BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

|  |  |
| --- | --- |
| In the Matter of the Petition of  THE CENTURYLINK COMPANIES – QWEST CORPORATION; CENTURYTEL OF WASHINGTON; CENTURYTEL OF INTERISLAND; CENTURYTEL OF COWICHE; AND UNITED TELEPHONE COMPANY OF THE NORTHWEST  To be Regulated Under an Alternative Form of Regulation Pursuant to RCW 80.36.135. | Docket No. UT-(new) |

DIRECT TESTIMONY OF

MARK S. REYNOLDS

ON BEHALF OF

CENTURYLINK

APRIL 1, 2013

**TABLE OF CONTENTS**

**Page**

[I. IDENTIFICATION OF WITNESS 1](#_Toc149096956)

[II. PURPOSE OF TESTIMONY 3](#_Toc149096957)

[III. OVERVIEW OF CENTURYLINK’S PETITION 3](#_Toc149096958)

[IV. CONCLUSION 19](#_Toc149096959)

INDEX OF EXHIBITS:

**Exhibit Title**

**MSR-2 CenturyLink’s AFOR Proposal**

# IDENTIFICATION OF WITNESS

Q. Please state your name, business address and employment.

1. My name is Mark S. Reynolds and my business address is 1600 7th Ave., Room 1506, Seattle, Washington, 98191. I am employed by CenturyLink as the NW Region Vice President Public Policy.
2. Please review your present responsibilities.
3. I am responsible for regulatory, legislative, and local government affairs for CenturyLink operating companies in the states of Washington, Oregon, Idaho, Wyoming and Montana. My responsibilities include oversight of regulatory filings and advocacy, including presentation of testimony, as in this docket. I am also responsible for CenturyLink’s and its affiliates' communications and activities with the Washington Utilities and Transportation Commission (“Commission”).
4. briefly outline your education and employment background.
5. I received a B.A. from Oregon State University in 1977 and an M.B.A. in 1979 from the University of Montana. My professional experience in the telecommunications industry spans 32 years working for CenturyLink and its predecessors, Qwest, U S WEST Communications, Inc. (“U S WEST”) and Pacific Northwest Bell. I have held various director positions in costs, economic analyses, pricing, planning and interconnection for U S WEST in the marketing and regulatory areas. I was responsible for ensuring economic pricing relationships between and among U S WEST’s product lines, including telephone exchange service, long distance, and switched/special access services. I represented U S WEST, both as a pricing policy witness, and as the lead company representative, in a number of state regulatory and industry pricing and service unbundling workshops. Subsequently, I managed an organization responsible for the economic analyses and cost studies that supported U S WEST’s tariffed product and service prices and costs before state and federal regulators.

I also managed U S WEST’s interconnection pricing and product strategy and the interconnection negotiation teams that were responsible for negotiating interconnection and resale contracts with new local service providers. Also, I managed U S WEST’s cost advocacy and witness group, which was responsible for providing economic cost representation in telecommunications forums, workshops and regulatory proceedings. I was also responsible for state regulatory finance issues and, specifically, the development and implementation of Qwest’s performance assurance plans in conjunction with its Section 271 applications. Finally, prior to my current position, I was responsible for CenturyLink’s regulatory affairs in its former seven state Western Region, which included Washington.

1. have you previously testified before this commission?
2. Yes. I have testified in a number of proceedings before the Commission dating back to 1989, including rate and cost dockets, wholesale arbitration dockets, wholesale complaint dockets, the Qwest/U S WEST merger docket, the 271 docket, the Dex sale docket, business services competitive classification dockets, the Service Quality Performance Plan docket, the prior Qwest AFOR docket and most recently the CenturyLink/Qwest merger docket.

# Purpose of Testimony

1. What is the purpose of this testimony?
2. The purpose of my testimony is to provide an overview of CenturyLink’s request for an alternative form of regulation (“AFOR”) in accordance with RCW 80.36.135. To that end, my testimony explains the basis for CenturyLink’s AFOR request, reviews the applicable statues and rules that apply to such a request and summarizes CenturyLink’s evidence that satisfies the statutory requirements.

# Overview Of centurylink’s petition

Q. what is the basis for Centurylink’s petition for alternative regulation?

1. The primary basis is the unprecedented level of competition CenturyLink faces in virtually all of its markets in the state of Washington and the differences in regulation between CenturyLink and its competitors. CenturyLink faces pervasive competition from wireless providers and cable companies for its residential and business exchange services, features and long distance. Also, CenturyLink is required to file for alternative regulation as a condition of its merger with Qwest.[[1]](#footnote-1) The testimony of John M. Felz, also filed in support of CenturyLink’s AFOR petition, provides an in-depth analysis of the various types and levels of competition in the Washington telecommunications market.

q. What are the regulatory differences between CenturyLink and its competitors?

1. The Commission does not regulate CenturyLink’s inter-modal competitors – wireless providers, cable companies and other Voice over Internet Protocol (“VoIP”) providers. Although the Commission does regulate competitive local exchange carriers (CLECs), CLECs are subject to only minimal regulation. Under the Commission’s rules, CLECs are classified as competitive companies for which many of the Commission’s rules are waived. As competitively classified companies, CLECs are not required to comply with the Commission rules associated with a number of financial transactions and reporting requirements, including affiliated interests, cash transfers and security obligations, and property transfers. CLECs do not have to keep their accounting books in accordance with regulatory accounting standards and do not have to file quarterly financial reports with the Commission. Also, although CLECs must comply with the Commission’s service quality rules, virtually none of them needs to file the monthly service quality reports required of the larger incumbent local exchange companies.[[2]](#footnote-2) Finally, and most importantly, CLECs are not subject to rate of return regulation, or any other type of regulatory pricing constraints, and all of their services are treated as competitively classified services for which there is minimal regulation.

Q. why is the relative level of regulation an important consideration in the commission’s deliberation of CenturyLink’s afor petition?

1. It is important because regulatory constraints impede CenturyLink’s ability to offer its services in manner similar to its competitors. As mentioned in the previous response, CenturyLink is required to comply with financial and service quality regulations and reporting requirements. Such regulation forces CenturyLink to incur monitoring and reporting costs that are not borne by its competitors. Further, for many of CenturyLink’s Washington operating companies, its pricing flexibility is limited by legacy monopoly based constraints and rate of return ratemaking requirements while its competitors face no such artificial conditions. For example, earnings monitoring and artificial cost requirements are inappropriate in a competitive environment where costs can vary widely between diverse technologies and where prices are determined by the market.[[3]](#footnote-3) In a competitive market, economically efficient prices are driven by consumer demand, based on product functionality, not the underlying product costs or a company’s regulatory return on rate base.

Rate of return on rate base (traditional) regulation is a vestige of a bygone era when monopoly phone companies offered customers services at regulator-prescribed rate levels designed to recover each company’s costs and a regulator-prescribed return on invested capital (rate base) from a captive customer base. Because pervasive competition has eliminated the monopoly, it has also eliminated the justification for traditional regulation.

RCW 80.36.135, **Alternative regulation of telecommunications companies**, states, in part, that “[c]hanges in technology and the structure of the telecommunications industry may produce conditions under which traditional rate of return, rate base regulation of telecommunications companies may not in all cases provide the most efficient and effective means of achieving the public policy goals of this state . . .” CenturyLink submits that the changes in technology and the structure of the telecommunication industry referenced in the statute are precisely what has occurred over the past ten years with the emergence of wireless and cable networks and the Internet to offer telecommunications services that are competing with the regulated services of traditional telephone companies such as CenturyLink. Consequently, CenturyLink believes that petitioning the Commission to change its regulation to better reflect today’s competitive market is exactly the purpose of RCW 80.36.135.[[4]](#footnote-4)

1. WHAT DID Centurylink DO IN PREPARATION FOR ITS ALTERNATIVE FORM OF REGULATION PLAN?

A. In preparation for its AFOR Plan, CenturyLink reviewed the provisions of the legacy Qwest AFOR plan to determine what provisions needed to be modified to reflect the changes in the telecommunications industry that have occurred since the plan was initiated in 2007. CenturyLink also conducted discussions with Commission Staff and the Public Counsel Section of the Attorney General’s Office. The purpose of these discussions was to inform these parties of CenturyLink’s AFOR proposal and to solicit input that CenturyLink could use to design its final AFOR plan. Based on its review of the legacy Qwest AFOR, CenturyLink believes that it has developed a comprehensive AFOR Plan for CenturyLink’s five Washington operating companies that satisfies the terms and intent of the statute and should be approved by the Commission.

1. What does Centurylink propose for an alternative form of regulation?
2. The basis of CenturyLink’s AFOR proposal, similar to the current legacy Qwest AFOR, is that the Washington CenturyLink operating companies[[5]](#footnote-5) should be regulated as competitively classified companies pursuant to RCW 80.36.320[[6]](#footnote-6) subject to certain exceptions and certain transition period requirements, as described herein. Additionally, CenturyLink requests that the service quality reporting requirements under WAC 480-120-439(1) be waived, although it will still be subject to WAC 480-120-439(2) service quality requirements.[[7]](#footnote-7) Notwithstanding this provision, during a three year transition period, CenturyLink will continue to provide monthly service quality reports that are comparable to the reporting of other Class A carriers.

Also, CenturyLink requests that the reporting requirements in the Seventeenth Supplemental Order in Docket UT-991358 be waived for Qwest Corporation d/b/a CenturyLink QC. The Seventeenth Supplemental Order in Docket UT-991358 required Qwest to provide monthly reports on its Customer Service Guarantee Program.[[8]](#footnote-8) CenturyLink further requests that the requirement to report payments on a quarterly basis be eliminated. CenturyLink should be relieved of these obligations because no other carriers are required to report on their respective service guarantee programs.

Finally, CenturyLink proposes that upon approval by the Commission, the terms of the AFOR remain in effect for five years. During the six months prior to the AFOR’s five year anniversary, CenturyLink and the Commission’s Staff will conduct a review of the provisions of the AFOR to determine if changing market conditions warrant modifications to the plan. During the course of that review any of the parties to the AFOR may propose or oppose modifications. Upon conclusion of the review, but not later than the five year anniversary, the Commission will provide notice to the parties and hold a proceeding in which parties may advocate for or against proposed modifications. While the Commission deliberates, the terms of the AFOR will remain in effect.

1. what are the exceptions to the proposal which are referenced in the previous response?
2. The CenturyLink AFOR proposal does not disturb the Commission’s authority to regulate CenturyLink’s wholesale obligations under the Telecommunications Act of 1996, nor does it modify existing carrier-to-carrier service quality requirements, including service quality standards or performance measures for interconnection and appropriate enforcement or remedial provisions in the event CenturyLink fails to meet service quality standards or performance measures. This exception includes, but is not limited to, CenturyLink’s Interconnection Agreements with CLECs covering Interconnection, Unbundled Network Elements, Ancillary Services, and Resale of Telecommunications Services, legacy Qwest’s Interconnection Tariff (WN U-46), and legacy Qwest’s Resale Tariff (WN U-47).

The following other exceptions not addressed by the AFOR are:

* + - Residential Measured Exchange Service[[9]](#footnote-9)
    - Limited Directory Assistance - IntraLATA and National Directory Assistance charges will not be applicable to requests originating from telephone services CenturyLink has determined are used on a continuing basis by a person(s) certified incapable of using a published telephone directory. IntraLATA Directory Assistance charges will not be applicable for calls that originate from hospitals.
    - Washington Telephone Assistance Program - “WTAP”
    - Lifeline and Link-up Programs
    - Basic and Enhanced Universal Emergency Number Service – 911
    - Access Service

The services listed above as exceptions to the AFOR would remain under tariff and subject to the Commission’s authority under current statutes and rules. Additionally, CenturyLink agrees to be bound by the provisions of RCW 80.36.330(3), and the Commission’s implementing regulations, in connection with below-cost pricing.

Finally, although WAC 480-120-355 allows competitively classified companies to keep their accounts in accordance with generally acceptable accounting principles (GAAP), CenturyLink agrees to keep its accounts using the same method it uses for accounting and reporting to the Federal Communications Commission (the “Federal Regulatory Basis”).

1. what are the transition period requirements of the AFOR?
2. The following requirements would apply during a three year transition period:

* The stand-alone residential exchange service recurring rate for all CenturyLink operating companies is capped at $15.50 during the transition period.[[10]](#footnote-10) CenturyLink plans to employ a price plan for stand-alone residential exchange service rates aimed at normalizing the prices among the CenturyLink operating companies.
* Notwithstanding that most of CenturyLink’s residence and business services will be treated as competitively classified services, the CenturyLink operating companies agree not to geographically de-average the non-recurring and monthly recurring rates for these services. This provision does not modify or restrict CenturyLink’s ability to enter into individual contracts for service that specify rates other than state-wide average rates.

1. Please explain the practical application of CenturyLink’s aFOR proposal, including specific changes in the regulation of Centurylink if the AFOR is approved by the commission?
2. The foundation of CenturyLink’s proposal is the provision that it be regulated as a competitively classified company. Although footnote 6 details the statutes that are waived for competitively classified companies, the following list of regulatory changes summarizes the practical effect of this provision:
   * + All of CenturyLink’s services would be regulated as competitively classified services except those listed in the exceptions portion of CenturyLink’s proposal – i.e., Measured Residential Service, Certain Directory Assistance Services, WTAP, Lifeline and Link-up Programs, 911, access service, interconnection service, resale service, and CenturyLink’s other wholesale obligations under the Telecom Act. CenturyLink services that are not listed as exceptions would be treated as competitively classified services as a result of this provision and include, but are not limited to:
       - Residence and business flat-rated exchange services
       - Residence and business features
       - Residence and business packages
       - Analog and digital private line services

During a three year transition period, however, CenturyLink agrees not to geographically de-average the non-recurring and monthly recurring rates for these services. Also during this transition period, CenturyLink agrees to cap its residential rates at $15.50.[[11]](#footnote-11)

Regarding financial requirements and reporting obligations:

* + - CenturyLink would not be subject to rate of return regulation
    - CenturyLink would not be subject to regulations or reporting requirements associated with:
      * Securities - RCW 80.08;
      * Transfers of Property - RCW 80.12 except, during the three year transition period, for purposes of reviewing a merger of the parent or operating companies or sale of exchange(s) for the WUTC-regulated CenturyLink companies;
      * Affiliated Interests – RCW 80.16.
    - CenturyLink will keep its books of account in accordance with WAC 480-120-355. The accounting method that CenturyLink commits to use is the method it uses for accounting and reporting to the Federal Communications Commission (the “Federal Regulatory Basis”)
    - CenturyLink will report to the Commission in accordance with [WAC 480-120-382](http://apps.leg.wa.gov/WAC/default.aspx?cite=480-120-382), and not in accordance with [WAC 480-120-385](http://apps.leg.wa.gov/WAC/default.aspx?cite=480-120-385).

Another provision of CenturyLink’s proposal is that CenturyLink be exempt from filing monthly service quality reports, including a waiver of a requirement that it report on its Customer Service Guarantee Program metrics. This provision is constrained by the transition period requirement in which CenturyLink agrees to continue to provide service quality reports that are consistent with the service quality reports of other Class A companies for the three-year transition period.

Finally, CenturyLink’s proposal provides that the AFOR be effective for five years. Both the Commission and CenturyLink would conduct a review of the plan six months prior to the five year anniversary to determine if changing market conditions warrant plan modifications.

1. RCW 80.36.135 requires the commission to consider a number of public policy goals in determining the appropriateness of an afor. do you believe that your afor proposal satisfies these public policy goals?
2. Yes. The public policy goals cited by the statute include those declared in RCW 80.36.300 and those listed in RCW 80.36.135. I will first address the public policy goals in RCW 80.36.300.

**1. Preserve affordable universal telecommunication service**

CenturyLink’s proposed AFOR addresses this goal in variety of ways. First, the AFOR allows CenturyLink to be more competitive in the marketplace, which will help ensure its survival and the survival of its services which provide customers with more choices at affordable rates. Second, the AFOR specifically carves out standalone residential measured service as a fully regulated service and establishes a maximum price for residential flat rated services during a three year transition term. During this transition period, CenturyLink plans to normalize prices among CenturyLink’s operating companies. Finally, for those services that would be treated as competitively classified services as a result of the AFOR, CenturyLink commits to not geographically de-average the non-recurring and monthly recurring rates.

**2. Maintain and advance the efficiency and availability of telecommunications service**

CenturyLink’s AFOR allows it to be more competitive in the market by enhancing its efficiency which increases its chances of survival and the survival of its services that provide customers with more choices at affordable rates. Efficiency gains directly attributable to the AFOR include streamlined reporting and more efficient accounting and product management and pricing processes.

**3.** **Ensure that customers pay only reasonable charges for telecommunications service**

Whether CenturyLink’s AFOR Petition is granted or not, its prices will remain constrained by the competitive market. Also, as previously mentioned, the AFOR specifically carves out standalone residential measured service as a fully regulated service and establishes a maximum price cap for residential flat rated services during a three year transition term of the plan. And, for those services that would be treated as competitively classified services as a result of the AFOR, CenturyLink commits to not geographically de-average the non-recurring and monthly recurring rates.

**4. Ensure that rates for noncompetitive telecommunications services do not subsidize the competitive ventures of regulated telecommunications companies**

CenturyLink does not believe that any of its services are noncompetitive. Nonetheless, to allay the concerns of some parties that, in some instances, few competitive alternatives may exist for standalone residential exchange service, CenturyLink proposes to leave its residential measured service as a fully regulated service, subject to the Commission’s oversight. This means that the Commission can ensure that the rates for the service are fair, just and reasonable and do not provide a subsidy to other services. CenturyLink has also committed to comply with the restrictions against below-cost pricing in RCW 80.36.330(3), which means that no services will be sold below cost. As such, they will not be subsidized by other services.

**5. Promote diversity in the supply of telecommunications services and products in telecommunications markets throughout the state**

As previously stated, the AFOR allows CenturyLink to be more competitive in the marketplace which will help ensure its survival and the survival of its services which provide customers with more choices at affordable rates. As Mr. Felz’s testimony explains, the past ten years have seen a tremendous increase in the number of telecommunications related products and vendors available to consumers in all markets, and that trend will certainly continue over the next five years. In order for CenturyLink to be successful in this highly competitive market, it must be subject to a level of regulation similar to its competitors. CenturyLink’s AFOR is a step in that direction.

**6. Permit flexible regulation of competitive telecommunications companies and services**

CenturyLink believes that this is exactly what its AFOR is designed to do. Recognizing that its competitors that utilize cable and wireless networks are unregulated, the AFOR helps move the company in the direction of regulatory parity.

q. Please address how Centurylink’s afor proposal addresses the public policy goals of rcw 80.36.135.

1. The following response addresses how CenturyLink’s AFOR satisfies the public policy goals listed for RCW 80.36.135.

**1. Facilitate the broad deployment of technological improvements and advanced telecommunications services to underserved areas or underserved customer classes**

Nothing in the AFOR affects CenturyLink’s ongoing commitment to deploy quality and technologically current products to its customers throughout its operating territory. In fact, CenturyLink’s AFOR includes a provision that it would not geographically de-average its rates for the services that would be treated as competitively classified services if the AFOR is approved. This means that rural customers would receive the benefit of any price changes for those services made by the company to compete in the competitive urban markets.

CenturyLink’s commitment and performance in terms of deploying advanced services is best illustrated by its recent deployment history. CenturyLink has met and exceeded its merger commitments for broadband deployment.[[12]](#footnote-12) CenturyLink expects to continue to deploy facilities enabling advanced services in order to meet market demands and competitive pressures. The more freedom that CenturyLink has from regulations that do not apply to its competitors, the better able it will be able to deploy advanced services to compete with other providers.

**2. Improve the efficiency of the regulatory process**

CenturyLink’s AFOR definitely seeks to improve the efficiency of the regulatory process through streamlined financial and service quality reporting and more efficient accounting and product management and pricing processes. More specifically, the proposed AFOR would eliminate a number of unnecessary quarterly financial reports to bring it into line with the reporting detail of other similarly situated companies, and significantly reduce the regulatory filings of a number of services that would be treated as competitively classified services if the AFOR is approved.

**3. Preserve or enhance the development of effective competition and protect against the exercise of market power during its development**

Because the AFOR begins the transition to regulatory parity for CenturyLink, vis-à-vis its unregulated cable and wireless competitors, it furthers the development of effective competition. The highly competitive market that is the genesis for CenturyLink’s AFOR request provides the necessary protection against the exercise of market power. Mr. Felz’s testimony provides compelling evidence that CenturyLink has virtually no market power in today’s market.

**4. Preserve or enhance service quality and protect against the degradation of the quality or availability of efficient telecommunications services**

Nothing in CenturyLink’s AFOR affects its current retail or wholesale service quality obligations, with the exception of the modifications to CenturyLink’s monthly service quality report to bring it more in line with the reporting by other similar companies. The highly competitive market, not regulation, ensures and will continue to ensure that customers receive high quality and efficient telecommunications services. In today’s highly competitive market, if CenturyLink does not provide a high quality product that is efficiently provisioned and attractive to customers, it will not survive.

**5. Provide for rates and charges that are fair, just reasonable, sufficient, and not unduly discriminatory or preferential**

CenturyLink’s AFOR proposes a number of its services be treated as competitively classified service. These services are subject to significant competition which will constrain rates and ensure that they are reasonable. In the AFOR, CenturyLink commits to not geographically de-average the rates for these services which means that rural customers will enjoy the competitive pricing benefits brought about by the highly competitive urban markets. This also helps to ensure against undue discrimination or preference.

**6. Not unduly or unreasonable prejudice or disadvantage any particular customer class**

Nothing in CenturyLink’s AFOR results in unreasonable prejudice or disadvantages any particular class of customer. As has been previously explained, the AFOR includes CenturyLink’s commitment to not de-average the rates of services that would be treated as competitively classified services if the AFOR is approved. Further, CenturyLink’s AFOR proposal does not change the current level of regulation for wholesale services and standalone residential measured exchange service.

1. how does centurylink’s proposal satisfy the carrier-to-carrier service quality plan statutory requirement?
2. As previously discussed in my testimony, CenturyLink’s AFOR proposal does not disturb its current carrier-to-carrier obligations under either state or federal law, including the service quality plan that was required in the Qwest AFOR in 2007. Nor would it change any of CenturyLink’s interconnection agreements with other carriers under Section 252 of the Telecommunications Act of 1996. Most, if not all, of these agreements contain a set of Performance Indicators, coupled with the Commission-approved CenturyLink Performance Assurance Plan (“QPAP”) that together operate as service quality standards and performance measures, and provide appropriate enforcement and remedial provisions within their terms. Because CenturyLink is proposing no change to the status quo in this area, and because the status quo provides adequate protection for carrier-to-carrier service quality, no new or addition provision are proposed in CenturyLink’s AFOR plan.

# Conclusion

q. Please summarize your testimony.

1. My testimony provides an overview of CenturyLink’s request for an AFOR. The primary basis for the AFOR is the unprecedented level of competition CenturyLink now faces in virtually all of its markets in the state of Washington and the differences in regulation between CenturyLink and its competitors. The Commission does not regulate CenturyLink’s intermodal competitors (wireless, cable, and VoIP) and CLECs are subject to only minimal regulation. The relative level of regulation among competitors is an important consideration for the Commission in its deliberation of CenturyLink’s AFOR Petition because regulatory constraints impede CenturyLink’s ability to offer its services on the same basis as its competitors. The testimony of John M. Felz provides an in-depth analysis of the various types and levels of competition in the Washington telecommunications market.

The premise and structure of CenturyLink’s AFOR is that it should be regulated as a competitively classified company pursuant to RCW 80.36.320, subject to certain exceptions and certain transition period requirements. Additionally, CenturyLink requests modifications to its service quality reporting requirements. The AFOR would remain in effect for five years. Exceptions to the provision that CenturyLink be regulated like a competitively classified company include:

* The AFOR does not affect the Commission’s current regulation of CenturyLink’s wholesale obligations under the Telecommunications Act of 1996, including wholesale service quality, interconnection agreements, the legacy Qwest Interconnection Tariff (WN U-46) and the legacy Qwest Resale Tariff (UN U-47).
* Unless otherwise specifically addressed in the AFOR, the following services would remain under tariff and subject to the Commission’s authority under current statutes and rules:
  + Residential Measured Exchange Service;
  + Certain Directory Assistance Services;
  + WTAP;
  + Lifeline and Link-up;
  + Universal Emergency Number Service – 911; and
  + Access Service.

The following transition period requirements apply during a three year transition period:

* Establishes a maximum price cap of $15.50 for residential flat rated services during a three year transition term.[[13]](#footnote-13)
* Non-recurring and monthly recurring rates for services treated as competitively classified by virtue of the AFOR would not be geographically de-averaged;
* CenturyLink would continue to file monthly service quality reports consistent with the service quality reports filed by other Class A companies;
* CenturyLink would keep its books of account on the Federal Regulatory Basis and will report to the Commission in accordance with [WAC 480-120-382](http://apps.leg.wa.gov/WAC/default.aspx?cite=480-120-382) and
* CenturyLink agrees to be bound during the three year transition period by RCW 80.12 for purposes of a Commission review of a merger or sale of exchanges of its regulated companies.

Finally my testimony addresses how CenturyLink’s AFOR proposal satisfies the public policy goals declared in RCW 80.36.300 and listed in RCW 80.36.135. Ultimately, CenturyLink’s AFOR represents a critical milestone in the changing telecommunications market and serves as a vehicle by which competitive forces are allowed to replace regulatory mandates. CenturyLink urges the Commission to approve its petition expeditiously.

q. Does this conclude your testimony?

1. Yes, it does.

1. Merger condition 3 ii., in the merger settlement agreement in Docket UT-100820 states that, “CenturyLink must file, at the company’s option, either a single consolidated proposed AFOR plan or separate proposed AFOR plans for each CenturyLink ILEC and Qwest, in compliance with RCW 80.36.135 and utilizing the principles established by the Commission in the Qwest AFOR, Docket UT-061625.” CenturyLink recently received approval from the Commission to proceed with an AFOR petition on an accelerated schedule. [↑](#footnote-ref-1)
2. Only regulated companies serving more than 2% of the access lines are required to file monthly service quality reports. [↑](#footnote-ref-2)
3. For example, providing a VoIP telephony service on cable is a relatively small incremental cost compared with the cost to provide traditional circuit switched telephone service. Likewise, the cost to provide wireless services are different from either cable-based telephone or traditional wire-line service costs. [↑](#footnote-ref-3)
4. In many states in the country, laws have been changed, or are in the process of being changed, to reflect the competitive telecommunications market and incorporate the goals that are expressed in this testimony. In some states, CenturyLink has successfully worked with the existing statutes and regulatory processes to achieve these same objectives. CenturyLink believes that this second approach is the preferable alternative to pursue in Washington at this time. [↑](#footnote-ref-4)
5. Qwest Corporation d/b/a CenturyLink QC; CenturyTel of Washington d/b/a CenturyLink; CenturyTel of Inter Island d/b/a CenturyLink; CenturyTel of Cowiche d/b/a CenturyLink; United Telephone Company of the Northwest d/b/a CenturyLink [↑](#footnote-ref-5)
6. The following statutes (and any associated rules and regulations) are waived for competitive telecommunications companies pursuant to RCW 80.36.320: RCW [80.04.300](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=section&section=80.04.300) (Budgets to be filed by companies -- Supplementary budgets); RCW [80.04.310](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=section&section=80.04.310) (Commission's control over expenditures); RCW [80.04.320](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=section&section=80.04.320) (Budget rules); RCW [80.04.330](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=section&section=80.04.330) (Effect of unauthorized expenditure -- Emergencies); RCW [80.04.360](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=section&section=80.04.360) (Earnings in excess of reasonable rate -- Consideration in fixing rates); RCW [80.04.460](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=section&section=80.04.460) (Investigation of accidents); RCW [80.04.520](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=section&section=80.04.520) (Approval of lease of utility facilities); RCW [80.36.100](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=section&section=80.36.100) (Tariff schedules to be filed and open to public); RCW [80.36.110](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=section&section=80.36.110) (Tariff changes -- Statutory notice -- Exception); Chapter [80.08](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=chapterdigest&chapter=80.08) RCW (Securities) (except RCW [80.08.140](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=section&section=80.08.140), State not obligated); Chapter [80.12](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=chapterdigest&chapter=80.12) RCW (Transfers of property); Chapter [80.16](http://www.leg.wa.gov/rcw/index.cfm?fuseaction=chapterdigest&chapter=80.16) RCW (Affiliated interests). [↑](#footnote-ref-6)
7. Under this provision, CenturyLink would still be required to comply with WAC 480-120-439 service quality requirements, but would no longer be required to provide mandatory monthly reports. Like Class B companies, CenturyLink would be required to provide service quality reports, on an exception basis, if requested by the Commission. [↑](#footnote-ref-7)
8. This requirement was reduced to a semi-annual report in the 2007 AFOR, but reinstated as a monthly requirement in the Qwest/CenturyLink merger proceeding. [↑](#footnote-ref-8)
9. Measure residential service will remain in the tariff for those service areas where measured service is currently an option. CenturyTel of Cowiche d/b/a CenturyLink does not offer measured service, but does offer a flat rated service with a measure EAS option. In some CenturyTel of Washington d/b/a CenturyLink areas identified in WN U-2, rate groups 1 and 2, a measured service option is not offered. [↑](#footnote-ref-9)
10. Residential rates currently in excess of $15.50 would remain unchanged during the AFOR term. [↑](#footnote-ref-10)
11. Residential rates currently in excess of $15.50 would remain unchanged during the AFOR term. [↑](#footnote-ref-11)
12. In Docket UT-100820, the CenturyLink/Qwest merger docket, CenturyLink committed to invest $80M in retail broadband infrastructure in Washington over a five year period. To date, CenturyLink has invested approximately $115M towards that commitment, with a significant portion enabling or upgrading service in unserved and underserved areas. Additionally, in Docket UT-120128, the building sale docket, CenturyLink committed to invest $11.1M in broadband deployment in currently unserved and underserved areas. [↑](#footnote-ref-12)
13. Residential rates currently in excess of $15.50 would remain unchanged during the AFOR term. [↑](#footnote-ref-13)