
23 relates to synergies and synergy reporting, does it not?

24 A. Yes, it does.

25 Q. And it says that "CenturyLink will track and file

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1 annually a confidential report reflecting merger costs and
2 synergy savings on a company-wide and Washington basis";
3 right?

4 A. (Vasconi) Correct.

5 Q. Today do you have -- have you been given an
6 estimate as to what the synergies are from a Washington
7 basis?

8 A. (Vasconi) No, we have not.

9 Q. Has Staff independently calculated what the
10 synergies are from a Washington state basis as related to
11 this merger?

12 A. (Vasconi) At a high level utilizing the notion
13 that Washington would be roughly 10 percent of the total
14 access lines after the merger occurs, if it is approved,
15 Washington would roughly receive around \$57 million of
16 synergies.

17 Q. And that's based on the annual operating
18 synergies; correct, of 575 million?

19 A. (Vasconi) Yes, that's correct.

20 Q. Okay. And the companies have stated that they
21 project that they'll also achieve \$50 million annually in
22 capital expenditure synergies; correct?

23 A. (Vasconi) Yes, that's correct.

24 Q. So would you include that \$50 million annually in
25 your calculation of the amount that Washington should get

0239

1 out of this merger?

2 A. (Vasconi) Because those aren't expense dollars
3 those are capital dollars capital dollars typically have a
4 benefit that might extend over a longer period of time. So
5 it would be maybe some fraction of that 50 million. But I
6 don't know that one could say it's exactly 10 percent in any
7 one year.

8 Q. Okay. So you estimated roughly 57 million based
9 on a 10 percent of the total access line calculation; right?

10 A. (Vasconi) Correct.

11 Q. Okay. And you expect based on what the companies
12 have told you that those would be annual savings over a
13 period of three to five years that they'll achieve those
14 types of savings?

15 A. (Vasconi) We expect that it will get to about
16 575 million of savings on an annual basis, but it will take
17 three to five years to get there.

18 Q. Okay. Did you hear the testimony earlier today
19 regarding whether or not the companies expect to achieve
20 synergy savings on day one?

21 A. (Vasconi) I did.

22 Q. And it's your understanding, based on the
23 testimony from the companies, that they will be achieving at
24 least some synergies as soon as the merger is consummated?

25 A. (Vasconi) There may be some, yes.

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1 Q. Okay. So using your \$57 million number have you
2 calculated what you think the total synergy savings that
3 should be related to the state of Washington as reflected in
4 this Condition 4?

5 A. (Vasconi) No.

6 Q. Okay. Is it your expectation, sir, that the
7 synergy savings that the companies are going to report on a
8 Washington basis would be returned in whole or in part to
9 Washington retail and wholesale customers?

10 A. (Vasconi) Yes, at some point. This is something
11 that is going to be considered in the AFOR's that we have
12 scheduled no earlier than three years and no later than four
13 years from the close.

14 Q. So what's the purpose of getting this -- and I
15 think you just answered my question, but I'll ask you more
16 directly. Is that the only purpose then for obtaining
17 Washington specific synergies is for their use in the AFOR
18 renewals that will be filed three to four years from the
19 closing date?

20 A. (Vasconi) That's certainly a major consideration
21 that we have because we do believe that synergy benefits --
22 that synergy savings should provide concrete benefits to
23 Washington ratepayers.

24 Q. Okay. Do you think it's a good idea for those
25 synergy savings to be providing concrete benefits to

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1 Washington ratepayers before a three to four year period,
2 would that be a good idea also?

3 A. (Vasconi) I think it's probably -- yes, it could
4 be, uh-huh.

5 Q. And the Staff settlement that was reached that
6 delays any synergy savings to be returned to Washington
7 ratepayers, in the context of an AFOR, to at least three to
8 four years from now doesn't permit synergies to be realized
9 by Washington customers before that date; is that true?

10 A. (Vasconi) No, I think given the broadband
11 commitments that are in this proceeding synergy benefits
12 that occur up through that period will accrue to Washington
13 customers.

14 Q. Is that the only condition in the merger
15 settlement here -- strike that.

16 Is the broadband commitment the only condition in
17 the settlement that Washington customers will receive
18 benefits prior to the review of the AFOR's?

19 A. (Vasconi) That's certainly the biggest one. The
20 rate stabilizations may be characterized as avoided revenue,
21 if you will, that the company is foregoing, provides a
22 benefit to Washington ratepayers.

23 Q. Okay. And if the companies reduced their
24 intrastate access charges would you agree with me -- as part
25 of this merger approval would you agree with me that synergy

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1 savings that the companies will begin realizing on day one
2 could be used to cover some of those reductions of revenues
3 that the companies would have if they reduced their access
4 rates?

5 A. (Vasconi) Reductions in access charges could
6 potentially be part of synergy benefits. But the most
7 direct beneficiary of reductions in access charges would
8 likely be those who currently pay access charges, namely
9 long distance carriers. And there is not necessarily any
10 guarantee that the reduction in access charges will flow
11 through on a one-to-one basis to end users.

12 Q. In the access complaint against the Embarq
13 companies that the Commission ruled upon in 2009, are you
14 familiar with that order?

15 A. (Vasconi) Yes, I am.

16 Q. Okay. And did you provide testimony in that case?

17 A. (Vasconi) No, I did not.

18 Q. Did members who you supervise from the Washington
19 Staff provide testimony in that case?

20 A. (Vasconi) During the dependency of that case I was
21 not at the Washington Commission.

22 Q. But you've read the Commission's order?

23 A. (Vasconi) Yes.

24 Q. And do you recognize that the Commission there
25 made some statements in its order that reductions of access

0243

1 charges do benefit competition and consumers ultimately?

2 A. (Vasconi) Yes, I did.

3 Q. Do you agree with those statements?

4 A. (Vasconi) Generally I do.

5 Q. Before the AFOR's are reviewed in three to four
6 years, according to the settlement agreement, is there any
7 other way that synergies can flow through to wholesale
8 customers of the companies if you don't consider intrastate
9 access charges?

10 A. (Vasconi) I can't think of any. No, I cannot
11 think of any right now.

12 Q. Okay. Let's go to Conditions 5 and 6 in the
13 Appendix A to the settlement agreement. And those
14 conditions, correct me if I'm wrong, if I summarize them
15 wrong, but they generally mandate that the CenturyLink ILECs
16 and the Qwest ILECs can't recover from their retail or
17 wholesale customers increases in management costs and the
18 merger costs; is that true?

19 A. (Vasconi) That's correct.

20 Q. Okay. And in the agreement, I believe in
21 Condition 20, allows the Qwest companies -- allows Qwest to
22 increase their business rates by \$1 from what they currently
23 stand at; is that correct?

24 A. (Vasconi) That's correct.

25 Q. Okay. So what provision here in this agreement

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1 mandates that any excess revenue that Qwest gets from
2 increasing their business rates by \$1 doesn't go to cover
3 management costs or merger costs?

4 A. (Vasconi) There are none.

5 Q. So can the Commission be assured then of any
6 dollar of revenue that Qwest or CenturyLink get from their
7 customers or from wholesale customers, how can we know that
8 those dollars are not going to go to covering increased
9 management costs or increased merger costs?

10 A. (Vasconi) With respect to that dollar there's no
11 guarantee. However, with respect to other retail rates that
12 are specified in Condition 20 we do have guarantees that
13 there will be no increases to residential rates or to
14 CenturyLink's business 1FBs.

15 Q. But one of the conditions that you advocated in
16 your testimony for this merger was that bundled rate
17 packages not be increased over a specific term; is that
18 correct?

19 A. (Vasconi) That is correct.

20 Q. Was that term three years?

21 A. (Vasconi) Yes, it was three years.

22 Q. Okay. And that did not -- that proposed condition
23 that you offered did not make its way into the settlement;
24 correct?

25 A. (Vasconi) That's correct, because the companies

0245

1 had the ability to price bundles in a matter that's separate
2 from what is currently with tariff rates, with establishing
3 the price on tariffed rates. So --

4 Q. So the company -- I'm sorry go ahead.

5 A. (Vasconi) So in the context of this agreement we
6 didn't believe that it would be appropriate to impact those
7 particular provisions that are currently allowed in law.

8 Q. Although you advocated for that in your testimony?

9 A. (Vasconi) I did.

10 Q. And because Qwest and CenturyLink have pricing
11 flexibility on their bundled services they could increase
12 those rates to their bundled customers; is that correct?

13 A. (Vasconi) Yes, it is.

14 Q. Okay. And they could use those increases in
15 revenues to cover management costs and merger related costs;
16 correct?

17 A. (Vasconi) Or other costs that they have, yes.

18 Q. Yeah. Or revenue reductions like access charge
19 reductions; right?

20 A. (Vasconi) Conceivably, yes, they could. However,
21 I think it's important to note that in possibly reducing
22 access that requires a complete examination of rates and
23 results of operations that we didn't believe was appropriate
24 for this proceeding.

25 Q. Do you agree with me that the companies that pay

0246

1 access charges to CenturyLink and Qwest are also competitors
2 to Qwest and CenturyLink?

3 A. (Vasconi) Yes.

4 Q. Okay. And what specific merger related harms was
5 Staff concerned with and that you feel are addressed by the
6 settlement agreement?

7 A. (Vasconi) The merger related harms that we believe
8 are addressed are things such as finance -- insuring that
9 financial reporting continue and that we have adequate
10 records going forward to be able to examine the companies in
11 the context of the AFOR. We're concerned that in the
12 context of broadband services that unserved and underserved
13 areas would continue to receive investment. And we're also
14 concerned with rate stabilization plus a number of other
15 concerns.

16 Q. Let's try to address a couple of those. With
17 respect to rate stabilization what specifically about the
18 merger was a harm that Staff saw that needed to be addressed
19 with rate stabilization?

20 A. (Vasconi) We were concerned that business rates
21 and residential rates for single party users would be
22 increased, and the condition of maintaining tariff rates at
23 current levels is something that we think addresses that.
24 With respect to Qwest's single party business rate given the
25 AFOR and competitive classification of that service we

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1 believe that the \$1 increase is something that while it's an
2 increase it's relatively small and it provides some
3 stability going forward for customers.

4 Q. Do you agree with me, Mr. Vasconi, that generally
5 in competitive markets prices decrease rather than increase?

6 A. (Vasconi) I do, but the prices typically go to
7 cost, I think.

8 Q. When Staff agreed to the settlement, let me get
9 out some papers here, did Staff take a look at the
10 Commission's order in the Verizon Frontier case regarding
11 the types of factors the Commission looks at when
12 determining whether the public interest is promoted by the
13 merger?

14 A. (Vasconi) Yes.

15 Q. Okay. And one of those factors, I'll read it for
16 you, and just let me know if you considered this when
17 accepting the settlement, is the impact on competition at
18 the wholesale and retail level including whether the
19 transaction might distort or impair the development of
20 competition, did you take that into account?

21 A. (Vasconi) Yes, we did.

22 Q. What did you take into account in the Staff
23 settlement regarding the impact on competition at the
24 wholesale level?

25 A. (Vasconi) Specifically insuring the OSS, the

0248

1 wholesale OSS systems would be in place and that there would
2 be no dramatic transition off of those systems --

3 Q. Okay.

4 A. (Vasconi) -- for a period of time.

5 Q. And so did you look at the impact on
6 interconnection agreements?

7 A. (Vasconi) No, we did not.

8 Q. Did you look at the impact on network issues that
9 the companies have with respect to a single point of
10 interconnection, for example?

11 A. (Vasconi) No, not explicitly, but there is a
12 condition that we did put into the agreement indicating that
13 if there were any network rearrangements Staff would need to
14 be made aware of those.

15 Q. Is there anything in the settlement agreement that
16 you believe promotes the development of wholesale
17 competition?

18 A. (Vasconi) Other than what might be in the Integra
19 agreement, no.

20 Q. Okay. Which brings me -- what's Staff's position
21 on the Integra agreement, do you think that should be made
22 available as part of the Commission order to all CLECs and
23 wireless carriers?

24 A. (Vasconi) Yes.

25 Q. Okay. Condition 20 talks about the retail rate

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1 cap. And there's a description of a rate freeze except for
2 "exogenous events." Are exogenous events defined in the
3 settlement agreement?

4 A. (Vasconi) No, not explicitly.

5 Q. So this is not really a hard cap on rates for
6 retail customers; correct?

7 A. (Vasconi) Well, I believe it is because in that
8 particular paragraph identifying or referencing exogenous
9 events it indicates that those exogenous events are limited
10 to activities or orders issued by the FCC or this
11 Commission.

12 Q. Okay. Go to Condition 28, please. And that
13 condition talks about rate center consolidation; correct?

14 A. (Vasconi) Correct.

15 Q. Can you explain to me what's the purpose of this
16 condition?

17 A. (Vasconi) The purpose of this condition is to
18 effectively conserve numbering resources.

19 Q. Does it have anything to do with the consolidation
20 of the networks of the two companies?

21 A. (Vasconi) Not explicitly, no.

22 Q. Okay. So does this mean that the rates that the
23 companies charge for customers in these various exchanges
24 should be merged together? In other words, if one exchange
25 that's listed here charges \$15 for a residential line and

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1 the other one charges \$16, is the purpose of this to make it
2 so that they, customers, are charged \$16 or \$15 in both of
3 those exchanges?

4 A. (Vasconi) No. Typically rate center consolidation
5 occurs between exchanges where the rates are the same.

6 Q. But is there any provision here where the rates
7 are different for these various rate centers?

8 A. (Vasconi) No.

9 Q. Okay. Do you agree with me that the intrastate
10 access charges charged by the various ILECs that are the
11 Joint Applicants here differ? In other words, the Embarq
12 access charges are different than the Qwest access charges
13 and they're different than the CenturyTel ILEC access
14 charges?

15 A. (Vasconi) Yes, they are.

16 Q. Do you agree with me that it would be a good idea
17 to get those access charges consolidated to a single rate?

18 A. (Vasconi) I think that's going to be the result --
19 that determination should be the result of the further
20 examination of access charges and everything that is
21 impacted by them, namely other rates, as well, other
22 business or residential rates.

23 Q. I think Ms. Endejan asked the Qwest and
24 CenturyLink witnesses this, but I want to ask you this. By
25 virtue of the fact that, for example, a cap is being put on

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1 the Qwest 1FR rate, do you agree with me that the terms of
2 the Qwest AFOR are being changed as part of this settlement?

3 A. (Vasconi) I think the terms of the Qwest AFOR are
4 being extended and in a -- and with respect to the rate,
5 yes, it is being -- there is a change in the Qwest AFOR.

6 Q. Okay. Is it technically possible for the Staff
7 and the Commission to review Qwest's AFOR at the time it was
8 suppose to be reviewed absent this merger agreement? In
9 other words, we heard that the agreement was, the AFOR was
10 to expire in November of 2011. Is it possible for Staff and
11 the Commission to do its work on the Qwest AFOR if there had
12 been no change in the termination date of the AFOR?

13 A. (Vasconi) I think it's possible, but I think what
14 would result is an incomplete assessment of the situation
15 that we see if the merger is approved.

16 Q. But nothing in this transaction prevents the
17 Commission from doing that work absent this settlement?

18 A. (Vasconi) No, not absent this settlement.

19 Q. Okay. We covered this a little bit, but I just
20 want to make sure I got it here. We talked about the
21 synergy realization beginning right after the merger closes,
22 at least beginning; correct?

23 A. (Vasconi) We did, we talked about it.

24 Q. Do you agree with that that the company has stated
25 that it will begin obtaining synergies from the merger right

0252

1 after the merger closes?

2 A. (Vasconi) Yes.

3 Q. And if the Commission does not address intrastate
4 access charges as part of this -- as part of its resolution
5 of the merger, do you agree with me that while the company
6 will be realizing merger synergies its access rates will
7 stay stable until the review of the Qwest and CenturyLink
8 AFOR's?

9 A. (Vasconi) Its access rates could conceivably drop,
10 they could conceivably increase because they are not part of
11 any examination that is planned, at least by the Commission,
12 outside of the AFOR.

13 Q. Okay. Was there any specific reason why you
14 picked three to four years for the AFOR review in Condition
15 3?

16 A. (Vasconi) Well, in testimony that the company had
17 offered up they indicated that synergy benefits would accrue
18 to the company in a three to five year period. So we looked
19 at that. And then when one considered the Embarq, the
20 Embarq/CenturyTel agreement/merger, that was five years from
21 2009 which would take it to 2014. So looking at a three to
22 four year window we thought was sufficient to be able to
23 capture most of the synergies or to be able to bring in most
24 of the synergies into the results of operation examination.

25 Q. And your answer there raises a question to me. So

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1 the settlement agreement that's being proposed with respect
2 to the Embarq/CenturyTel AFOR that was supposed to be filed
3 as a result of the Commission's approval of that merger, it
4 extends that AFOR filing by a year; is that correct?

5 A. (Vasconi) That was suppose to take place in 2014.
6 This could extend it as much as one year.

7 Q. Okay. And so what's your opinion of -- why does
8 Staff believe it has the authority to change the results of
9 the Commission's order where it ordered Embarq and
10 CenturyTel to file an AFOR five years after the close of
11 that merger?

12 A. (Vasconi) Staff doesn't have the authority to
13 change that.

14 Q. Okay.

15 A. (Vasconi) But this was an agreement that all
16 parties came to, and as part of the agreement we
17 incorporated the three to four year period.

18 Q. Would a shorter period -- would Staff be opposed
19 to a shorter period for an AFOR review than the three to
20 four years?

21 A. (Vasconi) The issue with that, again, is merger
22 synergies are probably not going to be fully realized in any
23 period shorter than three years. So we would, I think -- we
24 clearly believe that a three to four year window is
25 appropriate here.

0254

1 Q. How long has it been since the Embarq/CenturyTel
2 closed, that was in 2009; correct?

3 A. (Vasconi) 2009.

4 Q. And hasn't the companies provided information as
5 part of their testimony in this case regarding the amount of
6 synergies that they've realized as part of that merger
7 already?

8 A. (Vasconi) We have seen a report generated by
9 CenturyTel/Embarq that indicated what those synergy benefits
10 were to date.

11 Q. Okay. And so we're about a year and a half out
12 from the approval of that merger; correct, or the closing of
13 that merger?

14 A. (Vasconi) I believe so. I think that merger
15 closed in I want to say the first half of 2009 sometime.

16 Q. So roughly 18 months; correct?

17 A. (Vasconi) Uh-huh.

18 Q. So we have a pretty good idea of where they're
19 tracking on synergy savings as a result of that merger just
20 18 months out from that; right?

21 A. (Vasconi) We have an idea, but there are probably
22 additional activities associated with the CenturyTel/Embarq
23 merger that have not occurred yet. So we're not real
24 certain where that will ultimately end up.

25 Q. I believe the companies have testified that

0255

1 they're ahead of their projections on synergy savings on the
2 Embarq/CenturyTel merger; right?

3 A. (Vasconi) I think that's true.

4 Q. Okay. So these synergy savings and the timing of
5 them aren't set in stone; are they?

6 A. (Vasconi) No, there's going to be some variation I
7 would believe in that.

8 Q. Let's get to the broadband commitment, that's
9 Paragraph 14 of the settlement. And that requires an
10 investment of no less than \$80 million in the state of
11 Washington over a five year period; is that right?

12 A. (Vasconi) Correct.

13 Q. Does Staff have an understanding, based on the
14 documents that were produced in this case, in statements
15 made in testimony by the companies -- and statements made by
16 the companies in testimony as to how much of that
17 \$80 million was already in the joint business plans of Qwest
18 and CenturyLink? In other words, how much is incremental of
19 this \$80 million?

20 A. (Vasconi) I don't know.

21 Q. But Staff believes that this \$80 million broadband
22 commitment is a benefit of this settlement agreement;
23 correct?

24 A. (Vasconi) Yes, we do.

25 Q. Okay. Are you aware that as part of the

0256

1 CenturyTel/Embarq merger that the FCC required CenturyLink,
2 the new CenturyLink, to rollout broadband to 100 percent of
3 their combined territory within three years?

4 A. (Vasconi) I think there was -- I believe that's
5 true. I have not reviewed that approval statement; however,
6 I think it was 90 percent with wireline assets and then the
7 rest of it could be provided through other means.

8 MR. SCHIFMAN: May I approach the witness?

9 JUDGE FRIEDLANDER: Yes. What exhibit is that?

10 MR. SCHIFMAN: We're going to tell you.

11 JUDGE FRIEDLANDER: Thank you.

12 MR. SCHIFMAN: Yeah, I'm going to show the witness
13 MRH-20, an exhibit that's been marked MRH-20.

14 JUDGE FRIEDLANDER: Thank you.

15 MR. SCHIFMAN: That paragraph at the top --

16 MS. CAMERON-RULKOWSKI: MRH-20 is listed in the
17 exhibit list as a UTC order.

18 MR. SCHIFMAN: No, I'm talking about the FCC
19 order. I'm sorry, I think we gave the wrong number it's 18,
20 MRH-18.

21 COMMISSIONER JONES: Mr. Schifman, what page are
22 you referring to on that?

23 MR. SCHIFMAN: I am referring to Page 8771 is how
24 I have it numbered. It's the appendix, Commissioner Jones,
25 Appendix C which is at the very end of the exhibit, and

0257

1 actually go to --

2 COMMISSIONER JONES: I think I see it.

3 MR. SCHIFMAN: Now I just lost it. Here we go.

4 So is everybody -- are we at the right place?

5 JUDGE FRIEDLANDER: Are we still at 8771?

6 MR. SCHIFMAN: Yes, 8771.

7 BY MR. SCHIFMAN:

8 Q. Mr. Vasconi, do you see there the commitment that
9 CenturyTel and Embarq agreed to and was ordered by the FCC
10 in its approval of that merger regarding broadband?

11 A. (Vasconi) Yes, I see it.

12 Q. So of the \$80 million that the companies have
13 committed to spend here in Washington as a result of the
14 settlement agreement, do you know how much of that
15 \$80 million was already committed by the company to
16 basically fulfill its commitment that the FCC ordered?

17 A. (Vasconi) Well, there's -- in terms of percent
18 availability currently with the current Century Embarq
19 properties they are approaching 90 percent now if not
20 slightly greater than that.

21 Q. But do you have an opinion as to how much is
22 incremental of the \$80 million than what they agreed to do
23 as part of the FCC merger approval of the CenturyTel/Embarq
24 merger?

25 A. (Vasconi) I don't know exactly how much of the

0258

1 80 million would be diverted to going to that commitment.
2 However, as I just indicated, from what I can recollect
3 their properties are roughly at 90 percent now, so it would
4 seem that that commitment to the FCC has virtually been met
5 currently before the 80 million has been earmarked.

6 MR. SCHIFMAN: Is the application that the Joint
7 Applicants filed, is that an exhibit that's listed?

8 JUDGE FRIEDLANDER: I don't believe so. It is
9 part of the record but it has not been offered as an
10 exhibit.

11 MR. SCHIFMAN: I have a page from that application
12 that I've copied off that I would like to at least show the
13 witness here, I don't know if we necessarily need to admit
14 it into evidence, but I would like to be able to show it to
15 the witness. I mean it's part of the record as the
16 application.

17 JUDGE FRIEDLANDER: Right. Ms. Cameron-Rulkowski,
18 do you have any objection to that?

19 MS. CAMERON-RULKOWSKI: I don't have any
20 objection.

21 JUDGE FRIEDLANDER: Which page are you showing to
22 the witness?

23 (Document handed up to the Bench.)

24 MS. CAMERON-RULKOWSKI: Does this correspond with
25 Exhibit A?

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1 MR. SCHIFMAN: It's the same thing.

2 MS. CAMERON-RULKOWSKI: Thank you.

3 MR. SCHIFMAN: So it looks like I've handed the
4 witness a page from the joint application that I believe,
5 thanks to counsel's clarification, is Exhibit A to the
6 application. And it's a map of the state of Washington with
7 CenturyLink exchanges and Qwest exchanges.

8 BY MR. SCHIFMAN:

9 Q. As of 12-31-2009, what does it say about DSL
10 enabled lines in that exhibit, Mr. Vasconi?

11 A. (Vasconi) It says that as of 12-31-2009, which is
12 over a year ago, CenturyLink was at 86 percent attainment.

13 Q. And Qwest was at?

14 A. (Vasconi) 88.

15 Q. Okay. And do you have statistics that update that
16 86 and 88 percent?

17 A. (Vasconi) Yes, we do. They were filed
18 confidentially.

19 Q. In Staff testimony as of what date?

20 A. (Vasconi) This was as of September 27, 2010, with
21 some additional updates since then. Those updates and that
22 exhibit, it contained newer data, were offered up by
23 Ms. Jing Liu in her direct testimony.

24 MR. SCHIFMAN: Which I couldn't see because I'm
25 in-house counsel.

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1 CHAIRMAN GOLTZ: Ms. Endejan can look at them, I
2 guess.

3 MR. SCHIFMAN: Got to love the rules, huh. Just
4 give me one moment, please.

5 CHAIRMAN GOLTZ: I want to ask the companies, the
6 Applicants, is there a problem with that information being
7 available? That was filed confidentially. Is that an issue
8 you want to maintain confidentiality in?

9 MS. ANDERL: Yes, it's highly confidential
10 information, Your Honor, and in-house counsel is not
11 permitted to inspect that information which is broadband
12 availability on a per wire center basis.

13 CHAIRMAN GOLTZ: Although if it's a year old then
14 it's okay?

15 MS. ANDERL: This information on the map isn't
16 done on a wire center basis, it's on a statewide basis.

17 CHAIRMAN GOLTZ: I understand.

18 MS. ANDERL: Part of it, yes. But you're right,
19 part of it is the age of the data, but part of it is the
20 granularity.

21 BY MR. SCHIFMAN:

22 Q. So has the data that Staff provided, is it a
23 statewide basis or a wire center basis that you were just
24 discussing that updated these percentages?

25 A. (Vasconi) It's wire center data that can be

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1 aggregated to a statewide basis.

2 Q. Have you done that aggregation?

3 A. (Vasconi) Ms. Liu did that in creating her
4 testimony.

5 Q. Okay. I think that's all I have for Mr. Vasconi.
6 Let me take a look and see what, if anything, I have for
7 Ms. Johnson, Johnston?

8 A. (Johnson) Johnson.

9 JUDGE FRIEDLANDER: Do you need a moment?

10 MR. SCHIFMAN: Yeah, can you just give me one
11 moment?

12 JUDGE FRIEDLANDER: Sure.

13 CHAIRMAN GOLTZ: Ms. Anderl, is the
14 aggregated number -- I understand the wire center issue, but
15 is the aggregated number also confidential? If it's a big
16 number don't you want to boast about that?

17 MS. ANDERL: While Mr. Schifman is checking for
18 questions for Ms. Johnson if I might have a moment to confer
19 with our clients about that that would be something we could
20 respond to.

21 CHAIRMAN GOLTZ: Sure.

22 (Brief discussion held off the record.)

23 MS. ANDERL: Your Honor, we would be happy to put
24 into the record on a nonconfidential basis the updated
25 percentages availability for two numbers, one for all the

0262

1 CenturyLink ILECs and one for Qwest.

2 CHAIRMAN GOLTZ: I don't know if that -- does that
3 help?

4 MR. SCHIFMAN: Sure. If they want to say what it
5 is that's fine.

6 MS. ANDERL: This is from Ms. Liu's exhibit which
7 is the handiest reference document that I have.
8 CenturyLink, all ILECs is 91 percent DSL availability rates
9 and Qwest is 89 percent.

10 JUDGE FRIEDLANDER: Which exhibit is that for
11 Ms. Liu?

12 MS. ANDERL: It is JL-3HC.

13 JUDGE FRIEDLANDER: Thank you.

14 MR. SCHIFMAN: Ms. Johnson, are we ready to go
15 here? Judge?

16 JUDGE FRIEDLANDER: If you have questions for her
17 please proceed.

18 MR. SCHIFMAN: I do.

19 BY MR. SCHIFMAN:

20 Q. Ms. Johnson, as part of your testimony supporting
21 the settlement you tout the broadband benefit as one of the
22 reasons why Public Counsel agreed to -- or the broadband
23 commitment is one of the reasons why Public Counsel agreed
24 to the settlement; is that correct?

25 A. (Johnson) Yes, we do. I do.

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1 Q. Of the \$80 million that's pledged to broadband
2 investment, do you know how much of that is going to DSL
3 rollout as opposed to video services that the companies are
4 going to offer?

5 A. (Johnson) We don't have specific information about
6 the various pieces; however, we didn't accept just a dollar
7 commitment on this piece. There are a lot of various
8 components about where broadband would be deployed, which
9 wire centers. And also in the planning process that there
10 will be an emphasis on areas where they're going to be
11 looking at wire centers where there's less than 85 percent
12 deployed.

13 So for Public Counsel the number wasn't the
14 specific issue alone, it involved various pieces. And we
15 feel that together the components of the settlement allow us
16 to feel that the companies are going to be deploying
17 broadband to more than just video services.

18 Q. You do recognize that that investment will be
19 allowed to let them have the ability to provide video
20 services in addition to DSL services?

21 A. (Johnson) Yes.

22 Q. Let's go to the testimony that's in support of the
23 settlement. I'm going to Page 32.

24 A. (Johnson) Okay.

25 MR. FFITCH: Excuse me, does Counsel have a line

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1 reference for the witness?

2 BY MR. SCHIFMAN:

3 Q. Yes, going to Lines 18 through 20 and then on to
4 the next page.

5 A. (Johnson) Okay.

6 Q. Talks about public interest standard and synergy
7 analysis, and says "must result in benefits to customers."
8 You see that reference to customers?

9 A. (Johnson) Correct.

10 Q. Do you think the Commission is charged with
11 looking at only the merger's impact on retail customers or
12 also on wholesale customers?

13 A. (Johnson) That would be customers all together,
14 not just retail customers.

15 Q. So that includes wholesale customers; right?

16 A. (Johnson) Yes.

17 Q. Okay. And then you go on in that answer, Lines 3
18 through 5, and you talk about the agreement includes several
19 components which provide a means by which synergy benefits
20 can be appropriately shared with customers. What portion of
21 the settlement agreement shares synergies with wholesale
22 customers?

23 A. (Johnson) Well, it sets out that the synergies
24 would be tracked and reported in the -- to the AFOR. And
25 this is something that we actually looked at and looked to

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1 the CenturyTel/Embarq, the way the Commission had previously
2 set up synergies to be tracked and reported and taken into
3 consideration when the financial analysis would be done in
4 that case. And so we used the same blueprint for that. And
5 when -- in the AFOR commitment, which is No. 3, I believe it
6 specifically states that synergies would be taken into
7 account in that. And the Commission has stated that as a
8 result of these mergers synergies should be shared with
9 customers. So we feel taken together it allows for that.

10 Q. And the AFOR reviews won't begin until at least
11 three to four years from the merger closing date; right?

12 A. (Johnson) This is correct.

13 Q. Is there anything in the agreement that shares
14 synergies with wholesale customers prior to the review of
15 the AFORs?

16 A. (Johnson) Nothing that I'm aware of. I'm not as
17 familiar with the wholesale issues as I am with retail.

18 Q. Let's go back to Page 29 of the testimony, Lines 1
19 through 7?

20 A. (Johnson) Okay, I'm there.

21 Q. And I asked Mr. Vasconi some questions about
22 Conditions 5 and 6 regarding management costs and merger
23 costs. And do you recall those questions and the answers
24 that he gave?

25 A. (Johnson) Vaguely. I mean I couldn't state them

0266

1 verbatim.

2 Q. Thank you. I'm not expecting you to.

3 A. (Johnson) Okay, perfect.

4 Q. Do you have any independent knowledge of how it
5 can be assured that any rate increases that Qwest or
6 CenturyLink ILECs may make, for example, in their bundled
7 prices or the \$1 increase to business rates, how those
8 increased revenues will not go to covering management costs
9 or merger costs?

10 A. (Johnson) Well, I do know as a component of the
11 synergy reporting there's also reporting associated with
12 merger costs that is an additional line item on that
13 confidential report. So that would be something that would
14 be taken into consideration in that proceeding, but other
15 than that, no.

16 Q. That would be taken into consideration in the
17 future AFOR proceedings?

18 A. (Johnson) Correct. As specified by the Commission
19 in the previous CenturyTel/Embarq order.

20 Q. And Condition 20, if you go down to Lines 8
21 through 11 of your testimony there talks about a retail rate
22 cap. Is there, in your knowledge, anything in the
23 settlement that provides wholesale customers a rate cap?

24 A. (Johnson) Nothing that I'm aware of.

25 MR. SCHIFMAN: No further questions for the

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1 witness.

2 JUDGE FRIEDLANDER: Thank you. At this point I'm
3 getting a feeling that Mr. Trincherro would like to
4 cross-examine the panel. Are there any other parties that
5 had intended on cross-examining this panel? Okay,
6 Mr. Trincherro, it looks like you are it.

7 MR. TRINCHERO: Your Honor, I do have just a few
8 questions for Mr. Vasconi.

9 JUDGE FRIEDLANDER: Okay.

10 MR. TRINCHERO: Thank you.

11

12 CROSS-EXAMINATION

13 BY MR. TRINCHERO:

14 Q. Good afternoon, Mr. Vasconi, how are you today?

15 A. (Vasconi) Good afternoon. I'm fine.

16 Q. Mr. Schiffman had asked you some questions about
17 Conditions 5 and 6 in the settlement agreement, I'm just
18 going to have you flip to those if you don't mind on Page 3
19 of Appendix A.

20 In Condition No. 5 the companies have agreed "not
21 to seek recovery from their retail or wholesale customers
22 any increases in overall management costs related to the
23 transaction"; is that correct?

24 A. (Vasconi) Yes.

25 Q. And in six CenturyLink has agreed not to "seek

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1 recovery through retail or wholesale service rates,
2 transition, integration, branding or transaction costs in
3 Washington"; is that correct?

4 A. (Vasconi) That's correct.

5 Q. You may recall earlier Mr. Schiffman asked you some
6 questions about how the Commission might be able to enforce
7 that provision with respect to, for example, potential
8 increases in bundled rates and/or the business rate. And I
9 guess that same question I would like to direct to the
10 wholesale rates. What, if any, mechanisms are in place for
11 the Commission and the Commission Staff to determine whether
12 or not the merged company is recovering from its wholesale
13 customers either of these types of costs?

14 A. (Vasconi) Well, from the standpoint of access
15 charges as a form of wholesale service provided by the
16 companies the companies would have to come in and make an
17 access charge showing. And in that kind of proceeding,
18 given the reporting that we would have on these particular
19 items, we may be able to see whether or not these costs are
20 showing up in access charges.

21 Q. The term "recovery from wholesale customers"
22 that's used and also the term "wholesale service rates" as
23 used in Conditions 5 and 6 in the settlement, do those terms
24 in your mind reflect rates other than access rates?

25 A. (Vasconi) They very well might, yes. And to the

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1 point of trying to understand what is going on with these
2 costs relative to those rates which I think in the main the
3 Commission does not necessarily review because they're
4 typically parts of interconnection agreements we would not
5 have the ability to look at that impact.

6 Q. So from your answer I understand that you would
7 include within that term rates paid by wholesale customers
8 under interconnection agreements; is that correct?

9 A. (Vasconi) I would.

10 Q. What about rates paid by wholesale customers under
11 commercial agreements?

12 A. (Vasconi) They could, yes.

13 Q. Other wholesale agreements, as well?

14 A. (Vasconi) Right.

15 Q. And I take it that your answer for rates paid
16 under those types of agreements is the same that there is no
17 mechanism in place for the Staff to review?

18 A. (Vasconi) That's correct.

19 Q. I'm going to have you flip to Condition 28 on Page
20 13 of Appendix A. This is the rate center consolidation.
21 With respect to rate center consolidation is it possible for
22 such rate center consolidation to impact reciprocal
23 compensation rates paid between competitors and the ILEC?

24 A. (Vasconi) I really haven't examined that.

25 Q. And so in negotiating this particular provision

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1 you did not make an analysis of how this might impact
2 wholesale customers?

3 A. (Vasconi) No.

4 Q. Mr. Schiffman also asked you a couple of questions
5 about the basis for the time frame that was used for
6 determining the extension on the AFOR. And if I'm not
7 mistaken you responded that in large part that was based on
8 the synergies period that the company had stated in its
9 testimony?

10 A. (Vasconi) That's correct.

11 Q. And that's that three to five year period?

12 A. (Vasconi) That's right.

13 Q. Now in the settlement agreement you also have a
14 provision that deals with wholesale OSS and specifically the
15 reference is to Condition 23 at Page 9 of Appendix A. As I
16 understand it this would keep the current Qwest OSS in place
17 for two years; is that correct?

18 A. (Vasconi) Yes, it is.

19 Q. Isn't it true that Staff in its testimony had
20 proposed a longer term for that?

21 A. (Vasconi) We had proposed three years originally.

22 Q. And in proposing the three years initially was it
23 Staff's position that the term should be linked in some way
24 to the synergy period, the capturing of synergies?

25 A. (Vasconi) I don't exactly recall if it was, but it

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1 would make some sense that that were the case. But with the
2 Integra settlement at two years, also specifying a 270 day
3 review period, if you will, we believe that that started to
4 get us pretty close to the three year period.

5 Q. And I'm going to just explore that with you. Is
6 it your understanding under the Integra settlement agreement
7 that that 270 day period could actually start prior to the
8 end of the two year period?

9 A. (Vasconi) That is true, we understand that.

10 Q. And so the merged company could file that on day
11 271?

12 A. (Vasconi) Yes.

13 Q. And have a new OSS mechanism replacement of some
14 sort in place within two years?

15 A. (Vasconi) Yes, that is true; however, I think
16 given the continuation of the CMP process, coupled with the
17 fact that even under -- my understanding is that even under
18 Qwests existing agreements they can change or modify OSS
19 platforms currently. So our view was that two year period
20 would be sufficient to insure that wholesale carriers
21 concerns with respect to OSS would be protected.

22 Q. And that's true even though it falls in a time
23 frame less than the minimum three years projected, three to
24 five years for the synergies?

25 A. (Vasconi) Yes.

0272

1 Q. You were asked some questions by Mr. Schiffman
2 about the opt out provision, which I'm going to refer to it
3 in that, do you recall that testimony?

4 A. (Vasconi) I believe so.

5 Q. And specifically if the Commission were to in its
6 order change the duration of that OSS provision that we were
7 just talking about, is it Staff's position that it would
8 then withdraw from the settlement agreement?

9 A. (Vasconi) It's our position that we would reserve
10 the right to review that and then make a determination at
11 that point in time.

12 Q. But sitting here today you would not have an
13 objection to such a modification?

14 A. (Vasconi) I would reserve the right to look at it
15 when the Commission issued an order.

16 Q. Thank you.

17 MR. TRINCHERO: One moment, Your Honor. I have
18 nothing further, Your Honor. Thank you.

19 JUDGE FRIEDLANDER: Thank You. Mr. Simshaw, did
20 you have any redirect?

21 MS. ANDERL: Your Honor, the Joint Applicants were
22 wondering if we might hold any redirect until after
23 questions from the Bench?

24 JUDGE FRIEDLANDER: That's fine.

25 Ms. Cameron-Rulkowski, do you have any redirect?

1 MS. CAMERON-RULKOWSKI: I do have a couple of
2 questions, but I would second Ms. Anderl.

3 JUDGE FRIEDLANDER: And Mr. ffitch.

4 MR. FFITCH: Your Honor, we would also like to
5 request that it be delayed until after Bench questioning.

6 JUDGE FRIEDLANDER: That's fine. So are there any
7 questions from the Bench? Chairman Goltz.

8 CHAIRMAN GOLTZ: I'm sure it's confidence that you
9 know you're going to have to clarify after we get done.

10

11 CROSS-EXAMINATION

12 BY CHAIRMAN GOLTZ:

13 Q. So what I would like to do first is go through the
14 Appendix A to the settlement agreement with some questions.
15 Some of the ground has been covered. And I'll start with
16 Mr. Vasconi. And Ms. Johnson may what to chime in on some
17 of these. And then I'm going to have some questions
18 primarily, I think, for the Applicants, primarily
19 Mr. Reynolds.

20 So, first going to Paragraph 3 on the AFOR, and
21 going to Paragraph 3(b)(i), the pro forma results of
22 operations. I gather, Mr. Vasconi, the purpose of this is
23 to basically set up or give the Commission the data and
24 information with which it either ends up to evaluate the
25 AFOR, propose the AFOR that's called for in the next

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1 paragraph, or ultimately perhaps if an AFOR doesn't work out
2 that would give you the basis for conducting a general rate
3 case?

4 A. (Vasconi) That is correct.

5 Q. So now going down to Paragraph 3(c) I understand
6 that -- and I'm going to be referring to the AFOR statute a
7 little bit, and I'm not asking you to draw legal
8 conclusions, but just your understanding. If you need to
9 defer to counsel that's fine.

10 But as I understand it under the AFOR statute the
11 company can propose--and this is a requirement they would
12 have agreed to propose--the company proposes to do one
13 either with a consolidated AFOR or one for each of the
14 subparts. And it says in Paragraph C, "The parties
15 understand that the Commission may request filing of a
16 consolidated AFOR plans on its own motion." Is that a
17 meaningful sentence, I mean when you say "request," do you
18 mean request like please do or do you mean file one?

19 A. (Vasconi) I mean file it.

20 Q. Okay. So when you say request here it's not like
21 please, it's do it?

22 A. (Vasconi) Right, right.

23 Q. Is that the understanding, Mr. Jones, of the
24 companies, as well, of that paragraph?

25 A. (Jones) Yes, sir.

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1 Q. Mr. Reynolds, is that your understanding?

2 A. (Reynolds) Yes.

3 Q. My other understanding of the AFOR statute, at the
4 end of the day the AFOR is proposed and the Commission can
5 either reject it, accept it or modify it. And if it's a
6 modification at least the company has a right within a
7 certain period of time to accept it. And so in effect am I
8 correct in characterizing that they in effect have a veto
9 power over that?

10 A. (Vasconi) Yes, I believe they do given the
11 structure of the statute.

12 Q. Right. So that gets to my next question. In
13 following this through assume--and I'm guessing that if
14 access charges are an issue we're going to see Mr. Trincherro
15 and others here in the hearing room--and if we assume that
16 the access charge proposal by the company at that point--the
17 merged company at that point--is not satisfactory, either is
18 not satisfactory to the Commission and so it's rejected, or
19 if the Commission proposes an -- accepts Mr. Trincherro's
20 suggestion and we lower them further and the company is not
21 satisfied with that, at that point we have no AFOR?

22 A. (Vasconi) I think that's right.

23 Q. Then what happens? Where are we at that point? I
24 know where we are, I think, with the CenturyLink companies,
25 because they still have their tariffed rates. Are we back

1 to the existing AFOR with the Qwest company?

2 A. (Vasconi) I think that throws it all the way back
3 to rate of return regulation for the Qwest companies.

4 Q. From pre-AFOR rates?

5 A. (Vasconi) Well, from the standpoint of what was
6 waived during the AFOR that Qwest currently operates under.
7 If that AFOR is not extended--and others may have a better
8 opinion on this than me--if that AFOR is not extended it
9 would go back to a pre-AFOR status, regulatory status.

10 CHAIRMAN GOLTZ: Judge Friedlander, maybe this is
11 one of those issues when we list briefing issues we could
12 just ask the parties to comment on.

13 A. (Vasconi) My short and glib answer would be we're
14 in the dark side of the moon then. We don't know what that
15 looks like I don't believe.

16 BY CHAIRMAN GOLTZ:

17 Q. Okay. That answers my questions sort of on AFORs.
18 Going back one paragraph to Paragraph 2 on cost of
19 capital, where in the course of either an AFOR or a general
20 rate case, I assume, it states that the companies "will not
21 advocate for a cost of capital that is higher than what it
22 would have been absent the transaction." So I'm trying to
23 visualize what that evidence looks like. Would there be
24 presented in affect alternate versions of cost of capital
25 witnesses by the Company, by Staff, by Public Counsel,

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1 perhaps by others that would say here's what it is now and
2 here's what it would have been?

3 A. (Vasconi) I think that's right, plus the use of
4 surrogates, surrogates looking at other companies that might
5 be similarly situated and looking at what their cost of
6 capital was or will be at the time. So it would be the use
7 of surrogates and then...

8 Q. So the use of surrogates in that context would
9 mean companies like CenturyLink companies that have not
10 merged with other companies?

11 A. (Vasconi) That's true.

12 Q. So I mean do you share my sort of ambiguity of it
13 all?

14 A. (Vasconi) I understand, yes.

15 Q. Okay. On the synergy reports in Paragraph 4, and
16 maybe I can ask the companies this, is there a standard
17 methodology for determining merger synergies? We're seeing
18 these synergy reports show up and these requirements for
19 them in merger cases and is it -- I mean how do you evaluate
20 that? Mr. Jones, do you know?

21 A. (Jones) I'm not sure I'm the right person to tell
22 you how we do that or how it would be done. But I guess in
23 terms of the report itself there would be some type of
24 template that would be developed in terms of what we would
25 use.

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1 Q. Is Mr. Bailey the person to ask about that?

2 A. (Jones) I think ultimately, yes.

3 Q. And he would be the person to ask how you came to
4 the figure of the -- the synergy savings figure as well
5 that's in his testimony?

6 A. (Jones) Yes, sir.

7 Q. Maybe you can answer this. Is the synergy report
8 requirement something that's shown up in other states'
9 decisions on this transaction?

10 A. (Jones) I can't recall another state that we've
11 actually produced or will produce synergy reports. We have
12 various reports that we're going to provide in other states.
13 I really would have to check. There could be, but I can't
14 recall one right now.

15 Q. My question was going to be, and maybe I'll ask
16 Mr. Bailey this, do you count up synergy savings in each
17 state and add them up? Or do figure out what they are
18 overall and then back it down to the state level or do you
19 know?

20 A. (Jones) I would think the latter but you had
21 better ask Mr. Bailey.

22 Q. Okay. On the broadband commitment on Paragraph 14
23 we had some questions about whether in fact that's already
24 required. Mr. Jones, you weren't asked any of those
25 questions. So I'll ask you to respond to that issue. Is

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1 this a commitment that you're already under an obligation to
2 make anyway?

3 A. (Jones) No, sir, we view this as beyond the
4 commitment that was already made. If you'll notice the
5 investment actually starts this year. And we're very far
6 along on the FCC commitment. So this would be a new
7 investment.

8 Q. So whatever funds are spent -- did you have to
9 document your broadband commitment to the FCC?

10 A. (Jones) Yes, we've had to file reports.

11 Q. Okay. So can I assume then that we could get
12 those reports in addition and compare them with the
13 reports--if we approve this with that condition--we compare
14 them with the reports that you're filing in this proceeding
15 and there would be no double counting?

16 A. (Jones) Yes, sir. The reports we file at the FCC
17 are more on a percentage basis. It's for our national
18 footprint, they're not state specific, as long as you
19 understand that. They're not state specific reporting.

20 Q. So then I couldn't tell if there's double
21 counting?

22 A. (Jones) I don't think you could from that.

23 Q. How could I tell if there's double counting?

24 A. (Jones) I'm not sure other than through the
25 reporting process we would -- well, it doesn't address the

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1 double counting, but you would have a clear view into our
2 spend going forward in terms of the exchanges we're
3 enabling, the new customers that are being enabled, and the
4 85 percent threshold Ms. Johnson referenced, you would have
5 a clear idea where the investment was actually going.

6 Q. Right. But you're not saying, are you, that your
7 FCC commitment is complete?

8 A. (Jones) We are on track to meet it by the end of
9 2012 for all categories.

10 Q. Okay. If this is approved with this condition how
11 long would your \$80 million expenditure, what time period
12 would that cover?

13 A. (Jones) Five years.

14 Q. So we could at least tell it's not double counting
15 after 2012?

16 A. (Jones) I think so. I think the main thing is the
17 company's intent here is pure in that we see this as
18 investment that will further enable broadband in the state
19 of Washington. And whether it be speed or enablement, the
20 company's motives are to continue investing and to make a
21 firm commitment on what a minimum or what an investment
22 would like look for this state and honor that.

23 Q. I have a couple more questions back to the AFOR I
24 just realized.

25 Mr. Vasconi, the thought was to take up the issue

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1 of access charges in the AFOR proceeding. Am I correct in
2 assuming that this settlement, if approved, would not
3 prohibit any party, any company from filing a complaint over
4 the merged company's access charged?

5 A. (Vasconi) That is correct. And, in fact, in
6 looking back over the last five or six years there have
7 been, I want to say, two and maybe three access charge
8 complaints filed by specific companies that have resulted in
9 access charge reductions.

10 Q. And I'll ask both you and then the Companies this
11 question, too, of your understanding of this construct. If
12 we approve this settlement would you deem it to prohibit the
13 Commission from filing a complaint on access charges against
14 the merged companies?

15 A. (Vasconi) No, I would not.

16 Q. The Companies, do you have a view on that?

17 A. (Jones) Are you talking about within the context
18 of before the AFOR filing?

19 Q. Before the AFOR.

20 A. (Jones) I would think you had the authority to if
21 you chose to.

22 Q. Mr. Reynolds, you agree with that, too?

23 A. (Reynolds) Yes, I do.

24 Q. Okay. Let me ask a couple of things,

25 Mr. Reynolds. Ms. Endejan went over some of this, but in

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1 your testimony, it's about Page 12. It's not Page 12, it's
2 Page 11. The question where I think you summarized the case
3 that this proposed merger is in the public interest, do you
4 see that?

5 A. (Reynolds) Yes. This is in my direct; right?

6 Q. It's in your direct, yes. You basically have four
7 reasons why you argue that this in the public interest, as I
8 understand it. Am I correct that these four statements on
9 Pages 11, carried over to Page 12, the answer to that
10 question is the same justification virtually verbatim in
11 every state in which this transaction has been pending?

12 A. (Reynolds) I would say it would be very similar,
13 yes.

14 Q. I did check Oregon and Minnesota over the lunch
15 hour, and except for the change of the company, of the
16 states and a couple of names it's word for word. So who
17 wrote this then, do you know?

18 A. (Reynolds) I think it was probably initially
19 drafted for some of our first hearings, and Minnesota would
20 probably be a good bet. And John Stanosh, president of
21 Minnesota probably had a hand in that.

22 Q. Let me ask you, the first one is on Page 11, Line
23 19 you give the first reason. And am I correct that's
24 basically saying we're bigger, the merged companies would be
25 bigger and stronger and that's a plus?

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1 A. (Reynolds) That's right, with the economies scope
2 and scale that are attended to that.

3 Q. The second reason over on Page 12, Line 5, it
4 says, "The combined company will have a strategic focus to
5 offer products and services at rates, terms and service
6 quality levels that provide differentiation in the market."
7 So what's the difference? I mean is there a strategic focus
8 that the combined companies would have that Qwest doesn't
9 have now?

10 A. (Reynolds) Not necessarily, but I think each
11 company has a strategic vision independent of one another.
12 And I think one of the advantages of this merger is that it
13 combines two companies and you get a cross-pollination of
14 the ideas. For example, Qwest is not pursuing IPTV,
15 CenturyLink is. And to the extent that Qwest has strategic
16 business services--that I point out in my
17 testimony--CenturyLink does not. There may be application
18 for those products and services in CenturyLink territory.
19 And so it allows this cross-pollination of two companies,
20 two cultures and two focuses to come together and hopefully
21 take the best of both.

22 Q. What does it mean "rates, terms and service
23 quality levels that provide differentiation in the market"?

24 A. (Reynolds) I think if we don't differentiate
25 ourselves from our competitors we'll die on the vine. I

1 mean we as wireline providers we need to provide incentives
2 for customers to stay with us. And we need to be strategic
3 in our focus, and we need to be very creative in how we do
4 that. We're facing competitors with, in many cases, better
5 technology than we have. So we have to be very creative in
6 how we do that and differentiate our products accordingly.

7 Q. The third reason is the merging of CenturyLink's
8 regional operating model and targeted marketing focus with
9 Qwest's industry leading network, etc., will result in a
10 continued provision of high quality services to retail and
11 wholesale customers in Washington. Ms. Endejan asked about
12 that. That sounds to me like you're saying the advantage is
13 a continuation of what we're doing, and if we didn't -- the
14 implication is that if we didn't approve this it would be a
15 lessening of the services that you're providing now. If
16 it's a continuation it's not improvement, you know what I
17 mean? If this testimony is filed in all these states it
18 must have been pretty carefully drafted. So I read that as
19 saying -- I sense possible negative implication that if we
20 don't approve this than things are going to get worse?

21 A. (Reynolds) You know, I think that things would
22 stay the same which is not where, I believe either company
23 wants to be right now. I mean CenturyLink truly does have a
24 much more regional focus in their integration of their
25 operations along with their marketing. They empower people

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1 very close to the market to develop products, to develop
2 promotions.

3 Qwest is not necessarily there right now, we're
4 not on that same page. And I think that that, once again,
5 what I discussed before about a cross-pollination of ideas
6 and cultures, I think we can learn from that. And I think
7 given Qwest's large markets the application of this regional
8 approach will really benefit us.

9 Would Qwest have done that on its own? Well,
10 Qwest has tried to do that in fits and starts, I can tell
11 you, over the last 10 to 15 years. And I don't think we've
12 ever successfully implemented it. But I think CenturyLink
13 has. In fact, it's kind of a hallmark of their integration.
14 So I think we can learn from that.

15 Now what CenturyLink doesn't have is the
16 enterprise market focus that Qwest has had to have dealing
17 with major customers in major urban areas. And I think they
18 can learn from us in that respect. If you look at the way
19 the corporations have already started to take form, a lot of
20 the Qwest enterprise market is remaining intact, or a lot of
21 the Qwest enterprise personnel and departments are remaining
22 intact in the new CenturyLink organization.

23 And also the structure that CenturyLink is
24 starting to develop for the new company uses this
25 go-to-market approach and regional marketing approach. And

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1 that's how it's structuring the new entity. So hopefully
2 that responded to what you were asking.

3 Q. So let me ask another question, that maybe I
4 should ask Mr. Bailey this, as well. When I think of
5 mergers and, you know, I think back at one point Pacific
6 Northwest Bell merged with Mountain Bell and whatever the
7 third one was, I forget what it was, but it formed one
8 company. And now what I see with this merger though is
9 there's going to be still a whole bunch of individual
10 companies operating in the state of Washington.

11 Wouldn't there be more synergies if you were one
12 company, one operating company filing one AFOR, filing one
13 set of tariffs for the entire service area?

14 A. (Reynolds) I believe that in time the answer is
15 probably yes. I think immediately the answer is no and that
16 there would be fairly significant customer impacts of trying
17 to do that level of rate rebalancing and that level of
18 integration. The nice part about this merger is it gives
19 the company time by acquiring the operating entity under an
20 umbrella and allowing it to take a look at the operations,
21 take a look at the products and services and slowly
22 integrate those across the companies. That's the beauty of
23 this, they don't have to do it day one. And I'll let John
24 give his response.

25 Q. Mr. Jones, do you have anything to add?

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1 A. (Jones) Sure. And Mark answered that properly. I
2 think the main thing is that our whole focus on this whole
3 integration and merger has been to not disrupt any customers
4 and keep things as status quo as possible. I think what
5 you're alluding to is something we would want to look at up
6 the road. But it's something we first would want operate to
7 the companies, get a feel for each individual state. We're
8 looking at 37 different states. So we're going to look at
9 things holistically at first and then we will start being
10 able to evaluate which model would work best for a state and
11 then make the right decision at that time. All with an eye
12 on minimizing whatever customer impact could be associated
13 with that.

14 Q. A couple more questions. The first one is--and
15 please don't read anything into this question, but I really
16 don't know the answer. I have a sense of what happens if we
17 approve this. I have a sense of what happens if we approve
18 it with conditions. But what happens if we say no? What's
19 the structure when it's been approved in a number of other
20 states how does it go forward? Does the whole thing
21 collapse or does Qwest Washington get spun off in some way
22 or have you thought about that?

23 A. (Jones) I believe the purchased agreement would
24 govern that, and I don't have that, I'm not that familiar
25 with it, but I'm sure there's some type of contingency in

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1 the purchase agreement that would address that issue.

2 Q. Mr. Reynolds?

3 A. (Reynolds) I honestly don't know.

4 Q. Mr. Vasconi, Ms. Johnson?

5 A. (Vasconi) I don't know.

6 A. (Johnson) I don't know either.

7 Q. Okay. My last question is, and this is a question
8 that I'm pretty sure someone will be asked, and that is what
9 happens to Qwest Field? It's probably not in the purchase
10 agreement. I assume it stays the same because Qwest
11 survives.

12 A. (Reynolds) I don't know if it is in the purchase
13 agreement. But there is an agreement with Vulcan between
14 Qwest and Vulcan that probably dictates the terms of any
15 transition in name change. I honestly don't know what that
16 is. But it is something you can find out.

17 CHAIRMAN GOLTZ: Thank you. I have no further
18 questions.

19 JUDGE FRIEDLANDER: Thank you. Commissioner
20 Oshie.

21 COMMISSIONER OSHIE: Thank you, Judge.

22

23 CROSS-EXAMINATION

24 BY COMMISSIONER OSHIE:

25 Q. I would like to refer to Appendix A to the

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1 settlement agreement, I believe that's been marked as
2 Exhibit 6, Page 3, Paragraph 7. It's simple sentence, I'll
3 read it into the record.

4 "CenturyLink will not pledge the assets of the
5 CenturyLink ILECs and Qwest to secure borrowing undertaken
6 by CenturyLink without approval of the Commission."

7 All right. Let's start with Staff, what does that
8 mean?

9 A. (Vasconi) Well, Mr. Appleby -- actually,
10 Mr. Applegate included this in his testimony. But what it
11 means is that if CenturyLink needs to acquire more debt and
12 in the process of doing that it needs to effectively attach
13 its operating companies as--I'll use the term loosely--as
14 collateral that needs to be given approval by the
15 Commission.

16 Q. All right. So is that just Washington properties
17 or is that the total company? Mr. Jones or Mr. Reynolds,
18 what's the intent?

19 A. (Reynolds) Well, the intent I think of this
20 negotiations in this particular agreement is Washington
21 specific. And I would agree with Mr. Vasconi that what it
22 prohibits is encumbering regulated company assets of either
23 the regulated CenturyLink ILECs or Qwest Corporation as a
24 regulated entity for borrowing for the parent company.

25 Q. So it's not all assets then it's only those what

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1 would be determined by the company in its judgment to be
2 regulated assets?

3 A. (Reynolds) I believe that's so.

4 Q. Regulated by this Commission or?

5 A. (Reynolds) Yes.

6 Q. Okay. Mr. Jones, is that your opinion?

7 A. (Jones) Yes, that would be my understanding.

8 Q. Okay. So of the balance sheet of Qwest as an
9 example, let's have a ballpark, what's the assets on the
10 balance sheet? So what's regulated and what isn't as far as
11 just ballpark percentages, Mr. Reynolds? Half? I mean we
12 are looking at a lot of depreciation over the years.

13 A. (Reynolds) I honestly don't know the answer to
14 that.

15 Q. I understand that. And, Mr. Jones, same question
16 for CenturyLink?

17 A. (Jones) I really do not know the number.

18 Q. Okay. Now, so what kind of process are we looking
19 at? Mr. Reynolds -- or excuse me, Mr. Vasconi, from Staff's
20 point of view what process is going to be used then? When
21 will the filings be made, if ever? But in Staff's vision,
22 how will filings be made, how much time will the Commission
23 have to consider the filing before making a decision? And
24 what information will be included in the filing of nature?

25 A. (Vasconi) Is this in the filing of an AFOR?

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1 Q. No, this is for approval of the encumbrance of the
2 regulated assets of CenturyLink and Qwest.

3 A. (Vasconi) Well, I would envision that the company
4 would need to file with us, first of all, their intention to
5 acquire more debt. And we would also need to know what the
6 terms of that transaction would be with an investment bank
7 or with the actual lender.

8 And then we would likely need to go through an
9 examination where the company would need to file its records
10 with an identification of what is regulated, what is not.
11 And I would think that it would follow along the lines of
12 FCC reporting requirements that separate unregulated from
13 regulated plans. There isn't currently any definition of
14 how much time that would take, so there's really nothing
15 definite about that.

16 Q. Hasn't Staff objected to the FCC's separations
17 assignments in prior rate cases, namely Verizon's?

18 A. (Vasconi) Yes, we have.

19 Q. So I assume Staff, if they wanted to walk through
20 and say we're going to use the FCC's separation allegation
21 of 25/75, with 75 percent regulated, 25 percent unregulated,
22 Staff might have an objection to that?

23 A. (Vasconi) Yes, that's true.

24 Q. So Staff doesn't have a sense then of how much
25 time would be needed to consider the filing and to make a

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1 decision?

2 A. (Vasconi) That's correct. Sitting here today,
3 that's right.

4 Q. I guess we could try to make up a number if we
5 chose to. Mr. Reynolds, how much time do you think the
6 Commission will need to make that decision?

7 A. (Reynolds) I think it depends on the quality of
8 the information that we can provide --

9 Q. I would agree.

10 A. (Reynolds) -- and the amount of discussion that we
11 have with Staff prior to the filing. Obviously, this is, I
12 don't think, something we would do in a vacuum. To the
13 extent we were going to do this we would probably explore it
14 with Staff and determine what type of information was needed
15 and then make a filing for Commission's disposal of it.

16 Q. Mr. Jones.

17 A. (Jones) I see this as an opportunity to work with
18 Staff and develop whatever process would need to be in
19 place. If it's not explicit in the settlement itself then
20 that's something we could help develop to put some structure
21 around that.

22 Q. I think that's an issue here that we need to get
23 our arms around as to what kind of process -- if we accepted
24 the settlement what kind of process would be required, and
25 how much time would we have to make that decision, what kind

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1 of information would need to be filed, as well as you might
2 even agree on what kind of, how to do the separations
3 allocation prior to.

4 And I assume, Ms. Johnson, not just Staff but
5 Public Counsel would have an opinion on separations, as
6 well?

7 A. (Johnson) I assume we would have an opinion on
8 that, as well, yes.

9 Q. So that would benefit Public Counsel, as well, to
10 have some kind of structure around approval of how approval
11 would be sought and the rules so to speak?

12 A. (Johnson) Yes, I think so.

13 Q. So the final question on this section is under
14 what conditions would we approve? I mean what's the
15 threshold? How do we make that judgment? And I say that
16 because, and I guess there is a question here about our
17 statutory authority. I mean we don't have the authority to
18 approve of these transactions that I'm aware of in statute.
19 As a matter of fact, I believe that that authority is that
20 the companies have to give us notice when that happens,
21 which a statute had been changed. And so there is no
22 statutory authority requiring approval. I have a question
23 whether we can require that even with an order since we --
24 it's kind of -- it's like acquiescing to jurisdiction in
25 certain respects.

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1 So, anyway, I think the easier question really is
2 how do we -- because we have no statutory direction, how do
3 we -- what conditions would we be looking for approval.

4 Mr. Jones.

5 A. (Jones) Speaking as a nonattorney.

6 Q. So you'll give the right answer.

7 A. (Jones) It may be equally long-winded, I don't
8 know. I think the way we're having to look at it, sir, is
9 from the standpoint of the public interest itself. Again, I
10 have to look at it from a policy standpoint in terms of
11 what's going on in the industry today, what's going on at
12 the state level today in terms of challenges both providers
13 and the states are facing.

14 There is a lot of demands for new types of
15 services for increased speeds, for lower rates. All that is
16 going on and that's happening with or without us. And I
17 think the way I view it is Washington State should be
18 looking for is a longer term view of telecommunications in
19 this state, and how do you get there from here, and meeting
20 the needs of citizens going forward.

21 So if you have a stronger provider, a good blend
22 of operational experience for both companies, the
23 opportunity to bring new and better services to the market
24 and then put a much more stable, financially stable
25 competitor there for the long-term, then I think that's got

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1 to be kind of the umbrella that you look at in terms of the
2 long-term good for the state.

3 And then you ask yourself, you've got two fairly
4 solid providers in the state today, what happens if they
5 don't come together? Do they get better, do they get worse
6 knowing the environment that we're in terms of competition
7 and technology? So to me I would be looking for a longer
8 term view and then for an outcome that would benefit the
9 majority of Washington citizens longer term.

10 Q. Mr. Vasconi, do you think that the simple answer
11 is that it's kind of the standard whether it's in the public
12 interest? I think that's how Mr. Jones defined it early in
13 his answer?

14 A. (Vasconi) Yeah, I think that clearly has a lot to
15 play with it. But then I think there's also an examination
16 of risk that would need to move forward, because if you're
17 talking about the potential of encumbering assets I think
18 you have to examine what the likelihood might be that those
19 assets are placed in some jeopardy if there's a default or a
20 bankruptcy.

21 Now, I don't know what those measures would be
22 sitting here today, but what this is intended to do is to
23 try and insulate to some degree the regulated assets of
24 CenturyLink and Qwest in the event that the company was not
25 able to meet its obligations. So there's an implicit in

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1 that some notion of risk that we're trying to immunize
2 customers in Washington from.

3 Q. Perhaps this isn't a fair question because its
4 contemporary circumstances, really derived analysis and
5 derived decisions that are made. But is it in the public
6 interest to encumber Washington assets of CenturyLink and
7 Qwest to provide capital to provide service in Minnesota?

8 A. (Vasconi) I think it is. You know, well, I think
9 it is not in Washington ratepayers interest to be encumbered
10 in order to provide service elsewhere.

11 Q. Okay. Ms. Johnson, would you agree with that?

12 A. (Johnson) Will you ask the question one more time
13 to make sure I understand what you're asking?

14 Q. It's a broad question, but I'm really -- it's just
15 whether you would think that -- is it in the public interest
16 here in Washington to encumber Washington assets to provide
17 capital for the benefit of other states?

18 A. (Johnson) Sitting here today without a broader
19 examination of things I would assume no, but it would depend
20 on the full circumstances, I suppose.

21 Q. Mr. Vasconi, it looks like you may have a further
22 opinion on this question or not?

23 A. (Vasconi) No, I don't.

24 Q. Okay. Well, those are the things when I read that
25 section I thought, well, this is very interesting and

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1 certainly has a lot more complexity than the one sentence
2 that was represented in the agreement.

3 Let's go back to the AFOR discussion. Mr. Jones,
4 has there been synergies that have in your -- to the benefit
5 of the merge CenturyLink/Embarq companies since the order
6 approving its merger was issued?

7 A. (Jones) Have synergies already been realized from
8 that transaction is what you're asking?

9 Q. That's exactly what I'm asking.

10 A. (Jones) My understanding is yes.

11 Q. Back to you, Mr. Vasconi, is it in the public
12 interest to delay the possible receipt of those benefits to
13 those customers of the now merged company of CenturyLink and
14 Embarq for, I don't know, at least two more years? I
15 thought that our, you know, the position taken by Staff and
16 by the Commission was that we wanted to look at that within
17 a shorter period of time and determine if and how those
18 benefits should enure to the ratepayers that were affected
19 by the merger. But these conditions delay that. So why is
20 that in the public interest to delay the possible enuring of
21 benefits to those ratepayers for a longer period?

22 A. (Vasconi) I think the public interest is enhanced
23 if those benefits accrue to end users earlier rather than
24 later. But when we looked at it we looked at it -- we
25 looked at the establishment of the AFOR time line from a

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1 couple of perspectives. One was from a practical
2 perspective given that Qwest was going to have to come in
3 starting next month to review the new AFOR, their new AFOR,
4 if you will. And then looking at the fact that merger
5 synergies may take a period of time in order to be captured
6 that we went to the three to four year period. But clearly
7 the sooner the merger benefits can accrue to the public the
8 better.

9 Q. Is it complicated at all by the fact that
10 CenturyLink is going to be -- at least my understanding of
11 the proposal is that they're going to be operated
12 independently of Qwest? In other words, I'm thinking, well,
13 why not go through with the merger conditions that were
14 established in CenturyTel/Embarq merger since for all
15 intents and purposes it's going to be -- they're going to be
16 treated as independent companies? At least that's the
17 proposal.

18 So why not just follow through? If the benefits
19 are enuring why not just, you know, being as Mr. Jones
20 testified, they're realized. So why not if those benefits
21 are material to rates, why would we want to make the rate
22 change and lower rates to reflect that at least in some way?

23 A. (Vasconi) I guess we could do that. Under the
24 Commission's authority we could probably -- the Commission
25 could engage in an examination of their rates given merger

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1 benefits.

2 Q. I would think that the -- it's a little different
3 situation then the one we're faced here directly I would
4 think, which is what you initially responded in that, you
5 know, Qwest and CenturyLink presents a new situation, the
6 one in which there's been no real opportunity, as of yet, to
7 develop the synergy benefits that they believe are possible
8 through this merger?

9 A. (Vasconi) Yes, that's true.

10 Q. But we have an operating history with the
11 Embarq/CenturyTel merger?

12 A. (Vasconi) Even in that context though I think the
13 operating history for them is relatively short. We've seen
14 effectively one year's worth of reporting in that merger.
15 And, yes, there were savings. But from my recollection of
16 looking at that report, which I believe was filed
17 confidentially, those savings were not particularly large at
18 this point. Now, they may grow going forward.

19 Q. I believe that was the testimony in that case, the
20 expectations of further growth. Ms. Johnson.

21 A. (Johnson) I just was going to add that I think
22 there's another major step of integration that still remains
23 to happen. And so because of those components of the rate
24 that integration is happening at we were hoping to be able
25 to hold off and gain all of those synergies from those

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1 pieces, as well.

2 Q. That's in the public interest for the ratepayers
3 of Embarq/CenturyTel to wait?

4 A. (Johnson) well, I think -- I'm not sure that it's
5 in the interest to not be able to get the later synergies at
6 some point into rates. And so I think that by delaying it
7 it allows to take into consideration all of the pieces.

8 Q. Wouldn't it be even more compelling if they were
9 to be operated as one company?

10 A. (Johnson) I think that, you know, that might be
11 Public Counsel's preference, but I don't get to be in charge
12 of that. So based on the structure that we're facing we're
13 trying to figure out how to work with that and how to best
14 deal with the recent mergers and the proposed merger.

15 Q. Okay. Let's move on to the broadband commitment.
16 What I would really like to get clarification on is the
17 agreement states \$80 million over five years at \$16 million
18 a year. So a couple of areas I would like to get some
19 testimony on here, find out what's going on.

20 One is, you already have a CAPEX budget, and I'm
21 assuming it's of a certain number, and I don't know if you
22 can testify to that or not in this hearing room as to what
23 that may be for the two companies that are before us, both
24 Qwest and CenturyLink. So what does \$16 million represent
25 of that? I think Mr. Schiffman asked if that was incremental

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1 and the answer -- I don't remember the answer being yes.
2 Incremental to the existing CAPEX budget. And what further
3 complicates it is the issue of your obligations,
4 CenturyLink's obligations under the FCC order and ours to
5 already spend money to extend broadband to customers
6 throughout this state, and of course, throughout its service
7 territory actually.

8 So how do we figure out what \$80 million really
9 means in terms of benefits to Washington ratepayers or
10 whether it's just part of the existing CAPEX budget, it's
11 just going to be now rededicated in some way to broadband
12 where it would have gone to other services and to other
13 investments made by the company here in Washington or both
14 companies?

15 So, Mr. Vasconi, let's start with you, and
16 Ms. Johnson, as well. So how do we know what the
17 \$80 million really represents with all these moving pieces?

18 A. (Vasconi) With respect to the FCC commitment,
19 which was 90 percent for wireline deployment of DSL, I think
20 we're there with respect to the Century properties.

21 Q. So does that mean that all of the \$80 million will
22 be spent in Qwest territory?

23 A. (Vasconi) No, I don't believe so because of the
24 reporting requirements that we have, the 180 day report is
25 part of the commitment requires that the parties sit down

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1 with Staff and Public Counsel to review their deployment
2 plan with specific attention to those areas that have not
3 yet attained an 85 percent level of DSL availability.

4 Q. So how do we know that those plans weren't already
5 in place?

6 A. (Vasconi) Well, we really don't necessarily know
7 that.

8 Q. So, Ms. Johnson.

9 A. (Johnson) I can follow, as well. I think Public
10 Counsel assumes a baseline level of broadband investment in
11 part of our interest in the commitment in that our
12 commitment is larger than any other state is that when -- is
13 going forward as the combined company is looking nationally
14 at where they're going to be investing money Washington is
15 going to have this requirement that will put them on equal
16 footing or greater -- there will be -- or at least an
17 incentive to be investing here because of this requirement.
18 So it's a minimum standard, I think, because of that piece,
19 as well.

20 As to the FCC component that you're discussing,
21 that wouldn't apply to the -- I mean all of this money won't
22 be spent just for Qwest properties. And we're working out
23 the reporting requirements right now. And one of the
24 requirements would be looking at the spending, the
25 expenditures by wire center. So we'll know which wire

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1 centers were CenturyLink and which were Qwest. And as we're
2 developing this there might be some sort of way that we can
3 work into it a means by which we'll see which money is going
4 to which places.

5 But at this time CenturyLink properties are looked
6 to already be at the FCC standard that was outlined in that
7 order. It was 100 percent overall, but 98 percent wireline
8 and the CenturyLink properties in Washington are at
9 91 percent. So largely it looks like it could be met. And
10 there might be other ways we could outline the reporting or
11 develop a different piece of report to do that to take a
12 look at that and see that those components are being kept
13 separate.

14 But, again, I think that we have assumed there
15 would be an ongoing investment of broadband. And we
16 don't -- this isn't all necessarily a new commitment but
17 felt that the other pieces that were targeting it to
18 different areas and the planing processes that were going to
19 look at the wire centers with lower deployment numbers. And
20 also to the unserved areas that that was really important to
21 Public Counsel.

22 Q. So have those areas already been determined?

23 A. (Johnson) No, they haven't. Well, the five wire
24 -- well, central offices--sorry, I get the terms confused
25 sometimes--those obviously have been stated. And then the

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1 other ones haven't been decided as of yet. The companies
2 have indicated that that was something they wouldn't be able
3 to do until after the merger because of the information that
4 would be shared associated with it and the costs associated
5 with those things. They could probably answer this question
6 better. So that would be something that would be done after
7 the fact that it would be worked on by the parties.

8 Q. So other than Clearwater, Glenwood, Willard,
9 Nespelem and Eureka, we wouldn't know as the Bench where the
10 money is going to be spent?

11 A. (Johnson) No, not that I know of.

12 Q. And we wouldn't know even on what side of the
13 companies it would be spent other than it seems that people
14 are fairly confident that CenturyLink can sort of be all it
15 can be already with broadband?

16 A. (Johnson) I'm not sure that it's necessarily
17 confidence in that. I think that a component of the
18 CenturyTel/Embarq merger was that CenturyTel was going to be
19 taking this over and would be deploying broadband to places
20 where Embarq hadn't done it. And so, you know, I think that
21 going forward that's something we're going to want to look
22 at is that that sort of commitment that they made in that
23 merger they'll still be -- the general proposal that they
24 would be deploying more broadband. So I think that's
25 something that I'm interested in maintaining a look at as we

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1 look at these sort of things that those properties aren't
2 being ignored with the acquisition of Qwest. But at this
3 current time we don't really have great detail as to exactly
4 what it would be.

5 Q. And so maybe this isn't a fair question,
6 Ms. Johnson, but we really don't know. We had some idea of
7 what the infirmities, if you will, of getting broadband out
8 to just take a percentage, we just don't know what that
9 would cost?

10 A. (Johnson) No. We, Public Counsel, had asked some
11 of those questions in discovery, but there wasn't
12 information available.

13 Q. So we really don't know what \$80 million
14 represents other than a dollar figure as far as expanding
15 broadband in the state of Washington?

16 A. (Johnson) I think it's a dollar number and it's a
17 commitment based on what we've seen in other places and
18 across the country in trying to make sure that Washington
19 also would be in a place where the companies would continue
20 to invest money in that as they're meeting those commitments
21 in other states Washington wouldn't be left behind, there
22 would be continued investment here, as well.

23 Q. Wouldn't it have been better to kind of take the
24 FCC's approach which is to say, you know, just pick a
25 percentage and say that, you know, 95 percent of the

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1 customers of both CenturyLink and Qwest will be touched by
2 broadband in five years? And then we wouldn't really know
3 whether it would cost 80 million or 40 million or
4 150 million, but then there would be some certainty that --
5 I'm assuming the policy objectives that the settling parties
6 have agreed to would then have some confidence that it's
7 been met, the objective has been met. Right now as it seems
8 to me there's a number out there, but you really don't know
9 how that money is going to be spent and you don't know
10 whether it's going to satisfy the -- what you believe to be
11 the need in Washington for expanded broadband service?

12 A. (Johnson) I think that for the purposes of
13 settlement we were able to come up with what we did and the
14 parameters that we did. But other than that we weren't able
15 to negotiate those other components.

16 Q. That's a fair answer. I understand that. So,
17 Mr. Reynolds and Mr. Jones, let's go back to the question
18 that Mr. Schiffman asked. I don't remember who he asked. I
19 think it was -- he may have asked maybe Mr. Vasconi, so why
20 don't we ask you, Mr. Reynolds, first. So what does
21 \$80 million represent? Is it incremental to the existing
22 CAPEX budget of the company to expand broadband in
23 Washington or is it just part of it?

24 A. (Reynolds) It's part of it.

25 Q. What percentage does it represent? Well, that's

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1 probably a confidential number. So let's say is it more
2 than half or is it less than half?

3 A. (Reynolds) I honestly don't know. I don't have
4 those figures in front of me right now. I think that in
5 discovery those have been provided on a confidential basis.

6 Q. All right, thank you. Mr. Jones, same question.

7 A. (Jones) Yes, sir, I don't know the actual number.
8 I will talk a little bit about what the 80 million means, if
9 that's all right, from a standpoint of how we're viewing it.
10 We see it as a substantial number. We see it as a number
11 that -- beyond just broadband investment itself it does a
12 lot of different things. First of all, it puts people to
13 work, which I think is very important. Our employees get to
14 do what they're trained to do and keep deploying.

15 The other thing, in terms of the percentage issue
16 you mentioned, I really believe this approach is going to
17 work better for Washington consumers in that if you will
18 read the -- or having seen it in the settlement, is the
19 reporting aspect of this within 180 days of close we will
20 start bringing in our plans on a wire center basis.

21 When you're up to 90 percent deployment in the
22 course of the remaining 10 percent is where your most
23 expense is. But as we all know, we can build it but they
24 won't come necessarily. This gives the company an
25 opportunity to, first of all, work with the Commission to

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1 identify needs, and some of the communities that are
2 targeted here that we've agreed to do will be needed.
3 They're very small, but it will be a great enabler for them.

4 This allows us to the work with the Commission to
5 determine where the money is going and where it should go,
6 to assess demand, to also assess stimulus dollars that are
7 going to be spent in the coming years. And there's no sense
8 in duplicating investment in a lot of cases in very rural
9 areas. So we believe this approach is going to work very
10 well and allow the company to work probably even more
11 closely with the Commission.

12 The other thing about the 80 million is that it's
13 a guaranteed minimum, it's a certainty issue. It sounds
14 cold, but to get right down to it, we may not have to spend
15 anything if we didn't want to. We could just hold things
16 steady and not spend a dime. This gives, in an environment
17 like we're in today, with the economy like it is, access
18 line losses, competition, etc. We're making a guaranteed
19 minimum. This is not the maximum amount. This is the floor
20 that we're putting on the table to say we will spend at
21 least this much. You have that certainty. And then
22 probably much more beyond that.

23 So I want to make sure you understand this, it is
24 not the entire amount by any means. This is what we're
25 putting on the table saying this is good and we will do. So

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1 from that standpoint we think it's the right thing to do.

2 The other thing, too, to the wholesale benefit.

3 If we keep investing in our network that we're talking about
4 at a tune of \$80 million, at a minimum, that network is
5 going to be enhanced for competitors, as well. They use
6 that network to make their business model work. So from
7 that standpoint we think it is a very good thing.

8 And when you factor in the people you would be
9 putting to work, whether it be outside contractors,
10 whatever, it's all good for the economy of this state, and
11 every other state we have made that commitment in. So
12 that's very high level, I understand, but that's how we view
13 it as an operating company who will be making that
14 investment.

15 Q. Thank you.

16 A. (Reynolds) Can I say something, too?

17 Q. Sure.

18 A. (Reynolds) I guess so. I just wanted to reference
19 the Commission back to the AFOR order where, you know, we
20 had a \$4 million DSL commitment in that. And although we
21 had a number of wire centers that had not previously been
22 served that were part of our commitment, there was an
23 additional \$2 million that needed to be spent, and the
24 Commission laid out an aspirational goal at that time that
25 we looked to wire centers that were under 75 percent.

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1 And I think if the Commission and Public Counsel
2 can attest to this, too, if you look at the wire centers
3 that we worked out with Staff and Public Counsel, those are
4 the wire centers, I think, where the Commission wants us to
5 go.

6 And one of the most important parts of this
7 commitment is our obligation to sit down with Public Counsel
8 and Staff at 180 days and workup a list that's very similar
9 to the list that we worked up in the AFOR. And we
10 systematically went through that list. We built those wire
11 centers. And if you've read our deployment report that we
12 put out at the conclusion of spending the 4 million you'll
13 see we far exceeded our goals in that deployment to wire
14 centers that we probably ordinarily wouldn't have built to.

15 So I'm just saying that we have a really good
16 track record of working a program like this. And probably
17 more important than the baseline commitment of 80 million
18 are the obligations that are laid out in here to sit down
19 and work with Staff, the reporting requirements that we have
20 laid out.

21 This allows the Commission to systematically track
22 what we're doing on wire center by wire center basis,
23 percent availability, where we're building, the expenditures
24 we make. A simple CAPEX number from the past isn't going to
25 tell you any of that. I mean we may well have spent most of

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1 that money on Fiber to the Node and it may have only
2 benefited, you know, certain customers raising a speed from
3 five meg up to ten. This is tangible, and I think it's a
4 lot different than that, so I just wanted to add that.

5 Q. One section or one clause, I guess, in that, it's
6 Paragraph 14, caught my eye. And that is at the top of the
7 page on the first sentence. And it's in the definition of
8 unserved, "no wireline service available from the
9 CenturyLink ILECs or Qwest." So does that mean that the
10 80 million is going to be reaching out to areas to extend
11 basic telecommunication service, voice service is what I'm
12 getting at?

13 A. (Johnson) I think it's wireline, implying wireline
14 broadband rather than satellite broadband. But maybe we
15 should have made that clarification.

16 A. (Reynolds) Good distinction.

17 Q. I don't know about The Chairman or Commissioner
18 Jones, but that makes me feel more comfortable.

19 COMMISSIONER OSHIE: I can extend my
20 cross-examination to the break time. I'll try.

21 JUDGE FRIEDLANDER: I was going to wait to take a
22 break until after you were finished.

23 BY COMMISSIONER OSHIE:

24 Q. Actually, I only have one other area and that
25 deals with the issues that have been raised by the CLECs

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1 here. You know, why two years, Mr. Vasconi? I mean Staff
2 agreed to two years, why not three? That's what they've
3 requested in their testimony. That doesn't seem like it's
4 that great a stretch to me. There's an obvious link between
5 the synergies and how the companies are going to operate,
6 whether they're going to operate as one or operate as two.
7 And I think the testimony is pretty clear that they're a lot
8 more comfortable dealing with Qwest than they are with
9 CenturyLink. And so they have real questions about
10 CenturyLink. So why not just give it the extra year, let's
11 get this thing figured out? If they can't get it done in
12 two there will be three.

13 A. (Vasconi) We came to the two year determination in
14 large part because of Integra's settlement. And Integra
15 being the largest CLEC, I believe, operating in Washington,
16 I believe. We came -- we looked at that and thought that
17 coupled with the approval process that's in that agreement
18 would be sufficient to insure that wholesale OSS concerns
19 would be properly handled.

20 Q. Have you had an opportunity to review Mr. Gates'
21 testimony dated January 3, 2011, now marked as TJG-20CST?

22 A. (Vasconi) Very briefly.

23 Q. Does that give you any pause that perhaps two
24 years is not enough? I know that you explained why the
25 Staff settled on two years, but there's additional

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1 information that wasn't in the record, and I think perhaps
2 wasn't, you know, within your knowledge base at the time, at
3 least perhaps not as specifically laid out as what's in
4 Mr. Gates' testimony.

5 Let me frame it a little differently, Mr. Vasconi.
6 I understand the position that Staff is in because of the
7 settlement, but would three years really be, you know, would
8 that be a game stopper for Staff?

9 A. (Vasconi) I think we could live with three years.

10 COMMISSIONER OSHIE: I don't have any other
11 questions, Judge.

12 JUDGE FRIEDLANDER: Thank you. Why don't we go
13 ahead and take a ten minute midafternoon recess. And we
14 will come back and commence with any clarification from
15 Commissioner Jones. Thank you.

16 (Break taken from 3:20 to 3:37 p.m.)

17 JUDGE FRIEDLANDER: Okay. We will go back on the
18 record. And I believe we left off with clarifying questions
19 that Commissioner Jones may have.

20 COMMISSIONER JONES: Thank you, Judge.

21

22 CROSS-EXAMINATION

23 BY COMMISSIONER JONES:

24 Q. I know we are coming down the home stretch here.
25 I'll try to make this brief. I will split it up between

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1 Mr. Jones and Mr. Reynolds first and then go to Mr. Vasconi
2 and Ms. Johnson.

3 So this is probably more for Mr. Reynolds. I
4 think in response to the Chairman's noting of your direct
5 testimony, even though it was replicated in many states, you
6 might want to go to Page 25 again. I think Mr. Schifman
7 referred you to this in the beginning about the benefits of
8 wholesale competition. So in there you list two or three
9 points, and one of those points as I read it is that
10 wireless back call, deepening fiber in the network and the
11 ability to carry out more robust wireless back call as a
12 benefit; correct?

13 A. (Reynolds) That is correct.

14 Q. So let's talk about special access for a minute.
15 First of all, how are special access services covered under
16 the settlement agreements, both the Integra settlement
17 agreement and under the Staff settlement agreement? Special
18 accesses. I think it's covered under either a commercial
19 agreement, what are the terms used, Mr. Reynolds?

20 A. (Reynolds) Well, my understanding special access
21 is in a catalog together for Qwest under the AFOR. I'm
22 pretty sure it's probably tariffed for the CenturyLink
23 companies. And as far as the Integra settlement, I would
24 defer to the wholesale panel on that. I'm not that familiar
25 with that settlement, and they could probably answer the

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1 question of what the status of that is and whether those
2 rates and terms and conditions, you know, have an extension
3 on them or not, I honestly don't know.

4 Q. Mr. Jones, you were the one -- actually it was
5 Mr. Cheek who signed the settlement agreement with Integra,
6 was it not?

7 A. (Jones) Yes, sir.

8 Q. Okay. So is this a question that you can answer
9 or do we have to refer this to Mr. Cheek?

10 A. (Jones) I would defer to our wholesale witnesses
11 that we brought for the next panel.

12 Q. Okay.

13 A. (Reynolds) I can tell you though, your question
14 initially was on wireless back call that the company is
15 doing, that Qwest is doing, is done via contractual
16 agreements with the wireless providers. So they are
17 contracts and probably not purchased out of the tariff.

18 Q. Right. And is it your understanding that most of
19 the special access purchased is, at least for this state, is
20 covered under the FCC interstate special access tariff or
21 covered under the intrastate?

22 A. (Reynolds) My understanding is a lot of what the
23 carriers purchase is interstate special access. There is
24 some intrastate, but I would think the majority of what they
25 purchase is interstate.

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1 Q. And you are aware, of course, that this is a
2 substantial cost to the wireless carriers?

3 A. (Reynolds) Yes.

4 Q. And has been the subject of numerous inquiries by
5 the FCC?

6 A. (Reynolds) Yes.

7 Q. The GAO issued a report on it in 2006 so it is
8 something of concern when we talk about robust and wholesale
9 competition in the state. And if you assume, as you do in
10 your testimony, that wireless is one of the platforms that
11 you compete with, as a wireline ILEC, you would acknowledge
12 that this is a concern?

13 A. (Reynolds) I understand. It is an issue.

14 Q. This is more for you, Mr. Reynolds, I think in
15 response to a question from Mr. Schifman, or someone. We're
16 talking about the rate stabilization provisions, and
17 especially in Section 20 of the Staff settlement agreement,
18 where it says that "Qwest's rate for competitively
19 classified standalone business lFB service shall be capped
20 at \$30" per month, "which is \$1 more than the rate currently
21 in effect."

22 When I became a commissioner that was one of the
23 first issues I dealt with was your petition for competitive
24 classification of both analog and digital business services.
25 That was fairly contentious as I recall, and our Staff did a

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1 very granular analysis based on wire centers and based on
2 the availability of UNEs, loops, transport in our state. So
3 I've been thinking about this, mainly today and yesterday.

4 So how does this affect at all our competitive
5 classification order in your view? I mean we seem to be
6 admitting here that, at least for the purposes of
7 settlement, we're going to cap the rate for a period of
8 time. So could not one argue that the market is not fully
9 competitive throughout wire centers in our state?

10 A. (Reynolds) No. I think the Commission made the
11 finding it made, I believe it was back in 2003 when that
12 docket took place. And as far as I know there's been
13 nothing but increased competition since then. At the time,
14 you're absolutely right, the basis for the competitive
15 classification was the UNEs that the competitive local
16 exchange providers were providing. I think if you were to
17 take a look at the same markets today you would find out
18 that there was a lot more facility-based competition. And
19 we're losing those lines to facility-based competitors,
20 rather than competitors leasing services from us.

21 So if nothing it's more robust today. And
22 probably we have more of a case for competitive
23 classification even though it's already competitively
24 classified. And the freezing of that business rate with the
25 \$1 up, I think the \$1 up signals that it was already

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1 competitively classified service. And so I think Staff was
2 willing to afford some flexibility to that. And I think the
3 fact that the AFOR is extended for three years is what's new
4 for us. It was intended to be a four year agreement
5 initially and then we would renegotiate. But to add some
6 stability to the post-merger environment it was something
7 that we negotiated.

8 Q. Isn't it true though, and I take your point on
9 inter platform competition from Comcast Cable VoIP and from
10 wireless, especially 4G, but isn't it true that in a
11 competitive market that prices tend to go down not up?

12 A. (Reynolds) I think prices both go up and down, it
13 depends on niches in the market. And if a competitive
14 provider has to take advantage of niches as they exist
15 otherwise they won't make any margins. If everybody is
16 pricing at marginal cost I don't think they would be in
17 business too long. So you have to take advantage of the
18 dynamics of the market.

19 I think we may never exercise the \$1 up, the
20 market may be too competitive. But I think it was a
21 recognition of the fact that the service was completely
22 competitively classified previously and we had full pricing
23 flexibility. So I think that's the reason it's there.

24 Q. Mr. Vasconi, any comments on this? Both the
25 impact on our competitive classification of business

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1 services and why the rate appears to be going up not down?

2 A. (Vasconi) I wanted to sort of echo some of what
3 Mr. Reynolds had to say with respect to the \$1, potential \$1
4 increase. It was in recog -- we agreed to it in recognition
5 of the fact that Qwest is under an AFOR that -- and
6 competitively classified service, more to the point, that
7 does provide them with complete pricing flexibility with
8 respect to business services.

9 So we thought from the standpoint of no harm it is
10 advisable. And we were glad to be able to come to an
11 agreement that did put a cap on how far that rate could go
12 up, yet still recognizing the fact that -- and we believe it
13 still recognizes the fact that Qwest does have competitive
14 classification for business services.

15 Q. Okay. That's fine. This is both for Mr. Jones
16 and Mr. Reynolds, and this is more of a federal issue on
17 access reform, but it does relate to the state of Washington
18 because obviously we have intrastate access charges that we
19 have authority over. It's my understanding, Mr. Reynolds,
20 that the traditional position of Qwest in federal
21 proceedings has been one of advocating bill and keep; is
22 that correct?

23 A. (Reynolds) In the context of access or in the
24 context of interconnection agreements and the exchange of
25 traffic between local providers?

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1 Q. In the context of federal issues affecting
2 intercarrier payments, whether they be inter or intrastate?

3 A. (Reynolds) I think it depends on the nature of the
4 competitor and the negotiations that take place between the
5 competitors. I mean to the extent that you have -- not a
6 competitor but a wholesale provider that is negotiating
7 interconnection with us, to the extent you have an
8 interconnector that fully plans to terminate 100 percent of
9 their traffic to us, bill and keep doesn't make much sense.
10 To the extent that it's relatively equal exchange of
11 traffic, bill and keep does make sense.

12 Q. That was my question. I should have had the
13 assumption if traffic is roughly balanced between the
14 originating carrier and the --

15 A. (Reynolds) Then I would agree with that, yes.

16 Q. Okay. Mr. Jones, that's not your position. And
17 you and I have seen each other on various federal panels in
18 the Missoula plan and afterwards. But just at a high level
19 what is your position federally on access reform right now?

20 A. (Jones) Switched intrastate?

21 Q. Yes.

22 A. (Jones) The company has taken a position along
23 with some of the other mid-sized companies that access reform
24 is needed. And we've worked with the FCC, and as you
25 probably know better than most, we're looking at possibly

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1 NPRM in February. But our position has been a transition
2 towards parity with interstate rates over time with
3 recognition as the FCC has recognized in the national
4 broadband plan that there could be consumer harms with a
5 flash-cut.

6 So we are in favor of a migration towards parity,
7 and with a recognition that in certain markets, our
8 exchanges, that higher rates could be needed and that parity
9 may not be achieved in every case, but there could be a
10 migration towards lower rates.

11 Q. So my last question on this is whose position
12 prevails if the merger goes forward? I would assume that
13 since CenturyLink is the acquiring company that your
14 position on this important policy and economic matter would
15 prevail, Mr. Jones?

16 A. (Jones) It's a fair question. And we have several
17 policy issues to reconcile as two companies. For the most
18 part we've found commonality in most of our positions.
19 Intercarrier comp is one where we're having to spend more
20 time. And our process will be, just so you know, is that
21 we're looking at it from both companies' perspective looking
22 at the revenue impacts, looking at consumer impacts. And
23 our goal is to arrive for our day one close that all of our
24 employees will know the overall position for the company.

25 Q. Okay. Thank you. That's good enough for now.

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1 I'm sure we'll have further conversations on this. Turning
2 to Mr. Vasconi and Ms. Johnson.

3 Mr. Vasconi, I think Mr. Schiffman asked you a
4 question about opting in for the Integra settlement
5 agreement. Do you have that in front of you?

6 A. (Vasconi) The Integra agreement?

7 Q. Yeah. Because I'm going to refer to a provision,
8 and I just want to make sure.

9 A. (Vasconi) No, I don't.

10 Q. I'll just wait until Ms. Jennifer can get it in
11 front of you. Just for all the other parties I am going to
12 be referring to Paragraph 15 of that settlement agreement.

13 Judge, I don't know the exhibit number, I took
14 this out of the file before it was tagged. What's the
15 Integra settlement agreement?

16 JUDGE FRIEDLANDER: Sure. I have the Integra
17 settlement agreement itself as Exhibit 3.

18 BY COMMISSIONER JONES:

19 Q. So I'm referring to Exhibit 3. You still don't
20 have it?

21 A. (Vasconi) I still don't have it.

22 MS. CAMERON-RULKOWSKI: It will take me a while to
23 dig it up.

24 BY COMMISSIONER JONES:

25 Q. I can give you mine. And I'm only raising this

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1 because Mr. Schiffman did. Mark, you might want to take a
2 minute and just tell me when you've read it. I think
3 Mr. Schiffman's question dealt with whether any requesting
4 carrier, other than Integra, a CLEC would have an
5 opportunity to opt into the terms of this stipulation?

6 A. (Vasconi) okay.

7 Q. So my question is, as I read that, any other
8 requesting carrier could opt into the terms of the Integra
9 settlement agreement?

10 A. (Vasconi) That's how I read that, as well.

11 Q. And, Ms. Johnson, you have any comment on that? I
12 realize that retail competition was more of a concern than
13 wholesale competition, but this is an important point for
14 wholesale competition in the state.

15 A. (Johnson) Correct. I read this now, and as I read
16 it it looks to say that.

17 Q. Next question is on the OSS. And I have some
18 questions, of course, for Mr. Gates in the other panel when
19 they come up and the other witnesses. But I guess,
20 Mr. Vasconi, after reading all of this, both what
21 Commissioner Oshie referred to in terms of the testimony
22 submitted by Mr. Gates on January 3rd, his responsive
23 testimony, the testimony of the Joint Applicants, I guess my
24 question to you is are there any specific upside benefits to
25 a potential conversion of an OSS? Put aside the stay-out of

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1 two or three years, but let's say the Joint Applicants move
2 to a new OSS or to convert the legacy Qwest OSS to what is
3 called the E-A-S-E, the EASE at some point. Based on your
4 reading of the evidence is there any upside to that?

5 A. (Vasconi) I think the most obvious upside to that
6 is the fact that when you're operating two systems it's more
7 expensive than operating one. So there are efficiencies
8 typically, or at least cost savings associated with
9 operating one system rather than operating two in parallel.

10 Q. My question was more in functionalities though.
11 And I realize that this is Mr. Williamson's bailiwick and
12 not yours. But based on the functionality of the two
13 systems can you see any either through the electronic
14 bonding or the customer support or whatever, are there
15 benefits?

16 A. (Vasconi) I'm not in any position to feel
17 comfortable in answering that question because I don't have
18 any expertise with respect to those kinds of issues on
19 operating systems.

20 Q. But you would agree, based on Mr. Williamson's
21 testimony representing Staff that there are substantial
22 risks to any conversion post-transaction?

23 A. (Vasconi) Yes, there are risks, and that's why we
24 believe that the two year period that's in the agreement,
25 coupled with the other conditions associated with wholesale

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1 OSS, are sufficient to mitigate those risks. The 270 day
2 notice period, the testing and acceptance provisions of the
3 OSS portion of the agreement also go to mitigating risk.
4 The fact that CMP is still certainly in place goes to
5 mitigating risk.

6 And really even absent, even absent the
7 transaction Qwest has it within its ability to change
8 wholesale operating systems currently. So the fact that
9 there will eventually be a migration or an integration from
10 Qwest to something else is something that could happen even
11 without the merger. So we think that the two year -- the
12 conditions placed on OSS in the agreement are sufficient to
13 mitigate against the risks that wholesale carriers are going
14 to be damaged by the merger.

15 Q. My last question is a broader one, but it does
16 relate to testimony, and I think it was in your testimony,
17 as well as perhaps Mr. Williamson, and certainly the Joint
18 CLEC witnesses. But my question revolves around, it's not
19 management culture per se, but it's more management
20 capability.

21 It appears to me that based on the evidence that
22 this CenturyLink is a company that has prospered and built
23 up a system starting in rural areas, going into some
24 suburban areas in certain parts of the country around Las
25 Vegas, Orlando and different areas, but it's primarily been

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1 a rural based carrier protected by the rural exemption under
2 251F and over provisions of the Telecommunications Act. It
3 is purchasing, and you see this in the financial analysts in
4 Moody's and S&P, as well, the analysts are saying and
5 certain witnesses are saying that this is a completely
6 different company that they're acquiring, Qwest. It's based
7 in urban areas, urban competition, and has a strong
8 enterprise component.

9 So I guess my question to you is, Staff and also
10 Public Counsel, is what gives you confidence that
11 CenturyLink has the ability to pull this off?

12 A. (Vasconi) I think the confidence comes from -- my
13 confidence comes from the fact that CenturyLink has indeed
14 been able to acquire other properties in the relatively
15 recent time period that we're looking at. Embarq was one.
16 And with Embarq they clearly acquired a company that did
17 have some substantial urban properties associated with it.

18 And I think it's also important to note that in
19 terms of operating in rural parts of Washington or rural
20 parts of the Intermountain West 14 state region that Qwest
21 has, Qwest has substantial rural properties, as well. There
22 could potentially be synergies between the Qwest network
23 that's in place, as well as the Century network that is in
24 place.

25 What may hurt that -- what may restrict that now

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1 is the fact that those properties are owned by different
2 entities. When those properties combine there may be some
3 efficiencies, there may be some synergies that could occur
4 that otherwise would not occur.

5 And I think given the track record that
6 CenturyLink seems to have to date of managing new properties
7 or managing acquired properties, I think that bodes well,
8 especially when we see that over a period of three to five
9 years you're going to see synergies, I would believe that
10 Qwest -- that the expertise that Qwest has in the markets
11 that it operates in will be something that's utilized by
12 Qwest's new owner, assuming the transaction is approved, in
13 moving forward to insure that service continues, and is
14 hopefully expanded.

15 So I have some confidence that Century, in its
16 acquisition of Qwest, will continue operations in a
17 beneficial way.

18 Q. Just a quick follow-up on that to see what Staff
19 examined as you reached your settlement. So you're saying,
20 at least to me here on the Bench, you're saying,
21 Commissioner, you should have confidence because they've
22 acquired primarily rural properties, PTI, Embarq; right?
23 Embarq is primarily rural in nature?

24 A. (Vasconi) Yeah, it's primarily rural, but they
25 also do have a number of urban properties associated with

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1 that. And they've been able to manage those properties, at
2 least in the period that the merger has been in place.

3 Q. But did you specifically look at other parts of
4 the country and perhaps some challenges that CenturyLink had
5 or is having in acquiring more urban properties? Was that a
6 part of your due diligence on that?

7 A. (Vasconi) No.

8 Q. Okay. Judge, that's all. Oh, Mr. Jones, if you
9 want to say anything here? If you want to keep it short, I
10 think I understand your rationale for the acquisition, but I
11 primarily wanted to get Staff's concerns, but if you wanted
12 to join in a little bit.

13 A. (Jones) Yeah, I would like to address the
14 wherewithal to operate urban properties. I believe our
15 public earnings show that in the six largest Embarq markets
16 that we have acquired that all of the metrics in those
17 markets are up in a significant way. Reduced line loss,
18 increase DSL ads.

19 I think this is my seventh acquisition in 17 years
20 with the company, and in terms of the management structure
21 and the cultures I have complete confidence in our
22 management teams's ability to do both small acquisitions and
23 large acquisitions. As you know, we've purchased millions
24 of Verizon and GTE access lines over the years, which were
25 partial acquisition, not total asset, converted those

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1 billing systems, done everything. Like I said, our track
2 record, even though it's in the past, is very telling. And
3 I don't think there's another company in the United States
4 that has made as many different types of acquisitions,
5 including fiber networks and all the other things we have
6 done, that has this type of track record.

7 And the analyst conferences I have been to
8 recently, Boston and New York, the questions that we
9 received at that time have gone away from can you do this?
10 to what are you going to do next? So I think we, for the
11 most part, for our shareholders anyway, they have confidence
12 that we can do this and have gotten past that point of it
13 because of the Embarq acquisition and the success ratio
14 there.

15 COMMISSIONER JONES: Thank you. Judge, that's all
16 I have.

17 JUDGE FRIEDLANDER: Thank you. Mr. Simshaw, did
18 you have any redirect?

19 MR. SIMSHAW: Just one, Your Honor.

20

21 REDIRECT EXAMINATION

22 BY MR. SIMSHAW:

23 Q. Mr. Jones, there was considerable discussion
24 relative to the various broadband commitments and the
25 various merger orders. I would just like to go back to one

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1 specifically, and that would be the commitment in the
2 Embarq/CenturyLink merger in Washington. Do you know
3 whether that commitment has been completed?

4 A. (Jones) My understanding is that it has.

5 Q. Therefore is it the case that there would be no
6 overlap between the broadband commitment in Washington in
7 this case and the broadband commitment that emanated from
8 the CenturyLink/Embarq merger earlier?

9 A. (Jones) Yes.

10 JUDGE FRIEDLANDER: Thank you. Ms. Anderl, any
11 redirect?

12 MS. ANDERL: Thank you. I have no questions.

13 JUDGE FRIEDLANDER: Thank you.

14 Ms. Cameron-Rulkowski, do you have any redirect?

15 MS. CAMERON-RULKOWSKI: Thank you, Your Honor, I
16 have a couple.

17

18 REDIRECT EXAMINATION

19 BY MS. CAMERON-RULKOWSKI:

20 Q. Mr. Vasconi, please direct your attention to the
21 conditions list, and please direct your attention to
22 Condition No. 3, the AFOR filing. If you would please
23 review Section a, and then is it your understanding that
24 this settlement would automatically change the Qwest AFOR
25 order or the CenturyTel/Embarq order?

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1 A. (Vasconi) No, not automatically. As it's written
2 it indicates that Qwest -- that CenturyLink will petition
3 the Commission for the changes that are specified there.
4 First, being the deferral of the Qwest AFOR review until the
5 filings required in the next section of this condition are
6 made. CenturyLink will need to petition the Commission for
7 the extension of the Qwest AFOR period until the Commission
8 issues an order on the filings. And then, third,
9 CenturyLink will petition the Commission for the elimination
10 of the CenturyTel/Embarq merger conditions requiring a
11 results of operation filing within three years, and an AFOR
12 filing within five years of the close of the
13 CenturyTel/Embarq merger.

14 MS. CAMERON-RULKOWSKI: Thank you, Mr. Vasconi,
15 for laying that out. I have no further direct.

16 JUDGE FRIEDLANDER: Thank you. Mr. Ffitch.

17 MR. FFITCH: No redirect. Thank you, Your Honor.

18 JUDGE FRIEDLANDER: Thank you. With that I'm
19 going to excuse the panel, and I thank you.

20 MR. SCHIFMAN: Judge, do we have the opportunity
21 to recross on the redirect?

22 JUDGE FRIEDLANDER: We do not usually do recross.
23 Just one moment. (Brief discussion held between Judge
24 Friedlander and the Commission.) How many questions did you
25 have, Mr. Schifman?

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1 MR. SCHIFMAN: Just a couple.

2 JUDGE FRIEDLANDER: We'll make an exception this
3 once.

4

5 RECROSS-EXAMINATION

6 BY MR. SCHIFMAN:

7 Q. On the petitioning of the Commission, when looking
8 at Section 3 of the settlement, what standard is the
9 Commission suppose to utilize when determining whether or
10 not these things are going to happen on the AFOR? I'll ask
11 you, Mr. Vasconi.

12 A. (Vasconi) I would guess it would be a public
13 interest standard.

14 Q. So the Commission, in your view, could deny the
15 extensions that are set forth here that Qwest and
16 CenturyLink have to petition for?

17 A. (Vasconi) Yes, the Commission could probably
18 order -- or either approve or deny the petition.

19 Q. And the Commission would have that same ability
20 with respect to the settlement agreement in this condition
21 as far as either approving or denying whether or not Qwest
22 and CenturyLink should even have the ability to petition the
23 Commission for these types of extensions; right?

24 A. (Vasconi) Yes, I would believe that's right.

25 Q. And, Mr. Jones, on the questions regarding whether

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1 or not the broadband commitments from the Embarq/CenturyTel
2 merger order have been completed, you are referring to the
3 Embarq/CenturyTel merger order from this Commission; is that
4 correct?

5 A. (Jones) I was.

6 MR. SCHIFMAN: Okay. That's all I have.

7 CHAIRMAN GOLTZ: Judge, I have one question I
8 overlooked.

9 JUDGE FRIEDLANDER: Okay.

10

11 RE-CROSS-EXAMINATION

12 BY CHAIRMAN GOLTZ:

13 Q. This is for Mr. Jones or Mr. Reynolds. Paragraph
14 4 of Appendix A to the settlement agreement, the synergy
15 reports. It talks about Century will file annually a
16 confidential report with the Commission. I just want to
17 make sure I understand that when you file the report it
18 would be pursuant to the confidentiality provisions and
19 state law and our Utilities law. And that if we require a
20 report we can't guarantee it's confidentiality, that would
21 be a subject of the laws of the state, including the Public
22 Records Act, do you understand that?

23 A. (Jones) I do now, if that is what --

24 Q. I just want to make sure that Staff wasn't saying,
25 Mr. Vasconi, that you weren't trying to give an ora of

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1 confidentiality to that report that would otherwise not be
2 pursuant to state law?

3 A. (Vasconi) Correct.

4 Q. In other words, it may be confidential if it meets
5 the requirements for confidentiality under state law?

6 A. (Vasconi) True.

7 MS. ANDERL: Your Honor, if it helps, we're
8 willing to stipulate to that, that's our understanding.

9 JUDGE FRIEDLANDER: Thank you. And, once again, I
10 would dismiss the panel. And thank you for your testimony.
11 I would caution that you may be recalled depending on what
12 we get from the Joint Applicants, Staff and Public Counsel,
13 any revisions to the settlement agreement. Thank you.

14 Okay. I think we still have some time left, so
15 why don't we go ahead and attempt to impanel the second
16 group.

17 MS. ANDERL: Can we have a couple minutes off the
18 record while everybody gets organized?

19 JUDGE FRIEDLANDER: Sure.

20 MR. TRINCHERO: Your Honor, if I could take this
21 opportunity to just ask, I had never gotten a final, final
22 answer on whether or not Commissioners might have any
23 questions for any of our witnesses. If in fact we were
24 going to try to get any of them out here before the end of
25 the hearing we should do so now, so I'm just curious.

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1 JUDGE FRIEDLANDER: You're specifically referring
2 to Dr. Ankum or Mr. Falvey?

3 MR. TRINCHERO: Or Mr. Gates or Mr. Haas, any of
4 our CLEC witnesses.

5 JUDGE FRIEDLANDER: Yes, I would say Mr. Gates
6 we're going to definitely have questions for. Hold on just
7 a second. We'll be off the record for a moment.

8 (Break taken from 4:11 to 4:24 p.m.)

9 JUDGE FRIEDLANDER: We'll go back on the record.
10 Okay. So I believe we were going to impanel the
11 settlement witnesses for the Joint Applicants and
12 360networks and the Integra settlements. So, Mr. Simshaw,
13 if you would call your witness.

14 MR. SIMSHAW: Thank you, Your Honor. CenturyLink
15 would call Mr. Mike Hunsucker.

16 JUDGE FRIEDLANDER: Thank you. Ms. Anderl, if you
17 would call your witness.

18 MS. ANDERL: Yes. Qwest calls Chris Viveros.

19 JUDGE FRIEDLANDER: Thank you. Mr. Gilliam, if
20 you would call your witness.

21 MR. GILLIAM: Thank you, Your Honor. Integra
22 calls Denney Douglas.

23 JUDGE FRIEDLANDER: Thank you. And Mr. Butler, if
24 you would call your witness.

25 MR. GILLIAM: Pardon, Your Honor. Doug Denney.

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1 JUDGE FRIEDLANDER: Thank you. That's helpful.
2 Mr. Butler, if you will call your witness.

3 MR. BUTLER: 360networks calls Michel Singer
4 Nelson via Commission's bridge line.

5 JUDGE FRIEDLANDER: Thank you. I will have the
6 panel rise and raise your right hand, and, Ms. Singer
7 Nelson, I'll assume that you're doing the same.

8

9 MICHAEL HUNSUCKER, CHRISTOPHER VIVEROS,
10 DOUGLAS DENNEY, MICHEL SINGER NELSON,
11 having been first duly sworn on oath
12 testified as follows:

13

14 JUDGE FRIEDLANDER: Ms. Singer Nelson, we just
15 unmuted you. So I assume that you did actually swear or
16 affirm. If you could just affirm that?

17 A. (Singer Nelson) Yes, your Honor, I did. I said I
18 do.

19 JUDGE FRIEDLANDER: Thank you. So let's go ahead
20 and begin with direct, Mr. Simshaw, if you would like to
21 begin.

22

23 DIRECT EXAMINATION

24 BY MR. SIMSHAW:

25 Q. Mr. Hunsucker, would you state your full name,

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1 your employer and your title?

2 A. (Hunsucker) My name is Michael Hunsucker. I am
3 employed by CenturyLink as director CLEC management.

4 MR. SIMSHAW: Your Honor, since there's no direct
5 testimony, prefiled direct testimony, associated with this
6 panel, I believe I will release Mr. Hunsucker to participate
7 in the panel.

8 JUDGE FRIEDLANDER: Thank you. And, Ms. Anderl.

9 MS. ANDERL: Yes.

10

11 DIRECT EXAMINATION

12 BY MS. ANDERL:

13 Q. Mr. Viveros, could you please state your name and
14 your business address?

15 A. (Viveros) Yes. My name is Christopher Viveros.
16 My business address is 1350 Treat Boulevard, Suite 200,
17 Walnut Creek, California 94597.

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

19 A. (Viveros) I'm employed by Qwest Corporation as a
20 director of legal issues in the Qwest law department.

21 Q. Mr. Viveros, you previously caused to be filed
22 your rebuttal testimony, Exhibit CV-1RVT, that contains a
23 more detailed listing of your qualifications?

24 A. (Viveros) Yes, it does.

25 Q. Okay. You are testifying today in support of the

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1 Integra and 360 settlement agreement?

2 A. (Viveros) Yes, I am.

3 MS. ANDERL: Thank you.

4 JUDGE FRIEDLANDER: Thank you. And, Mr. Gilliam.

5

6 DIRECT EXAMINATION

7 BY MR. GILLIAM:

8 Q. Good afternoon, Mr. Denney.

9 A. (Denney) Good afternoon.

10 Q. Could you state your correct name for the record,
11 please?

12 A. (Denney) Name is Douglas Denney.

13 Q. What is your present occupation?

14 A. (Denney) I'm employed by Integra Telecom as
15 Integra's director of cost and policy.

16 Q. And what do you do in that capacity?

17 A. (Denney) Part of my job duties include negotiating
18 interconnection agreements, monitoring, reviewing and
19 analyzing wholesale costs that Integra subsidiaries pay to
20 carriers such as Qwest. And also I represent Integra and
21 our affiliated companies on regulatory issues. I'm also
22 heavily involved in the review of Qwest performance
23 assurance plans.

24 MR. GILLIAM: Thank you. Your Honor, this witness
25 is available to participate in the panel.

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1 JUDGE FRIEDLANDER: Thank you. And, Mr. Butler.

2

3 DIRECT EXAMINATION

4 BY MR. BUTLER:

5 Q. Ms. Singer Nelson, could you please state your
6 name, employer and current position?

7 A. (Singer Nelson) Yes. My name is Michel Singer
8 Nelson. First name is spelled M-i-c-h-e-l. My job title is
9 associate general counsel, and I'm employed by 360networks.

10 MR. BUTLER: Ms. Single Nelson is available to
11 participate in the panel.

12 JUDGE FRIEDLANDER: Thank you. I believe that we
13 have cross-examination questions from Sprint/T-Mobile,
14 Mr. Schifman.

15 MS. ANDERL: Your Honor, may I just ask a point of
16 order? It was my understanding that at least as far as
17 Integra goes, the Integra witness was going to ask for leave
18 to be permitted to give a brief statement on direct in
19 support of the settlement agreement?

20 JUDGE FRIEDLANDER: Is that the case, Mr. Gilliam?

21 MR. GILLIAM: Yes, Your Honor. We can go forward
22 with a brief statement.

23 JUDGE FRIEDLANDER: Okay. Mr. Denney, if you
24 would like to proceed.

25 (Mr. Denney's direct examination

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1 continued.)

2 A. (Denney) Thank you. This will just take a couple
3 minutes, but I just wanted to be clear. The settlement
4 agreement spells out in part that the parties entered into
5 this agreement--I'm speaking of the Integra agreement--to
6 avoid further expense, uncertainty and delay.

7 And Integra believes that this agreement
8 adequately addresses its concerns and the proposed
9 conditions contained in prefiled testimony. And from
10 Integra's perspective with this agreement the transactions
11 are in the public interest and should be approved.

12 The settlement agreement is a compromise of many
13 issues, but at a high level the agreement is about
14 consistency and predictability in our business relationship
15 with Qwest and its new owner during a time that's inherently
16 unstable and unpredictable. And I would be happy to answer
17 further questions about the agreement.

18 JUDGE FRIEDLANDER: Thank you. I believe that now
19 we can open the panel up for cross-examination.

20 Mr. Schifman, if you would like to proceed?

21 MR. SCHIFMAN: Sure.

22

23 CROSS-EXAMINATION

24 BY MR. SCHIFMAN:

25 Q. Mr. Denney, you just mentioned that you believe

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1 that the settlement addresses Integra's concerns that it had
2 with the merger; is that correct?

3 A. (Denney) That's correct.

4 Q. Do you believe that Integra's concerns represent
5 all of the other concerns of all the other CLECs and all the
6 wireless carriers that operate in this state?

7 A. (Denney) I'm certainly not speaking on behalf of
8 any carrier other than Integra.

9 Q. Okay. And does Integra operate a wireless carrier
10 in the state of Washington?

11 A. (Denney) No, we do not.

12 Q. So is it fair to say that the settlement then does
13 not represent -- that the Integra settlement does not
14 represent anything that would satisfy a wireless carrier's
15 issues with respect to the merger?

16 A. (Denney) I wouldn't quite put it like that because
17 there are certain provisions in the settlement that may
18 apply to wireless carriers. The settlement agreement was
19 not negotiated from the perspective of a wireless carrier,
20 it was negotiated from Integra who is a facilities-based
21 carrier that purchases and leases facilities from mostly
22 last mile facilities from Qwest.

23 Q. Okay. One of the concerns that was addressed in
24 the settlement from Integra's perspective was line
25 conditioning and guaranteeing an amendment to its

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1 interconnection agreements in various states with respect to
2 line conditioning; is that correct?

3 A. (Denney) That's correct. There's a line
4 conditioning amendment that allows -- really gives us some
5 certainty in the provision of copper loops in order to allow
6 carriers who purchase copper loops kind of some
7 predictability in how they're delivered and gives us the
8 ability to provide broadband services to our customers.

9 Q. So would you agree with me that carriers who don't
10 buy unbundled loops from CenturyLink or Qwest wouldn't have
11 any interest in having a line conditioning amendment?

12 A. (Denney) That's likely the case.

13 Q. Okay. And does Integra operate in CenturyTel or
14 Embarq territories in the state of Washington?

15 A. (Denney) No, we do not.

16 Q. Okay. Would you have any opposition to the
17 conditions related to interconnection agreements that are
18 set forth in the Integra settlement being extended to the
19 CenturyTel and Embarq territories in this state?

20 A. (Denney) Integra's position in this settlement is
21 that this settlement adequately addresses all of our
22 concerns. And we're not asking for anything additional from
23 what we reached in the settlement agreement.

24 Q. But would you be opposed to extending conditions
25 to the CenturyTel and Embarq territories?

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1 A. (Denney) More of anything is better, right. And
2 less probably of anything from CenturyLink's perspective
3 would be better for them. So we don't have a position,
4 we're not asking for anything more. We haven't taken a
5 position on, you know -- I wouldn't go far as to say we're
6 opposed to anything, but we're not asking for anything more.
7 This settlement we believe adequately addresses our
8 concerns.

9 Q. Got you. Can you turn to Paragraph 15 of the
10 Integra agreement. I'm only asking you this because
11 Mr. Jones asked about it, because I asked about it
12 previously. And it talks about the agreement will be made
13 available to any requesting carrier, do you see that?

14 A. (Denney) Yes.

15 Q. So how do you interpret that? Do you interpret
16 that as, for example, a wireless carrier like Sprint would
17 have to sign a line conditioning amendment in order to get
18 all the other terms of this settlement agreement?

19 A. (Denney) I don't think a line conditioning
20 amendment is a requirement in any part of the agreement. I
21 think the line conditioning amendment is something that's
22 available that's part of this agreement.

23 Q. Well, in the paragraph right above that it says,
24 "no later than 30 days after the closing date the parties
25 agree to amend its existing Qwest CLEC interconnection

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1 agreements by executing the line conditioning amendment."

2 So it does appear there's some type of responsibility to
3 execute line conditioning amendments; is that true?

4 A. (Denney) Right. Where exactly are you reading?

5 Q. First two lines of Paragraph 14.

6 A. (Denney) So your question is whether Sprint would
7 be required to execute a line conditioning agreement as part
8 of --

9 Q. In order to get all the other terms of this
10 settlement.

11 A. (Denney) The way the language reads is the parties
12 will amend their agreement. The parties that had executed
13 into this agreement were Integra and CenturyLink. So it was
14 to assure that Integra had the ability to enter into that
15 line conditioning amendment. So I hadn't thought about that
16 question before as to whether it's a requirement of all
17 parties. And perhaps that's one better asked of CenturyLink
18 as to whether that's a requirement or not. It wasn't
19 Integra's intent to set it up that it would require parties
20 to enter into agreements they didn't need.

21 Q. Got you. Thank you for that explanation.

22 Mr. Hunsucker, what is your opinion on that?

23 A. (Hunsucker) Paragraph 14 was put in there as a
24 condition as part of the settlement agreement. What we have
25 said in other states, and what we would say here is, to the

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1 extent a carrier doesn't need a line conditioning amendment
2 there's no requirement for them to have a line conditioning
3 amendment. But if they choose or need a line conditioning
4 amendment this is the amendment that would be applicable and
5 available to them as part of their interconnection
6 agreement.

7 Q. As far as commercial agreements, Mr. Hunsucker,
8 that a CLEC or a wireless carrier have, how does that work
9 in terms of this particular settlement? They will be
10 extended for a period of time; is that true?

11 A. (Hunsucker) I'm not sure I understand.

12 Q. Commercial agreements?

13 A. (Hunsucker) Right. Let me make sure I understand
14 first. You're saying a carrier opts into this, decides they
15 want to take advantage of this agreement?

16 Q. Yes.

17 A. (Hunsucker) Then on commercial and wholesale
18 agreements they would be extended for an 18 month period as
19 is. Then in addition to that there would be an 18 month
20 grandparent or grandfather period at a minimum. There's
21 no -- it doesn't signal any intent that we're going to
22 eliminate these products, only this is the time period that
23 we provide certainty that those contracts/agreements will
24 stay in place for a period of time under the exact
25 conditions that are there today pre-merger. They would be

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1 available post-merger but there is absolutely -- at this
2 point we don't know whether we could continue them or not.
3 We're just trying to create business certainty for our CLEC
4 customers for that 18 month period.

5 Q. Okay. And, Mr. Hunsucker, this agreement refers
6 only to Qwest interconnection agreements, Qwest tariffs,
7 Qwest commercial agreements and Qwest wholesale agreements;
8 is that correct?

9 A. (Hunsucker) That's correct.

10 Q. Okay. So the inverse of that is CenturyLink
11 wholesale agreements, CenturyLink interconnection
12 agreements, CenturyLink commercial agreements are not
13 affected by this Integra settlement; is that true?

14 A. (Hunsucker) That's correct. ICAs are not affected
15 and are not extended under this agreement. Those were
16 extended under the CenturyTel/Embarq agreement at the FCC.
17 We're still in that period of extension, which were two year
18 and three year periods for those. So we continue to abide
19 by our previous merger commitment. But there's no
20 commitment in here that we will extend those agreements.

21 Q. When does the merger commitment from the
22 Embarq/CenturyTel merger as far as extension of
23 interconnection agreements there expire?

24 A. (Hunsucker) The longest period of time since the
25 merger closed July 1st, 2009, would be July 1st, 2012.

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1 Q. Okay. And if this merger consummates and closes
2 in the first quarter of 2011 the extensions of the Qwest
3 interconnection agreements under this settlement will go
4 into the year 2014; is that correct?

5 A. (Hunsucker) That's correct.

6 Q. So the extension of the Embarq/CenturyTel
7 agreements under the FCC condition are only going to go
8 through July of 2012; is that right?

9 A. (Hunsucker) Let me answer that question this way.
10 That's the time period under which we are required to
11 continue to make those available. That is not necessarily
12 the time period they would go through because we could
13 continue to operate on a month-to-month basis after that
14 period of time. And honestly if you look at a lot of the
15 contracts we have, for example, even with Sprint CLEC, it
16 was a 2005 agreement that expired in 2007, that could have
17 been terminated in 2007, that we're still operating under
18 today and is part of the extension period by the FCC
19 condition.

20 Q. Is there any technical reasons, not talking about
21 the legal reasons from the CenturyTel/Embarq merger order,
22 but are there any technical reasons why the CenturyTel and
23 Embarq interconnection agreements cannot also be extended
24 according to the same terms that are set forth in the
25 Integra settlement?

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1 A. (Hunsucker) I'm not aware of any technical reasons
2 why those could not be extended. As I've said here, I've
3 never been asked that question in any other state, not
4 something I've put a lot of thought in. But just off the
5 top of my head I can't come up with a technical reason.

6 Q. Just trying to be original here, this is the last
7 hearing, you know.

8 A. (Hunsucker) I appreciate that.

9 Q. Mr. Hunsucker, has CenturyLink quantified any
10 financial harm to the CenturyLink entities if the
11 CenturyLink ICAs were extended in addition to the Qwest ICAs
12 pursuant to the same terms as set forth in the Integra
13 agreement?

14 A. (Hunsucker) No, we have not. I mean we have over
15 1,000 interconnection agreements, some of them go back as
16 far as 1999 that we're continuing to operate under, and we
17 have not undertaken any calculation of any financial impact
18 positive or negative if we extended those agreements.

19 Q. Mr. Hunsucker, I'm thinking this more in terms of
20 CLECs and CMRS carriers, but I think I can ask this to you
21 as an ILEC. Do you consider with respect to an
22 interconnection agreement, do you have more security knowing
23 what the term is of that agreement rather than operating on
24 a month-to-month basis?

25 A. (Hunsucker) Yes and no. It depends upon the

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1 contract. It depends upon the terms of those contracts. I
2 mean it could be one way or the other given the specifics of
3 each individual contract. We have not quite 2,000 of these
4 contracts across the nation, so, you know, it could go
5 either way.

6 Q. Okay. You have -- and when you say we have over
7 2,000, are you referring to the CenturyTel/Embarq ILECs only
8 or are you referring to Qwest also?

9 A. (Hunsucker) The CenturyTel/Embarq ILECs, and that
10 would cover interconnection agreements, termination
11 agreements, resell agreements as well as wireless
12 interconnection agreements.

13 Q. With respect to interconnection agreements,
14 Mr. Hunsucker, that you have, do you have a number as far as
15 how many interconnection agreements you have either
16 nationally or in the state of Washington?

17 A. (Hunsucker) I do not have the number off the top
18 of my head. I know we've responded to that in data
19 requests, but I can't recall the number.

20 Q. Let me see if I can find it real quick. We may
21 have to get back to that when you come back on the other
22 panel. Okay. But you would agree with me you have hundreds
23 of interconnection agreements nationally; correct?

24 A. (Hunsucker) Yes, I believe it's over 1,000.

25 Q. Okay. And as far as this Integra agreement that

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1 you reached, does it apply only in the state of Washington
2 or does it apply in multiple states?

3 A. (Hunsucker) This agreement was drafted to apply in
4 every state in which Integra operated and at the FCC. We
5 agree to these conditions in exchange for Integra's
6 withdrawing from the various proceedings and also supporting
7 the transaction in the public interest with these
8 conditions. So it was a multistate national settlement.

9 Q. How many states do you know off the top of your
10 head?

11 A. (Hunsucker) No. I can look at the front here and
12 tell you. They're enumerated here in the front of the
13 agreement.

14 A. (Denney) I know how many Integra states we operate
15 in.

16 Q. That might help.

17 A. (Denney) We're in nine Qwest states. The
18 agreement does cover to the extent we expand into any of the
19 additional Qwest states, as well.

20 Q. Okay. So the terms of this settlement are meant
21 to operate in at least nine states in the Qwest region;
22 right, Mr. Hunsucker?

23 A. (Hunsucker) Yeah, I think Mr. Denney is right. It
24 would really be all 14 states to the extent they decide to
25 do business in any of those states.

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1 Q. What about any non-Qwest states, say, Nevada?

2 A. (Hunsucker) No, this doesn't cover that.

3 Q. Doesn't cover that. With respect to the Qwest
4 region you would agree with me; right, Mr. Hunsucker, that
5 your company has the technical ability to implement the
6 terms of this agreement in all of these states; true?

7 A. (Hunsucker) In all of which states?

8 Q. All of the Qwest region states that Mr. Denney
9 talked about and that are identified on the front page of
10 the Integra agreement?

11 A. (Hunsucker) In all the Qwest states I think the
12 answer is yes. The only thing that I would caveat is I do
13 think there are some transitional schedules in the line
14 conditioning amendment such that some of that capability may
15 not be there today, but it is being deployed over a period
16 of time. So clearly we have or will have the technical
17 capability to meet all of these conditions.

18 Q. Regarding the Qwest network in the various states,
19 there's nothing that you know of that prevents the company
20 from implementing this settlement in all the Qwest states,
21 is there?

22 A. (Hunsucker) Not that I'm aware of. We met with
23 our network folks, and they didn't raise any issues. I
24 don't think we would have agreed to this had they had
25 particular issues. We would have tried to make sure those

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1 were covered in this agreement.

2 Q. Okay. Now, getting to interconnection agreements.

3 One of the conditions that are not in this particular
4 agreement with Integra is the ability to what we call port
5 interconnection agreements between entities in a single
6 state or between states; is that right?

7 A. (Hunsucker) That's correct.

8 Q. Okay. Do you know if Qwest and CenturyLink, in
9 discovery responses, do you know if they identified any
10 technical reasons that you know of right now regarding
11 whether or not the porting of interconnection agreements can
12 be done?

13 A. (Hunsucker) I don't recall whether we did or
14 didn't.

15 Q. Okay. Have you quantified -- and just to get this
16 straight so the commissioners know, I'm sure they do
17 already, that you oppose the porting of interconnection
18 agreements between entities and between states; is that
19 true?

20 A. (Hunsucker) Yes, that's correct.

21 Q. Have you identified the financial harms that would
22 accrue to Qwest and CenturyLink ILECs if such a condition
23 were permitted?

24 A. (Hunsucker) No, we have not, but I think that's
25 one of the critical points here is that, or couple points,

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1 is, one, there are specific rates in each of the individual
2 states that have been set by the various state Commissions.
3 So allowing just a simple port of any agreement without
4 amending the rate schedules is in my mind -- I mean it's not
5 possible, it's not something we would want to do. Secondly,
6 I know that there are certain things in the Qwest agreements
7 where they have operationalized certain billing procedures
8 and requirements. Those are things that we cannot do as we
9 convert this company day one.

10 Obviously, that's part of trying to integrate the
11 companies is to get to a single process, a single way of
12 doing it. So that prevents it from happening, as well.
13 There could be technical differences within the CenturyLink
14 network versus the Qwest network. We haven't quantified any
15 of those and have done no financial modeling on what that
16 would cost.

17 Q. Okay. With respect to state specific rates I
18 think was one of the first reasons you mentioned there. Are
19 you aware the conditions proposed, at least by Sprint, and I
20 think also by the Joint CLECs, allow for the implementation
21 of state specific rates within a ported interconnection
22 agreement?

23 A. (Hunsucker) Yes, they do. But it's not just as
24 simple as taking those rates and putting them in the
25 interconnection agreement. State Commissions may have

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1 determined there's different ways to recover rates, they're
2 nonrecurring or monthly recurring. So it also requires a
3 lot of changes in the actual body of the contract itself.
4 So it's not just a simple we're going to take this language
5 out of this agreement in Minnesota and put the Washington
6 rates on the back of it and we're done. I think as
7 Ms. Endejan said this morning, these contracts are very
8 complicated, they're very complex. And she's right, and
9 that's one thing that prevents us from simply taking one
10 agreement into another state and using it.

11 Q. Are you aware, Mr. Hunsucker, that the FCC in
12 contemplating the merger between AT&T and BellSouth ordered
13 the ability for CLECs and wireless carriers to port
14 interconnection agreements between entities and between
15 states?

16 A. (Hunsucker) Yes, I'm aware of that. That was Two
17 Box, I don't know how similar their systems, their
18 contracts, their processes were. And I know AT&T
19 voluntarily agreed to do that as part of their voluntary
20 commitments. It's not something that we're comfortable
21 doing.

22 Q. Would you agree with me that interconnection
23 agreements for Embarq/CenturyTel ILECs and interconnection
24 agreements for the Qwest ILECs with CLECs and CMRS carriers,
25 they generally do the same things; right? In other words,

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1 they talk about how the networks are interconnected, they
2 talk about reciprocal compensation, they talk about
3 application of certain tariffs, those are all items that are
4 in -- that are substantially similar between the Qwest ICAs
5 and the Embarq and CenturyTel ICAs; correct?

6 A. (Hunsucker) I think that's a significant
7 oversimplification of the contracts to say they do the same
8 things. They address the same issues, yes, but if you go
9 look at the Qwest template it's 400 and some pages without
10 attachments. So it's not -- it's a real oversimplification
11 to say it does the same thing. Yeah, it has the same
12 concepts, intercarrier compensation, interconnection
13 billing, all the typical legal language that's required, but
14 it's not that simple.

15 Q. Is CenturyTel and Embarq working towards a single
16 interconnection agreement for the CenturyTel and Embarq
17 ILECs?

18 A. (Hunsucker) Yes. As I've testified in other
19 states we have begun that process to attempt to get to a
20 single template for Embarq and CenturyTel properties.

21 Q. And why are you doing that?

22 A. (Hunsucker) Two reasons. One, I think it's for
23 our own internal benefit. And, two, it's for the benefit of
24 the CLEC customers. And that drives us to create
25 efficiencies for our company, as well as our CLEC customers.

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1 That is something that we will probably undertake with the
2 Qwest agreement at some point in time. It's a process where
3 you have to reconcile, you know, your policy positions and
4 those type of things.

5 But, again, as part of this agreement we're
6 extending ICAs for three years and we're still in an ICA
7 extension period for Embarq and CenturyTel. So we don't
8 have to do it day one, we don't have to do it at the end of
9 the first year. We have time to get there. And it's --
10 from my personal experience, because it's my staff that's
11 doing this, it's been a very difficult and long process to
12 work through getting to a single interconnection template.

13 Q. So do you think your company will accrue cost
14 savings from working toward a single agreement as far as
15 managing interconnection agreements and billing under
16 interconnection agreements?

17 A. (Hunsucker) You know, we haven't really looked at
18 it from that perspective. We're just trying to get on a
19 common template.

20 Q. Regarding billing for intercarrier compensation
21 and interconnection agreements, I suppose you're working
22 towards a common template for how you bill intercarrier comp
23 as part of this new template that you're developing for the
24 CenturyTel and Embarq agreements; is that right?

25 A. (Hunsucker) Yeah, I would probably ask you to

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1 clarify what you mean by how to bill, that sounds like more
2 of a billing system issue. So I'm not sure I understand
3 exactly what you're asking.

4 Q. No, that's a good clarification that you asked
5 for. I don't mean it as far as how to bill. I guess I mean
6 it more from the perspective of just administering the
7 interconnection agreement and looking at its terms and
8 conditions and then rendering bills to carriers that you
9 exchange traffic with?

10 A. (Hunsucker) Obviously the template that we will
11 come up with will have a section on intercarrier comp. It
12 will talk about how we treat local services, how we treat
13 nonlocal services, what rates are subject to access charges,
14 what rates are subject to recip comp. Some states will use
15 the FCC opt in rate. Other states will have TELRIC-based
16 reciprocal compensation rates. It will be a myriad of how
17 you get there. But we're trying to get that into a single
18 template.

19 Q. Have you identified the policy differences yet
20 between the Qwest template and the CenturyLink templates
21 that you have out there?

22 A. (Hunsucker) I have not. I think our policy group
23 has gone through looking at those type of issues, but I was
24 not personally involved in doing that.

25 Q. So you have no personal knowledge of those policy

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1 differences at this time?

2 A. (Hunsucker) No, not as I sit here today I can't,
3 you know, tell you what those differences are.

4 JUDGE FRIEDLANDER: Mr. Schiffman, I guess I should
5 note that we are getting close to 5:00. And we do have a
6 public comment period at 5:30. So if this is a good place
7 to break and recess until tomorrow morning maybe we should
8 go ahead and do that?

9 MR. SCHIFMAN: Okay. That's fine with me.

10 JUDGE FRIEDLANDER: Okay. And so what we'll do is
11 we'll adjourn and we'll come back tomorrow at 9:30. Thank
12 you.

13 MR. FFITCH: Your Honor?

14 JUDGE FRIEDLANDER: Yes.

15 MR. FFITCH: I just would like to interject, if I
16 may, a request on the record in front of other counsel
17 regarding attendance of our witness. I would like to
18 request permission for our witness to be excused from the
19 hearing room and to be available tomorrow for the rest of
20 the hearing by telephone. Ms. Johnson.

21 JUDGE FRIEDLANDER: That's fine.

22 MR. FFITCH: Thank you, Your Honor.

23 JUDGE FRIEDLANDER: Sure. We are adjourned.

24 Thank you.

25 (Off the record at 4:57 p.m.)

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C E R T I F I C A T E

I, TAMI LYNN VONDRAN, a Certified Court Reporter,
do hereby certify that I reported in machine shorthand the
foregoing proceedings in the above-entitled cause; that the
foregoing transcript was prepared under my personal
supervision and constitutes a true record of the testimony
of the said witness.

I further certify that I am not an attorney or
counsel of any parties, nor a relative or employee of any
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DATED at Edgewood, Washington this 10th day of
January, 2011.

Tami Lynn Vondran, CCR
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