

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of QWEST CORPORATION Regarding the Merger of Qwest LD Corp. into Qwest Corporation

Docket No.

QWEST CORPORATION'S NOTICE OF PRO FORMA REORGANIZATION AND REQUEST FOR APPROVAL; REQUEST FOR WAIVER OF CUSTOMER NOTICE REQUIREMENTS IN WAC 480-120-147(7) AND WAC 480-143-210

INTRODUCTION

1 Qwest Corporation ("Qwest" or "QC") and Qwest LD Corp. ("QLDC") are undertaking a corporate restructuring, which involves subsidiaries of Qwest Communications International Inc. and will have no material impact on consumers. QC is filing for Commission approval of this transaction under RCW 80.12.020 and RCW 80.12.040 as this is a merger of QLDC into QC. While QLDC has received a waiver of the requirements of Chapter 80.12 RCW, QC has only received a partial waiver of those requirements under its AFOR, and this transaction does not appear to be exempt from approval. Therefore, Qwest seeks Commission approval of the transaction, and rule waivers as described herein.

I. DESCRIPTION OF THE PARTIES

2 QC is an incumbent local exchange carrier ("ILEC") and regional Bell operating company

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Redacted
CONFIDENTIAL
Pursuant to 480-07-160

Qwest
1600 7th Ave., Suite 1506
Seattle, WA 98191
Telephone: (206) 398-2500
Facsimile: (206) 343-4040

("RBOC"). QC is a Colorado corporation with its principal office and place of business at 1801 California Street, Denver, Colorado 80202. QC is authorized to provide telecommunications services in Washington and has 1.3 million access lines in this state. QC is an indirect subsidiary of Qwest Communications International Inc. ("QCII").

3 QLDC was created as a QC affiliate in order to satisfy the legal requirements of sections 271 and 272 of the federal Telecommunications Act of 1996 for the provision of interLATA interexchange services. QLDC filed an application for registration as a competitive telecommunications company and the Commission allowed the application to become effective on October 30, 2002 in Docket No. UT-021260. QLDC serves its customers by reselling services it purchases from Qwest Communications Corporation ("QCC"), another affiliate of QC and a registered telecommunications carrier. QLDC's customer base is "mass market" – consumer residential and small business. QLDC does not sell any local services. QLDC provides services only in the service territory where QC provides local exchange services as an incumbent in fourteen western states, including Washington. As of December 31, 2009 QLDC provided services to approximately [begin confidential] XXXXX [end confidential] lines in Washington.

4 Both QC and QLDC are affiliates within the overall Qwest corporate structure. At the top of Qwest's corporate structure is the parent holding company, Qwest Communications International, Inc., or QCII. Directly below QCII is Qwest Services Corporation, or ("QSC"). QSC is also the sole shareholder of QC, QLDC, and other Qwest entities.

II. THE TRANSACTION AND APPLICABLE LAW

5 In this case, the proposed transaction will be undertaken to effectuate an internal corporate restructuring of QC and QLDC. The proposed corporate restructuring will consolidate QC/

QLDC operations into a single entity. The consolidation of QLDC into QC will be accomplished by a merger with QC as the surviving entity, and the outstanding QLDC stock being cancelled.

- 6 Pursuant to WAC 480-143-130, QC's most recent financial statements (Form 10K) are attached as Attachment A. QLDC's 2009 financial results are attached as Confidential Attachment B. No transaction documents exist at this time, as the documents will not be created and executed until all state approvals are obtained.

III. THE REORGANIZATION IS IN THE PUBLIC INTEREST

- 7 The corporate restructuring between QC and QLDC will serve the public interest. The transaction will not result in any negative impact to customers or to QC's ability to operate and provide service to existing and new customers.

A. BENEFITS TO CUSTOMER

- 8 Combining QLDC and QC should be invisible to customers and not result in any immediate material impact. QLDC customers will see no changes in their offerings or rates, and they will continue to receive services under the "Qwest" brand. Currently, QLDC customers see the charges for QLDC services as charges for "Qwest Long Distance" on their bills. The reorganization will not change these bill descriptions. Moreover, all services and rates that are available to customers of QLDC and QC shall continue to be available post-reorganization. The QLDC catalog provisions, in their entirety, will be added as QC catalog provisions once the reorganization is finalized.
- 9 From a practical perspective, customers will see little if any difference in service other than the simplification of dealing with one corporate entity. QC currently performs billing functions for all QLDC customers such that QLDC charges are presently reflected in QC bills. This will

not change. In the future, the merger will allow QC the flexibility to package local and long distance service in a similar fashion to that which is currently being done by other QC competitors. This consolidation will also simplify the legal relationships because customers will be subscribing from a single legal entity where before there were two.

B. BENEFITS TO THE COMPANIES

10 The consolidation of QC and QLDC is made possible by the sunset of Qwest's obligations under Section 272 of the Telecommunications Act of 1996. Section 272 required that a separate corporate affiliate be maintained to provide interLATA services after Qwest obtained the authority under Section 271 to provide interLATA services. With the recent sunset of several of QC's obligations under Section 272, the applicants plan to move the long distance affiliate QLDC into QC, thereby simplifying and unifying local and long distance voice services for mass market customers into a single provider. The elimination of the affiliate will reduce administrative burden, record-keeping, and the number of affiliate transactions.

IV. CANCELLATION OF QLDC'S REGISTRATION

11 Once QLDC ceases to exist as a corporate entity, there will no longer be a need for QLDC to be registered as a telecommunications company. Former QLDC customers will have been migrated to QC, which is already authorized to provide long distance service directly to them, in a seamless transition that should be invisible to all customers. Accordingly, QLDC will file a request for cancellation of its registration in accordance with Commission requirements after the Commission ruling on the requests in this Petition.

V. DESIGNATED CONTACTS

12 For the purposes of this Notice and Petition, contacts are as follows and copies of all correspondence, notices and orders pertaining to this Notice and Petition also should be sent

to:

Lisa A. Anderl
1600 – 7th Ave., room 1506
Seattle, WA 98191
Phone 206-345-1574
Fax 206-343-4040
Lisa.anderl@qwest.com

VI. COMPLIANCE WITH CUSTOMER NOTICE REQUIREMENTS

- 13 For the reasons set forth herein, Qwest requests a waiver or exemption from the customer notice requirements in the Commission's rules specifically in connection with the transaction of merging QLDC into QC. The purpose and scope of the Commission's anti-slamming rules is to protect consumers from an unauthorized change in their local or intrastate long-distance telecommunications company. WAC 480-120-147. In order to protect consumers from the effects of "slamming", telecommunication carriers are required to go through a list of verification and notification procedures designed to ensure that long-distance customers are aware, and consent to, the switch of long-distance providers. WAC 480-120-147(1)-(4). When the customer's provider is changed because of a merger or acquisition, the rule allows an exception to the traditional verification requirements so long as the acquiring company complies with certain customer notice requirements. WAC 480-120-147(7). In addition, the Commission requires customer notice of a merger. WAC 480-143-210.
- 14 Combining QLDC and QC should be invisible to customers and not result in any material impact. Moreover, customers will see little if any difference in service other than the simplification of dealing with one corporate entity.
- 15 Qwest believes that customer notice in this case would not serve any useful purpose and asks that these requirements be waived.

- 16 The customer notice requirements are designed to give customers notice when their underlying service provider is being changed, and there is a possibility that the new carrier may have different rates, or different terms and conditions of service than the transferring carrier does. That is not the case here. Nor will customers see a different name on the bill and have questions about that, as the billing will stay the same. Indeed, in this case customer notice would likely cause customer confusion and questions. Any attempt to explain that a customer's service provider was changing from Qwest Long Distance Corp. to Qwest Corp, providing long distance, would likely result in numerous calls from customers seeking additional explanation and not provide those customers with any material benefit.
- 17 QC asserts that the effects of the merger will be imperceptible to QLDC's customers since the transfer involves what can be termed a 'pro-forma' transfer of control between QLDC and QC. The need to provide notice to QLDC's customers is outweighed in this very limited instance by the potential confusion caused by such a notice. Moreover, the 'pro-forma' nature of the transfer of customers does not implicate the potential for fraud and misrepresentation the Commission's anti-slamming rules are designed to prevent. As such, following the authorization and verification procedures in this instance would be unduly burdensome and time consuming, and represents an economic burden that in QC's determination, would not serve the public interest.
- 18 All other states that require approval of this transaction have granted such approval.

VIII. CONCLUSION

- 19 For the reasons stated above, the Commission should enter an order approving the transaction under Chapter 80.12 RCW, and waiving any customer notice requirements in connection with the transfer of customers from QLDC to QC. Qwest respectfully requests that the Commission

expeditiously approve the merger, no later than September 30, 2010.

Dated this 17th day of August, 2010.

QWEST CORPORATION



Lisa A. Anderl, WSBA #13236
Adam L. Sherr, WSBA #25291
1600 7th Avenue, Room 1506
Seattle, WA 98191
Phone: (206) 398-2500

CERTIFICATION PURSUANT TO WAC 480-143-140

I, Philip E. Grate, Director of Accounting for Qwest Corporation, hereby certify that the information contained in this Notice of Pro Forma Reorganization is true and correct to the best of my knowledge and belief under penalty of perjury under the laws of the State of Washington. Signed at Seattle, Washington, this 10th day of August, 2010.



Philip E. Grate
Qwest Corporation