

**Exhibit No. \_\_\_\_ T (BCY-2T)**  
**Docket No. UT-082119**  
**Witness: Barbara C. Young**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

Joint Application of Embarq Corporation  
and CenturyTel, Inc. for Approval of  
Transfer of Control of United Telephone  
Company of the Northwest d/b/a Embarq and  
Embarq Communications, Inc.

DOCKET NO. UT-082119

**REBUTTAL TESTIMONY OF  
BARBARA C. YOUNG**

**ON BEHALF OF  
EMBARQ CORPORATION**

**March 18, 2009**

1 **Q. Please state your name, business address, employer and position.**

2 A. My name is Barbara C. Young and my business address is 902 Wasco Street,  
3 Hood River, OR 97031. I am employed by Embarq Management Company as the State  
4 Executive for Washington and Oregon.

5  
6 **Q. What is the purpose of your rebuttal testimony?**

7 A. The purpose of my rebuttal testimony is to respond to the testimony of Dr. Trevor R.  
8 Roycroft, filed on behalf of the Public Counsel. Specifically, I will address Dr.  
9 Roycroft's views regarding the standard of review for merger proceedings in  
10 Washington, application of that standard in this proceeding, and several of the proposed  
11 conditions which Dr. Roycroft erroneously asserts must be imposed upon this transaction  
12 to meet the standard of review. In addition, I will address several of the proposed  
13 conditions suggested by Staff witness Betty Erdahl related to service quality and  
14 continuation of the conditions established in Embarq's 2006 separation from Sprint.  
15 Last, I will address recommendations of Staff witness William Weinman regarding rate  
16 design and rate center consolidation plans.

17

18 **Q. Are you aware of the applicable requirements for Commission approval of merger**  
19 **transactions?**

20 A. Yes. As I stated in my direct testimony, WAC 480-143-170 requires that an applicant  
21 demonstrate that the transaction is consistent with the public interest. My understanding

1 is that the Transaction need not specifically benefit the public, but must simply cause no  
2 harm.

3

4 **Q. Have Joint Applicants demonstrated that the proposed transaction is consistent**  
5 **with the public interest?**

6 **A.** Yes. In fact, the proposed transaction will benefit Washington customers in the  
7 following substantial ways:<sup>1</sup>

8 • The transaction creates a financially stronger merged entity in terms of greater  
9 economies of scale and financial resources to capitalize on marketplace opportunities,  
10 diversify revenues, expand networks, and build long-term value for investors and for  
11 customers in the markets in which the merged companies operate.

12

13 • Because the transaction creates a financially stronger merged entity, as addressed  
14 above, it consequently also creates a stronger competitor that is better positioned to  
15 serve customers in an increasingly competitive environment where consumers have  
16 more choices than ever before for voice, data, video and wireless services.

17

18 • The transaction creates a stronger advocate at the federal level for the issues affecting  
19 Washington rural ILECs, such as intercarrier compensation reform and universal  
20 service, which currently are being considered by the Federal Communications  
21 Commission and the United States Congress.

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<sup>1</sup> Mr. Bailey addresses in greater detail the fundamental benefits of the transaction in his prefiled rebuttal testimony.

- 1 • The transaction combines two predominantly rural ILECs with complimentary  
2 service territories, regulatory regimes, and product sets. Both companies have deep  
3 roots in serving and meeting the communication needs of their customers.  
4
- 5 • The transaction will bring together significant expertise and resources so that the  
6 combined company will be able to draw from a pool of expertise to further support a  
7 stronger combined company for the benefit of our customers.  
8
- 9 • The transaction strengthens our operating companies so that employees and local  
10 economies will likely realize a greater benefit from a stable employer than if the  
11 companies did not merge.  
12

13 **Q. Public Counsel and Staff speculate that the merger could result in declines in service**  
14 **quality and they propose several conditions to address these concerns. Are their**  
15 **concerns and proposed conditions reasonable?**

16 **A.** No. Both Dr. Roycroft and Ms. Erdahl conclude that: a) Adverse changes could result  
17 from the merger and b) such adverse results might negatively impact the service quality  
18 provided by CenturyTel and Embarq to their Washington customers. Based on these  
19 speculative, perceived potential risks to service quality, Public Counsel and Staff  
20 recommend imposition of several onerous and, based on the company’s historical service  
21 records, unnecessary service quality reporting requirements.  
22

1           The Commission has extensive service quality standards and reporting rules in  
2 place to monitor service quality and it has the statutory authority to address any service  
3 issues should they arise. Both CenturyTel and Embarq are meeting these service quality  
4 obligations, and have a demonstrated history of doing so. Neither Dr. Roycroft nor Ms.  
5 Erdahl express any concerns with the quality of service that CenturyTel and Embarq  
6 provide at the present. In fact, Ms. Erdahl states:

7           “Generally, United and the CenturyTel LECs meet the service quality benchmarks  
8 established by the commission, so staff is not concerned about the companies’  
9 current service quality.”<sup>2</sup>”

10           The companies have consistently affirmed that the merger will have no adverse  
11 affect on service quality, or the ability of the companies to meet all of their obligations, or  
12 on the Commission’s enforcement mechanisms in the unlikely event that service quality  
13 declines. Both Embarq and CenturyTel share the same customer-centric vision to  
14 continually improve customer satisfaction. There is no reason to assume, as Dr. Roycroft  
15 and Ms. Erdahl have speculated in their testimony, that the merged entity will do  
16 anything other than continue its solid track record of providing high quality service to its  
17 customers. And, in fact, neither provides any evidence to support their views, while the  
18 Joint Applicant’s historical service record provides a clear indication that the public  
19 interest and the company’s commitments are entirely aligned.

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<sup>2</sup> Erdahl testimony, page 14, lines 5-7.

1 **Q. Public Counsel witness Dr. Roycroft and Staff witness Ms. Erdahl have**  
2 **recommended that Embarq’s service guarantee program be extended to**  
3 **CenturyTel. Please explain Embarq’s service guarantee program.**

4 A. To satisfy a condition included in the settlement agreement in Embarq’s separation from  
5 Sprint, United Telephone Company of the Northwest implemented a service guarantee  
6 plan which provides an automatic \$15 residential credit or \$25 basic business credit for  
7 installation or repair commitments missed due to reasons within the company’s control.  
8 As established in the settlement agreement, the program commenced January 1, 2007 and  
9 is scheduled to be re-evaluated after three years.

10

11 **Q. Is it necessary for the service guarantee program to be implemented for**  
12 **CenturyTel?**

13 A. No. As I discussed above, CenturyTel is meeting the Commission’s service quality  
14 requirements. Imposition of a requirement to provide customer credits when the  
15 company is providing high quality service to its customers is unnecessary and intrusive  
16 on the Company’s relationship with its customers. In addition, to devote unnecessary  
17 resources to already solid customer service would disadvantage the companies in  
18 Washington where Staff itself recognizes the companies are facing “serious  
19 competition.”<sup>3</sup>

20

21 **Q. Do you agree with Ms. Erdahl’s recommendation that quarterly reporting of the**  
22 **service guarantee program should be required?**

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<sup>3</sup> See *infra*, note 4.

1 A. No. To the extent Commission Staff believes it is necessary to closely monitor the  
2 service levels of the merged company, the existing Commission service quality reports  
3 provide ample information on a monthly basis to facilitate such review. In fact, the  
4 monthly reports contain the number of missed repair and installation appointments so  
5 quarterly reporting of essentially the same data would be duplicative and wasteful of  
6 company resources.

7

8 **Q. Does Public Counsel recommend any other conditions related to its service quality**  
9 **concerns?**

10 A. Yes. Public Counsel has recommended additional conditions which appear unnecessary  
11 and overreaching.

12 • Dr. Roycroft recommends detailed, quarterly reporting on the integration of  
13 business and repair operations and billing systems for three years and annually  
14 thereafter. *See* Roycroft at p. 47. Dr. Roycroft has not provided any data or other  
15 logic for his speculation that there could be adverse consequences arising from  
16 changes to billing systems or call centers. I note, as Mr. Bailey develops further,  
17 that the record is clear about Century Tel's smooth and effective transitions in  
18 previous acquisitions and its internal conversion to a new billing and customer care  
19 platform in 2004. Therefore, additional reporting on the integration of business and  
20 repair operations and billing systems should not be required. In the unlikely event  
21 that the integration efforts produced reduced service levels, the combination of  
22 customer complaint tracking, existing service quality reporting and the proposed

1 reporting of answer time metrics would inform the Commission about any  
2 deficiencies.

- 3 • Dr. Roycroft also recommends quarterly reporting of the consolidation of network  
4 operations and staff, including identification of employee counts. *See id.*, at pp. 47-  
5 48. He also recommends reporting of maintenance and plant personnel head  
6 counts. We believe that quarterly and annual reports on employee levels are  
7 unnecessary as the Commission does not regulate staffing levels and should permit  
8 the combined company to operate its business as it decides necessary so long as it  
9 meets the specific service guidelines.

- 10 • Dr. Roycroft recommends that the companies be required to inform the  
11 Commission of consolidation plans and implementation so that the Commission  
12 and interveners can assess how service quality reporting will be addressed. *See id.*,  
13 at p. 48. This recommendation incorrectly assumes that the Commission has  
14 oversight over how the companies determine what is the most effective and  
15 efficient business model; the Commission does not. The Commission has stringent  
16 service quality measures in place to ensure that the business decisions the  
17 companies make as a result of this merger produce the same high quality service  
18 that is being delivered today. Once again, Dr. Roycroft attempts to add intrusive  
19 and burdensome reporting requirements where none are necessary. The companies  
20 will continue to be bound by Commission service quality obligations and reporting  
21 requirements that will be unaffected by the merger integration. Moreover, as noted  
22 in Mr. Weinman's testimony, "This transaction is taking place during a period  
23 when CenturyTel, Inc. is facing serious competition from wireless, voice over



1 internet providers, and other potential technologies.”<sup>4</sup> It is simply inconsistent with  
2 the companies’ own best interests to allow service quality levels to drop, and it is  
3 burdensome to add unnecessary costs that harm our ability to compete on an even  
4 playing field.

5  
6 **Q. Did Commission Staff recommend any other conditions related to service quality?**

7 A. Yes. Ms. Erdahl recommends that the companies provide quarterly reporting of business  
8 office and repair answer time results. As Ms. Erdahl indicates, the Commission has the  
9 authority to request such reports at any time. The companies are committed to  
10 continuing to provide quality service to customers, including prompt responses to  
11 customer calls into its business office and repair centers, and believe that regular  
12 reporting is not necessary. Nevertheless, the companies are not opposed to providing  
13 answer time metrics, however, we do not believe the reporting of these metrics should be  
14 a condition of the merger as the Commission has the authority under WAC 480-120-439  
15 to request the reports at any time.

16  
17 **Additional Public Counsel Proposed Conditions**

18 **Q. Dr. Roycroft recommends that conditions be placed regarding customer notice. See**  
19 **Roycroft at p. 41. Do the companies intend to provide notice to their customers**  
20 **about the merger?**

21 A. Absolutely. The companies are committed to keeping their customers informed as the  
22 merger progresses. As the Commission Staff and Public Counsel are aware, both Embarq

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<sup>4</sup> Direct Testimony of William H. Weinman, at p. 8, lines 12-18.

1 and CenturyTel are including a notice about the merger in customers' March invoices  
2 which offers an opportunity for customers to provide comments to the companies, the  
3 Commission and Public Counsel. When a decision is made regarding a company name  
4 change, the companies will provide additional notice to customers consistent with  
5 applicable State and Federal statutes or rules.

6

7 **Q. Witness Roycroft recommends that customers not be charged the Primary**  
8 **Interexchange Carrier (PIC) change charge if customers are transferred between**  
9 **the long distance affiliates. See Roycroft at p. 42. Please discuss the proposed**  
10 **condition relating to changes in long distance carriers.**

11 A. Embarq committed in its settlement agreement in the separation from Sprint to a waiver  
12 of the PIC change charge for a long distance customer who chose to transfer from  
13 Embarq's long distance service to another carrier for a period of 90 days following  
14 customer receipt of the 30 day prior written notice of transfer. In this merger, customers  
15 of Embarq's long distance affiliate will retain the PIC of that entity, and likewise  
16 customers of CenturyTel's long distance affiliate will retain the PIC of that entity. If at  
17 some point a decision is made to consolidate long distance operations and convert  
18 customers to a single long distance entity resulting in a PIC change, the company would  
19 be required under FCC rules to provide advance customer notice. At that time, it would  
20 provide customers the opportunity to change to another long distance carrier without the  
21 imposition of a PIC change charge for a period of 90 days similar to what was done in the  
22 separation case.

23

1 **Q. Should the Commission require the company to take specific steps to increase the**  
2 **number of Lifeline customers?**

3 A. No. Both Embarq and CenturyTel have significant outreach efforts for Lifeline, and both  
4 companies are already in compliance with federal and state requirements. Dr. Roycroft  
5 proposes specific requirements with respect to marketing efforts, as well as requiring  
6 quarterly reports on the number of Lifeline customers. *See* Roycroft at p. 48-49. These  
7 conditions should not be imposed. If the Commission believes that there is an issue with  
8 regard to outreach efforts for Lifeline service in Washington, then it is vital that all  
9 Eligible Telecommunications Carriers in the state and the state Department of Social and  
10 Health Services be included in that discussion.

11  
12 **Q. Please comment on Witness Roycroft’s suggestion that Embarq should be required**  
13 **to prominently display on its website the availability of stand-alone basic service.**  
14 ***See* Roycroft at p. 49.**

15 A. Public Counsel’s intrusion into Embarq’s website labeling of a particular local service  
16 configuration as “Basic Home Phone” should not be endorsed. Dr. Roycroft’s objection  
17 appears to be based on the fact that the package name contains the word “basic” and his  
18 supposition that it must therefore be confusing to customers because it includes more  
19 than just flat-rate local service (which Dr. Roycroft has defined as basic service). Dr.  
20 Roycroft fails to provide any evidence of actual customer confusion. In addition, Mr.  
21 Roycroft is incorrect in his statement that Embarq’s web site “fails to address the  
22 availability of stand-alone basic service.” On the same web page that describes the

1 “Basic Home Phone” bundle there is the following informational note regarding stand-  
2 alone basic service:

3 Stand-alone residential local service is available with price ranging from \$8.90 to  
4 \$16.40 (plus taxes and surcharges) depending upon the exchange. A la carte  
5 features are also available for purchase from the Company's tariff. For details,  
6 contact your local service representative at the telephone number shown at the top  
7 of this page.

8

9 **Additional Commission Staff Proposed Conditions**

10 **Q. Staff proposes that all conditions from United’s separation from Sprint Nextel**  
11 **(Docket UT-051291), to the extent they still apply, should continue to be imposed. Is**  
12 **it appropriate for these conditions to apply?**

13 A. The majority of these conditions have been satisfied and there is no reason to impose any  
14 incremental obligations on UTNW or Embarq. For the few conditions that have  
15 continuing or unexpired obligations, the combined company is committed to fulfilling  
16 those obligations for Embarq.

17 Embarq witness Mark Gast will address items 1, 2, and 7 related to directory sale  
18 imputation, commitment to not seek recovery of certain separation-related costs, and  
19 affiliated interest. I will address issues 3, 4, 5, and 8 which involve conditions related to  
20 Embarq’s service guarantee, service quality, customer notice, and broadband reporting.

21

22 **Q. Please explain the separation settlement condition #3 related to the service**  
23 **guarantee and any impact the merger may have on that condition.**

24 A. As I discussed above, a condition of the settlement agreement in Embarq’s separation  
25 from Sprint was that UTNW adopt an automatic \$15 residential credit and \$25 basic

1 business credit for installation and repair commitments missed due to reasons within the  
2 company's control. As established in the settlement agreement, the program commenced  
3 January 1, 2007 and is scheduled to be re-evaluated after three years. This condition is  
4 not impacted by the merger, and will continue to apply to UTNW.

5  
6 **Q. What is the status of the separation settlement condition #4 that UTNW comply**  
7 **with the Commission service quality rules?**

8 A. UTNW continues to comply with applicable Commission service quality rules. This  
9 condition is not impacted by the merger, and will continue to apply to UTNW.

10

11 **Q. What is the status of the separation settlement condition #5 relating to customer**  
12 **notice?**

13 A. UTNW met this requirement relating to the separation from Sprint. This condition is no  
14 longer necessary. As I discussed above, the companies are in the process of noticing  
15 customers regarding the merger.

16

17 **Q. What is the status of the separation settlement condition #8 related to broadband**  
18 **deployment?**

19 A. UTNW continues to be willing to provide information to Staff or Public Counsel upon  
20 request concerning its deployment of broadband services. This condition is not impacted  
21 by the merger and will continue to apply to UTNW.

22

1 **Q. Staff witness Weinman proposes the companies be required in a future earnings**  
2 **review filing to present a rate design proposal to reduce the number of rate groups.**  
3 **Do you agree that this is a necessary condition of the merger?**

4 A. No. This is a merger governed by Chapter 80.12 RCW; it is not a rate case. Staff has the  
5 ability to request a review of earnings under the current rate of return regulatory scheme  
6 and as part of that review Staff can make recommendations with regard to rate design,  
7 which could include collapsing rate groups. It is therefore inappropriate and unnecessary  
8 to incorporate rate design as a merger condition when Staff has the authority to address  
9 the issue in other more appropriate proceedings.

10

11 **Q. Staff witness Weinman also proposes that the companies be required to present a**  
12 **plan to merge rate centers for the conservation of numbers in a future earnings**  
13 **review filing. Is this necessary?**

14 A. No. Both CenturyTel and Embarq have completed rate center consolidations within the  
15 last several years. Both companies have been aggressive in returning unneeded 1,000  
16 number blocks to the numbering administrator to maximize the use of existing numbers.  
17 The companies will continue to work with Staff on this issue in the same manner as they  
18 do today. Furthermore, the companies will participate should the state and/or federal  
19 entity open a proceeding addressing number conservation so long as it involves all  
20 entities that use/require telephone number resources. This condition should not be  
21 required as part of this merger approval.

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

23 A. Yes.