Exhibit No. ___ T (KMR-1T)
Docket UT-100820
Witness: Kristen M. Russell

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of QWEST COMMUNICATIONS INTERNATIONAL INC. and CENTURYTEL, INC. for Approval of Indirect Transfer of Control of Qwest Corporation, Qwest Communications Company LLC, and Qwest LD Corp.	DOCKET UT-100820

TESTIMONY

OF

KRISTEN M. RUSSELL

STAFF OF WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

September 27, 2010

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Kristen M. Russell. My business address is 1300 South Evergreen Park Drive Southwest, P.O. Box 47250, Olympia, Washington, 98504. My business e-mail address is krussell@utc.wa.gov.

Q. By whom are you employed and in what capacity?

A. I am employed by the Washington Utilities and Transportation Commission (Commission) as a Regulatory Analyst for the Telecommunications Section. My participation in this case is on behalf of the Commission's Staff (Staff).

Q. What are your educational and other qualifications?

A. I began my career with the Commission in September of 1990. I received a Bachelor of Arts degree, with an emphasis in accounting, from The Evergreen State College in 1994.

In September of 1999, I took a position with the Telecommunications Section of the Commission as a Regulatory Analyst and have worked on various telecommunications-related issues. I review service quality reports that are submitted to the Commission. I have presented recommendations to the Commission on rulemakings regarding the Washington Telephone Assistance Program (WAC 480-122) and the cessation of telecommunications service (WAC

480-120-083), and recommendations for alternative measurement or reporting formats related to service quality.

I am responsible for collection, analysis, and reporting of telecommunications service quality data. I maintain the service quality data on the agency's website.[1] I provide external technical assistance for companies on service quality matters.

I am also responsible for analyzing and reviewing filings from a number of independent ILECs, the processing of affiliated interest filings, and have worked extensively on the revenue objective filing of a relatively new incumbent telecommunications company.

Q. Have you previously filed testimony?

A. Yes. I have filed service quality testimony in several cases: Docket UT-040788, Verizon Northwest Inc.'s general rate case, Docket UT-061625, Qwest Corporation's petition for an alternative form of regulation, and Docket UT-090842, the Verizon/Frontier transfer of control. I have also assisted many of my colleagues with testimony on the subject of service quality in other cases, specifically Docket UT-051291, which is known as the Embarq spin-off case, and Docket UT-082119, the CenturyTel/Embarq merger.

Q. Please identify the various company names you will be using throughout your testimony?

A. Qwest Communications International Inc. (QCII) and CenturyLink, Inc.

[1] http://www.wutc.wa.gov/webdocs.nsf/0492664a7ba7ed8b88256406006bf2ca/1620e4a64b072a818825680100788d78!OpenDocument.

(CenturyLink) are the parent companies and the Joint Applicants are requesting the Commission approve a transfer of control of various QCII subsidiaries in this Docket. Qwest has one incumbent local exchange carrier (ILEC) operating in Washington, which is Qwest Corporation (Qwest). CenturyLink has four ILECs operating in Washington. The companies are CenturyLink of Washington, Inc., CenturyLink of Inter-Island, Inc., CenturyLink of Cowiche, Inc., and United Telephone Company of the Northwest, d/b/a CenturyLink (collectively the CenturyLink ILECs[2]).

II. SUMMARY

Q. Please summarize your testimony.

A. My testimony provides analysis of service quality for Qwest and the CenturyLink ILECs and then recommends additional service quality assurance provisions and reporting requirements for the CenturyLink ILECs if the transaction is approved by the Commission. The purpose of my recommendations is to mitigate potential harm to customers from the possibility of deteriorating service quality if the Commission decides to approve the transfer of control of Qwest to CenturyLink, and to ensure that there is no reduction in service quality stemming from the transaction as discussed by Mr. Vasconi and others.

I first review the Qwest and CenturyLink ILECs service quality reports filed with the Commission and discuss how the companies are performing with respect to

[2] For purposes of service quality data that have been compiled and to which I refer in my testimony, the term "CenturyLink ILECs" will not include United Telephone Company of the Northwest, d/b/a CenturyLink; this entity will be referred to as Embarq.

the service quality rules. I then analyze the companies' service quality performance based on data available via the FCC's ARMIS database (43-05 reports). Lastly, I recommend conditions that are designed to mitigate potential degradation in service quality levels that might occur as a result of the proposed transaction.

III. BACKGROUND: SERVICE QUALITY REPORTING RULES

Q. What information is available to the Commission for purposes of evaluating Qwest's and the CenturyLink ILECs' historical service quality performance?

A. Both Qwest and the CenturyLink ILECs are Class A companies and, as such, are subject to state service quality reporting rules. QCII and CenturyLink price-capped local exchange carrier subsidiaries throughout the country are currently subject to the Federal Communications Commission's (FCC's) Automated Reporting Management Information System (ARMIS) service quality reporting requirements as well.[3]

Q. Which Commission rules regarding service quality are applicable to Qwest and the CenturyLink ILECs?

A. Qwest and the CenturyLink ILECs are subject to the service quality reporting requirements in WAC 480-120-439, as well as to performance standards found elsewhere in WAC Chapter 480-120. The current service quality rule requires that

[3] In 2008, the FCC granted forbearance from the carriers' obligation to file ARMIS Reports 43-05 (and 43-06), as long as the carriers continued to collect the service quality data and file the ARMIS reports for two years from the effective date of the forbearance order (September 6, 2008). All price-cap carriers agreed to this requirement.

Class A[4] companies report the information required in WAC 480-120-439. See Exhibit No. ____ (KMR-2) for the text of these rules, and Exhibit No. ____ (KMR-3) for a condensed version of WAC 480-120-439 and related performance standards rules.

Q. What is the importance of this rule?

A. WAC 480-120-439(1) offers Staff the opportunity to monitor Class A companies' service quality on a monthly basis. This monthly report allows Staff to watch for trends that could have a negative impact on customers, and react more quickly and effectively to resolve service quality problems.

Q. If the petition is approved, would the service quality reporting rule and associated standards rules continue to be applicable to Qwest and the CenturyLink ILECs?

A. Yes. Both companies will continue to be required to provide monthly service quality reports. All of the regulatory requirements that apply to Qwest and the CenturyLink ILECs today will continue to apply to each company following the transaction.

Q. Briefly describe the areas of service quality the Commission monitors for telecommunications companies such as Qwest and the CenturyLink ILECs.

[4] Class A companies are those with two percent or more of the state's access lines (including the number of access lines served by an affiliate of that local exchange company). The current benchmark is 59,599 access lines. Class A or B designation is based on regulated sector data, and does not include information on DSL, cable, VOIP, or wireless services.

A. The Commission generally monitors all areas of service quality, but specifically tracks information on missed appointments, installation of basic service, trouble reports, trunk blockage, switching, out-of-service interruptions or impairments, and complaints. It is important to note that the Commission does not monitor service quality data on wireless, DSL, cable, or VOIP services.

Q. For purposes of service quality reporting, what is a "trouble report" and how is it reported to the Commission?

A. A trouble report (TR) is "a report of service affecting network problems reported by customers, and does not include problems on the customer's side of the SNI [standard network interface]."[5] A company's monthly report to the Commission must include the number of trouble reports by central office and the number of lines served by the central office. Trouble reports must be presented as a ratio per 100 lines in service.

To meet the standard for trouble reports, a central office must not exceed four trouble reports per 100 access lines for two consecutive months, or four trouble reports per 100 access lines for four months in any one twelve-month period.

Q. What is an "out-of-service interruption"?

A. An out-of-service interruption is a condition that prevents the use of the customer's telephone exchange line for purposes of originating or receiving a call. It does not include trouble reported for non-regulated services such as voice messaging, inside wiring, or customer premise equipment.

[5] The definition is excerpted from WAC 480-120-021.

Q. What are "trunks" and what is "trunk blocking"?

A. Trunks are communication lines between two switching systems. Switching systems are housed in central offices. Each trunk carries one conversation and that conversation may be either a local or long distance call.

Blockage occurs when all trunks from one central office switching system to another are in use to the maximum of their capacities and no more calls can be transported. Trunk blockage prevents a caller from reaching the called party.

Q. What does the Commission consider to be a service quality complaint?

A. A service quality complaint is a customer complaint related to the Commission's service quality standards. Staff tracks and posts complaints related to quality of service, delayed service, and network congestion.[6] In order to fairly compare large and small reporting companies, the Commission calculates a service quality complaint rate based on the number of service quality complaints per 10,000 access lines.

Q. What companies are required to submit monthly service quality reports?

A. Any local exchange company that serves at least two percent of Washington access lines is classified as a Class A company and is required to submit monthly service quality reports. Therefore, the Commission receives monthly service quality reports

[6] The following definitions are excerpted from Consumer Protection's Procedures manual and are used in identifying service quality complaints: Quality of Service – when a customer is complaining of the quality of service and it is related to company's physical plant, facilities, or product, i.e. static; Network Congestion – when the complainant cannot complete outgoing calls (may receive fast busy tone); and Delayed Service – used in telephone complaints where the customer has requested service and the telephone company has delayed installation.

from four Class A ILECs: Qwest, Embarq, the CenturyLink ILECs (excluding Embarq), and Frontier Communications Northwest, Inc. (formerly Verizon Northwest, Inc.). The Commission also receives monthly service quality reports from two Class A CLECs: AT&T Communications of the Pacific Northwest and Integra Telecom (combined reporting with Eschelon).

Q. Please briefly describe the information that telecommunications carriers must provide to the FCC through ARMIS reports.

A. The ARMIS database was initiated in 1987 for the collection of financial and operational data from the largest carriers. Additional reporting requirements have been added over time, such as the 43-05 Service Quality Report.

The 43-05 Service Quality Report includes six levels of data collection: 1) Installation and Repair Intervals (Interexchange Access); 2) Installation and Repair Intervals (Local Service); 3) Common Trunk Blockage; 4) Total Switch Downtime; 5) Occurrence of Two Minutes or More Duration Downtime; and 6) Service Quality Complaints. This data can then be viewed and analyzed at various levels of aggregation – by COSA (company study area) or by state, or by all ILECs, or by a rollup (i.e. total) of each ILEC, as well as by year.

I primarily analyzed the companies' data for Installations and Repair Intervals (Local Service). This report includes some of the same information that is required by the Commission's rule, such as installation orders and trouble reports; however, the level of detail does go farther than our rule.

IV. ANALYSIS OF QWEST'S AND THE CENTURYLINK ILECS' SERVICE QUALITY

Q. How is the performance of Qwest and the CenturyLink ILECs with regard to service quality metrics?

A. I analyzed the Washington specific service quality reports as well as the FCC ARMIS 43-05 data and concluded that the companies have been able to meet a majority of the Washington-specific standards. On a national level, based on the ARMIS 43-05 data available in the "Quality of Service of Incumbent Local Exchange Carriers" report compiled by the FCC's Industry Analysis and Technology Division, Wireline Competition Bureau, for 2003 through 2008, the companies' service quality performance is adequate. However, CenturyLink ranks the highest in relative complaint levels for small price-cap carriers; whereas Qwest ranks fourth (out of five) in relative complaint levels for large price-cap carriers.

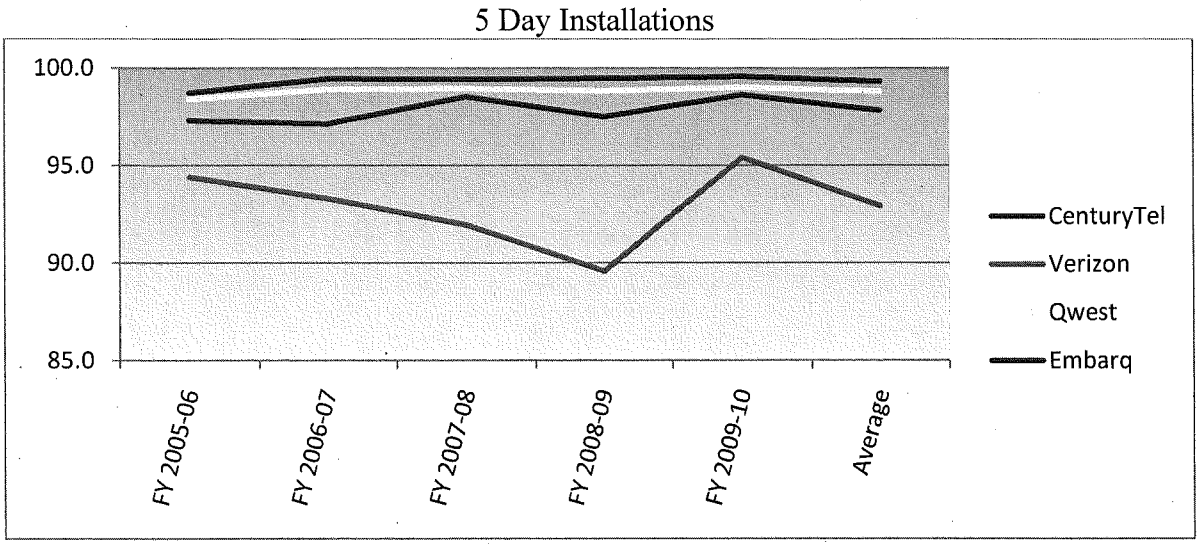
Q. Have you reviewed Qwest's and the CenturyLink ILECs' performance on installations and repairs in Washington?

A. Yes. I specifically analyzed the monthly service quality reports filed with the Commission for the 60 month period of July 2005 through June 2010.

I analyzed the annual average of the four reporting Class A companies' performance for the five-day standard, the 48-hour out-of-service repair standard, and the 72-hour impairment of service standard.

The five-day installation standard is 90 percent; that is, companies are required to install 90 percent of all orders for service within five days. The following

graph depicts the performance of the four Class A ILECs regarding the five-day installation requirement.

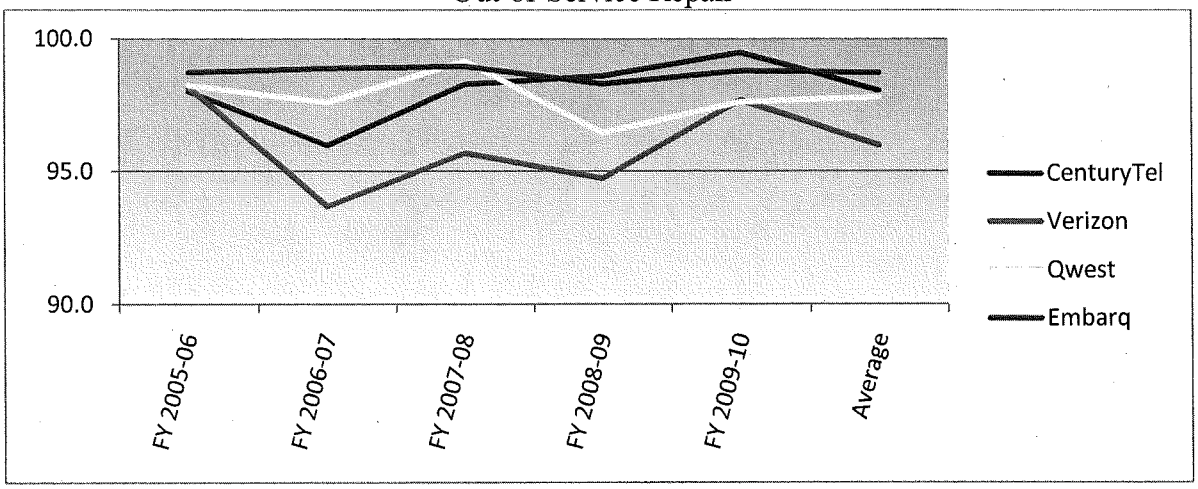


As the graph above indicates, Qwest and the CenturyLink ILECs[7] met this standard in the 60 month period I reviewed. Over this 60 month period, Qwest and the CenturyLink ILECs both exceeded the 90 percent requirement.

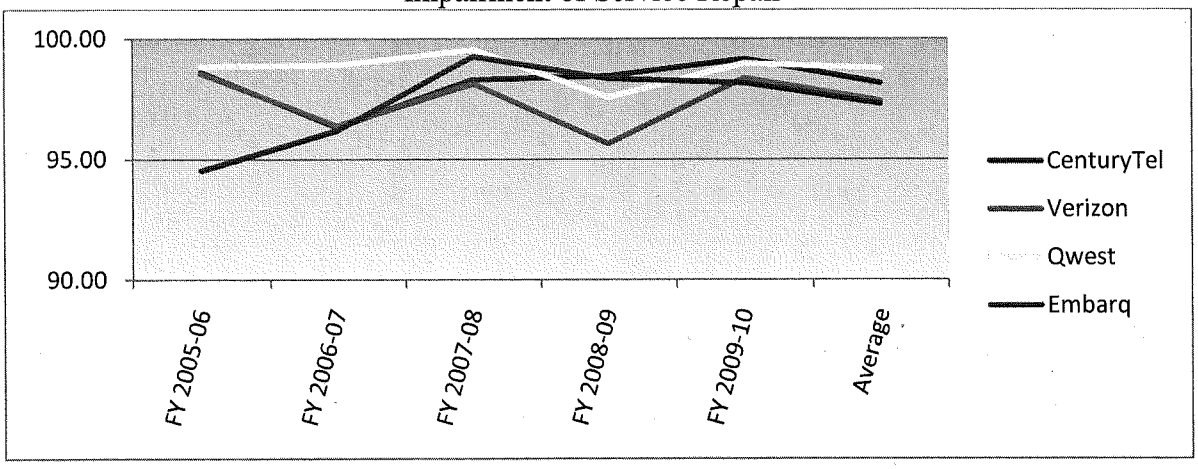
The next two graphs represent the companies' performance on the out-of-service repair standard and the impairment of service standard. Both standards require 100 percent of the repairs to be completed in the specified time frame.

[7] It should be noted that for the purposes of the graphs, CenturyTel and CenturyLink are synonymous.

Out-of-Service Repair



Impairment of Service Repair



As the above graphs indicate, during the 60 month period that was analyzed, neither Qwest nor the CenturyLink ILECs met either the 48-hour repair standard for out-of-service conditions or the 72-hour repair standard for impairment of service. Although the companies did not meet the standard, Staff believes that both Qwest and the CenturyLink ILECs have provided acceptable service for these categories.

Q. How many service quality complaints has the Commission received with regard to Qwest and the CenturyLink ILECs in recent years?

A. The tables and graph below present information on complaints filed with the Commission against Qwest and the CenturyLink ILECs from 2005 through 2009, and specifically, service quality complaints.

Qwest

Row	Type of Service Quality Complaint	2005	2006	2007	2008	2009	Avg
1	Delayed Service	26	13	10	14	7	14
2	Network Congestion	0	0	0	0	0	0
3	Quality of Service	71	95	30	51	82	65.8
4	Total Number of Service Quality Complaints	97	108	40	65	89	79.8
5	Total Number of Complaints	516	459	323	398	345	408.2
6	Percentage of Service Quality Complaints	18.80%	23.53%	12.38%	16.33%	25.80%	19.55%

CenturyLink ILECs

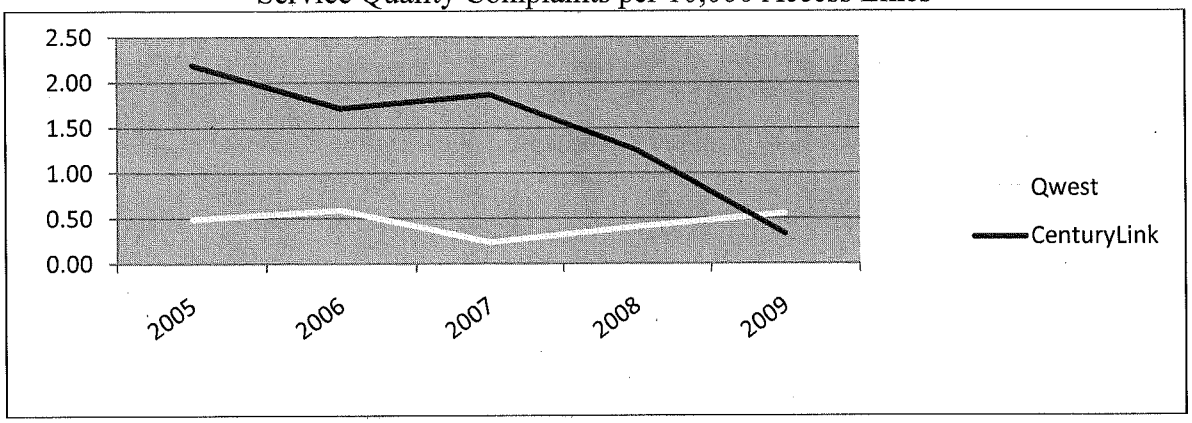
Row	Type of Service Quality Complaint	2005	2006	2007	2008	2009	Avg
1	Delayed Service	16	13	13	3	4	9.8
2	Network Congestion	0	0	0	0	0	0
3	Quality of Service	22	15	16	16	1	14
4	Total Number of Service Quality Complaints	38	28	29	19	5	23.8
5	Total Number of Complaints	164	111	85	57	29	89.2
6	Percentage of Service Quality complaints	23.17%	25.23%	34.12%	33.33%	17.24%	26.68%

Notwithstanding the slight bump in the total number of complaints filed against Qwest in 2008, the total number of complaints is continuing to decline. In fact, as the table indicates, the total number of complaints has gone from 516 to 345, a thirty-

three percent decline. As for the CenturyLink ILECs, they saw an eighty-two percent decline in the total number of complaints filed against the companies.

As mentioned earlier in my testimony, in order to fairly compare large and small reporting companies, the Commission calculates a complaint rate based on the number of service quality complaints per 10,000 access lines. As indicated by the graph below, in an apples-to-apples comparison, the rate of service quality complaints filed against Qwest has been much lower than CenturyLink's rate, and Qwest has maintained a low number. Only recently have CenturyLink ILECs experienced a significant drop in their service quality complaint rate.

Service Quality Complaints per 10,000 Access Lines



Q. What is Staff's general impression of Qwest's and the CenturyLink ILECs' overall service quality in Washington?

A. Generally, Qwest and the CenturyLink ILECs meet the service quality benchmarks established by the Commission, so Staff is not concerned about the companies' current quality of service. Instead, Staff is concerned by the risk of a decline in service quality, due to management's focus on integration of the two companies rather than on providing good and timely service and repairs to customers.

V. PREVIOUSLY IMPOSED CONDITIONS TO ENSURE IMPROVED SERVICE QUALITY

Q. Has the Commission ordered any company to offer a service guarantee program to spur better service quality performance?

A. Yes. The Commission ordered US WEST (now Qwest) to implement the Customer Service Guarantee Program (CSGP) in Docket UT-950200. In Qwest's tariff, the CSGP provides customer credits or alternative remedies when service cannot be provided as expected. The program currently credits residential customers $25 for missed appointments and missed commitments, offers alternatives for delayed primary service such as the assignment of a telephone number, a directory listing, remote call forwarding, voice messaging service, and credit of the non-recurring charges, an allowance for out-of-service interruptions, and credits due to trouble reports in an exchange that exceeds the standard. The credits are given to the customers directly affected when Qwest does not meet certain obligations. See Exhibit No. __ (KMR-4) for a copy of the company's tariff pages.

Q. Do the CenturyLink ILECs offer any type of a service guarantee program in their Washington tariffs?

A. Not at this time. However, CenturyLink has committed to implementing a service guarantee program in the near future. In the settlement agreement in Docket UT-082119, which was adopted by the Commission, CenturyLink agreed to the following:

> "CenturyTel and Embarq agree that for a period of twelve months following the projected date for conversion to the CenturyTel billing and customer care

system, the Merged Company ILECs will provide bill credits in their service territories based on the same structure as those currently provided by United under the terms of the settlement agreement approved in the Separation Order. Automatic credits will be provided to customers for each repair and/or installation commitment missed due to reasons within the Merged Company ILECs' control. The credit will be a fixed $15 for residential and $25 for basic business customers. The Merged Company ILECs must have in effect by the beginning of the conversion to the CenturyTel billing and customer care system, tariffs providing for these credits."

CenturyLink has stated in discovery that it expects to complete the billing and customer care systems integration for Washington customers by the third quarter of 2011. In a confidential attachment to the same data request, the company provided the customer credits Embarq has paid related to installations and repairs from July 2009 through July 2010. See Exhibit No. __ (KMR-5) for a full copy of the data request and the company's response, and see Exhibit No. ____(KMR 6C) for the confidential customer credit payouts.

Q. Is there a reporting requirement for Qwest's CSGP?

A. Yes. In the Seventeenth Supplemental Order in Docket UT-991358, the Commission ordered Qwest to provide monthly reports of its performance and credits under the CSGP, beginning with the July 2004 report.[8] Again, the company's service quality history led to the establishment of this program and eventual reporting requirement.

The reporting of this data enables Staff to monitor credits the company pays to affected customers for missed appointments and missed commitments, as well as the other customer credits.

[8] In Docket UT-061625, the Commissioned approved a modification to the reporting requirement. Qwest now reports the CSGP data on a bi-annual basis.

Q. Has the Commission required additional service quality reporting or conditions related to ILEC mergers?

A. Yes. In the merger between US WEST and Qwest, Docket UT-991358, the Commission approved a settlement agreement that contained a Service Quality Performance Program (SQPP). Also, in the transfer of ownership case of Verizon to Frontier, Docket UT-090842, the Commission approved a settlement agreement requiring Frontier to meet certain service quality standards and to provide customer credits and alternative services in its tariff.

Q. What was the Service Quality Performance Program (SQPP)?

A. The SQPP was a service quality program comprised of eight measurements of performance:

1) Processing of Orders Within 5 Days – baseline: complete 90% of all applications for installation (up to five access lines);
2) Processing of Orders Within 90 Days – baseline: complete 99% of all applications for installation (up to five access lines);
3) Trouble Reports – baseline: trouble reports by exchange shall not exceed four trouble reports per 100 access lines per month for three consecutive months, nor exceed four trouble reports per month for four months in any one 12-month period;
4) No Dial Tone – baseline: dial tone within three seconds on at least 90% of calls placed;
5) Out-of-Service Conditions – Repair Intervals – baseline: all reported interruptions of service shall be restored within two business days (some specific exclusions permitted);
6) Answer Time Performance – Repair Calls – baseline: the Company shall answer 80% of repair calls within 30 seconds;
7) Complaint Response – baseline: provide complete and detailed response to Commission staff (in accordance with WAC) within two business days of receipt of a commission complaint; and
8) Answer Time Performance – Customer Service – baseline: Company shall answer 80% of business office calls within 30 seconds.

If Qwest did not meet the standards associated with each of these measures on a monthly basis, then it became liable to customers (as a whole, rather than on a customer-by-customer basis) for bill credits. Measurements 1 through 4 had a maximum annual amount of $4 million each, and measurements 5 through 8 had a maximum annual amount of $1 million each. The maximum amount Qwest was potentially liable to pay annually was $20 million. This amount equated to approximately two percent of the company's intrastate operating revenue.

Qwest was required to file a monthly report with information sufficient to evaluate the company's performance on these eight measurements. The reports were similar in form and content to existing monthly service quality reports filed by the company, but were expanded to include the additional service quality elements. The extensive service quality report was necessary for parties' ability to evaluate and calculate annual SQPP customer credits. The annual customer credit amount was determined at the end of the year, after discussions with Staff and Public Counsel.

The SQPP program began on January 1, 2001, and in 2002 Qwest paid the first customer credits, based on the company's performance in 2001. Qwest was not obligated to continue the program after December 31, 2005.

Q. Are there any other provisions in the SQPP that the Commission required of Qwest?

A. Yes. The Commission required the company to make appropriate adjustments for rate making purposes to exclude any credits that were paid under the SQPP from its regulated results of operations.

Q. What are the service quality benchmarks and customer credits that the Commission required of Frontier?

A. The Commission approved the service quality benchmarks for customer credits as part of the settlement agreement as follows:

a) The out-of-service interval (as described in WAC 480-120-440) must average no more than 24 hours. The customer credit due for each month in which the company fails to meet the standard is $100,000 divided by 12.

b) The other service interruption interval (as described in WAC 480-120-440) must average no more than 36 hours. The customer credit due for each month in which the company fails to meet the standard is $100,000 divided by 12.

c) Trouble reports (as defined by WAC 480-120-021) per 100 access lines must not exceed the standard in WAC 480-120-438. The customer credit due for each month, and each central office, in which the company fails to meet the standard is $100,000 divided by 12 divided by the total number of Frontier NW central offices in the state of Washington.

d) Out-of-service trouble reports per 100 access lines (as defined for ARMIS report 43-05) must not exceed 15.0 per year for Frontier NW's Washington operations. The customer credit due for each year in which the company fails to meet the standard is $100,000 divided by 12.

e) Answer time performance for the company's repair center must meet the standard in WAC 480-120-133. The customer credit due for each month in which the company fails to meet the standard is $100,000 divided by 12.

f) Answer time performance for the company's business office must meet the standard in WAC 480-120-133. The customer credit due for each month in which the company fails to meet the standard is $100,000 divided by 12.

Q. Were there any other requirements associated with the service quality benchmarks that the Commission required of Frontier?

A. Yes. In addition to the monthly standards and credits described above, Frontier must provide additional credits if it repeatedly fails to meet the above standards as measured on an annual basis. If Frontier fails to meet a standard on a monthly basis for two out of the three years, the company must provide an additional $100,000 for

failure to meet the standard, and if it fails to meet a standard on a monthly basis for all three years, it must add an additional $200,000.

Frontier is also required to provide to its customers and Commission Staff an annual report card of its performance in relation to the above benchmarks.

Q. Did the Commission require Frontier to provide any service quality credits or offerings in its tariff?

A. Yes. Frontier was required to augment Verizon's Service Performance Guarantee (SPG) program that was currently being offered in its tariff as follows:

a) Increase the missed commitment credit for residential customers from $25 to $35;
b) Offer customers alternative services for failure to deliver basic service on time; and
c) Offer a flat-rate credit of $5 for out-of-service conditions greater than two days.

Frontier must report monthly, with its service quality report, the customer credits associated with the SPG.

Q. Are there any other provisions related to customer credits that the Commission required of Frontier?

A. Yes. As with Qwest and its CSPG and SQPP, Frontier may not seek to recover customer payout credits associated with either the SPG tariff offerings or the service quality performance benchmarks in future rate cases.

Q. Is Staff recommending any type of an "SQPP" in this case?

A. No. When the Commission approved the SQPP, Qwest (f/k/a US WEST) had service quality that was deplorable, and these additional measures were warranted. As for Frontier, Staff's serious concerns about the transaction necessitated additional customer safeguards. Frontier was not operating in Washington, and based on the service quality information that was available via the FCC's ARMIS database, as well as the failures associated with the cut-over of Verizon systems to FairPoint systems that led to many customer services problems, including delays in installation and repair,[9] Staff determined it was necessary to add the additional requirements to prevent any potential customer harm caused by possible service quality deterioration.

As mentioned earlier in my testimony, Qwest ILEC and CenturyLink ILEC are providing adequate service quality in Washington. Staff inquired about the companies' performance in other states during discovery. Staff was concerned that if the companies were providing poor service quality in other states, that they may divert some of their investment in Washington to other states, thereby causing the deterioration of their service quality to Washington consumers. Staff eventually received responses to these data requests and nothing in that data indicates that the companies are providing significantly subpar service quality elsewhere. Therefore, I am not recommending an additional customer credit program that has been required of Qwest, f/k/a/US WEST and Frontier.

[9] *See, e.g.,* Docket UT-090842, Testimony of Robert T. Williamson, at 10:1, as follows: "Thousands of serious recurring billing errors, poor customer service, delays in installation and repair, slow and inadequate response to consumer complaints and service issues occurred following the conversion to FairPoint's new OSS from Verizon's legacy systems approximately one year after closing."

VI. RECOMMENDED CONDITIONS FOR QWEST AND THE CENTURYLINK ILECS

Q. What are your recommendations regarding changes to Qwest's Customer Service Guarantee Program?

A. As a result of the AFOR, Qwest has already enhanced its CSGP. Therefore, my only recommendation regarding Qwest's CSGP is that the Commission require Qwest to increase the amount the company would pay to residential customers for missed commitments from $25 to $35. The missed commitment credits are related to installations and repair. This increase is proposed to ensure that in the course of the companies' eventual integration of systems and processes, customers are not negatively affected.

Q. Do you have a recommendation regarding a service quality performance program for the CenturyLink ILECs?

A. Yes. I recommend that the CenturyLink ILECs offer the same Customer Service Guarantee Program that Qwest offers in its tariff, including the increase from $25 to $35 for missed commitments that Staff is recommending for Qwest.

In addition, Staff also recommends that the CenturyLink ILECs report to the Commission the payouts to customers under the program on a quarterly basis, in conjunction with its service quality report, so Staff can monitor its performance.

Q. Why does Staff believe customer performance guarantee programs or service quality credits should be required?

A. The Commission has acknowledged the need for service quality incentives and a company to provide credits to customers when a company does not provide adequate service related to installations or repairs. In Docket UT-970766, for example, when the Commission imposed the requirement that Qwest, f/k/a US WEST, offer customer credits for missed appointments/commitments, the Commission stated, "the payment is not intended to be precisely compensatory but rather recognition of customers' lost time and inconvenience."[10]

Requiring the CenturyLink ILECs to follow a service quality performance plan will give Staff a level of assurance that CenturyLink is interested in fulfilling the quality of service goals contained in the application[11] and in the testimony of one of its witnesses,[12] and to ensure that it makes good on its promise to offer high quality service as a benefit of this transfer of control.

Q. Is Staff concerned about potential harm to customers from deteriorating service quality by Qwest and the CenturyLink ILECs in the post-merger environment?

A. Yes. My recommendations are designed to protect customers from the harm a decline in retail service quality would represent and to foster improvements in

[10] Excerpt taken from Tenth Supplemental Order at p. 26 (January 15, 1998).

[11] Joint Applicants assert that CenturyLink will "deliver innovative technology and product offerings to both its urban and rural markets. Customers will benefit from increased access to those offerings, and the post-merger CenturyLink will benefit from retaining and attracting customers whose needs are satisfied by its offerings, service quality and customer care. . . ." Joint Application at p. 11, ¶21. They further state, "Ensuring the continuation of high quality service and customer experience pre- and post-merger is vitally important. Qwest and CenturyLink understand that continuing to meet customer needs is its top priority." Joint Application at p. 12, ¶23.

[12] Direct Testimony of Mark S. Reynolds at 12:5-7 ("[T]he combined company will have a strategic focus to offer products and services at rates, terms and service quality levels that provide differentiation in the market."); *id.* at 12:19-21("[A]ll of these benefits will undoubtedly serve to make the market in Washington even more competitive, thereby improving choice, prices and service quality for consumers in the state."); *id.* at 23:13-16 ("Customers will benefit from the efficiencies and synergies realized by the combined company. The Transaction will also result in financially strong and stable company that is able to attract the capital necessary to invest in its network, systems, and employees . . . .").

service quality as a benefit of the proposed transaction. This benefit would serve to offset the potential public interest harms identified by Mr. Vasconi.

Q. Why does Staff recommend the company file additional data regarding its service guarantee program payouts in its service quality report?

A. The additional data is necessary in order for Staff to continually monitor the company's post-merger service quality and address any potential degradation in service more promptly. The report will allow Staff to see how the merged company is performing with regard to providing good and timely service and repairs to customers. If the reports indicate an increase in payouts to customers under the program, Staff may examine the situation further to determine the cause and identify whether the payouts are a sign of degrading service.

VII. CONCLUSION

Q. What are Staff's conclusions regarding the expectations for Qwest and the CenturyLink ILECs and their service quality?

A. Staff believes that requiring the companies to make the service quality improvements and offerings, and to report on their performance more frequently, not only allows Staff the opportunity to monitor service quality performance, but provides more of an incentive for the companies to meet the standards by holding them financially accountable to their customers.

Q. Based on your review and analysis, would you please list your recommendations?

A. Yes. Based on my analysis of Qwest's and the CenturyLink ILECs' service quality performance and on results from previous merger conditions and requirements, I recommend that the Commission impose the following conditions if it approves the transaction:

1) Within 30 days after the date the transaction closes, Qwest shall modify the Customer Service Guarantee Program (CSGP) by increasing the missed appointment/commitment credits for residential customers for both installation and repair appointments from $25 to $35.
2) Qwest shall continue the monthly service quality reporting required before the transaction; however, for a period of three years following the date the transaction closes, Qwest shall report payouts under the CSGP on a quarterly basis. After the expiration of this period, Qwest may revert back to the reporting requirements stipulated in the AFOR proceeding in UT-061625 (i.e., monthly service quality reporting as required by rule, and bi-annual reporting of Qwest's CSGP).
3) Within 30 days after the date the transaction closes all CenturyLink ILECs shall offer the same CSGP in their respective tariffs as is now contained in Qwest's Washington intrastate tariff:
    a) increase the missed commitment for residential customers to $35, and verbally notify customers of this credit offering at time of order;
    b) offer the same alternative services for failure to deliver basic service on time;
    c) offer a flat-rate credit of $5 for out-of-service conditions greater than two days;
    d) offer trouble report credits of $.25 to customers served in an exchange that exceeds the standard, i.e. fails; and
    e) report quarterly with its service quality report, the customer credits associated with the CSGP for a period of three years, and then, as with Qwest, the company would be allowed to report payouts on a bi-annual basis.
4) CenturyLink ILECs shall continue to file monthly service quality reports as required by rule, and for a period of three years following the date the transaction closes, CenturyLink ILECs shall file quarterly reports of their CSGP. After the expiration of this period, CenturyLink ILECs may report payouts under the CSGP on a bi-annual basis.
5) CenturyLink ILECs operating in Washington shall provide service quality reports in the same manner and format as Qwest, specifically, a 90-day rolling installation report. This is an ongoing requirement.

6) CenturyLink ILECs must report on orders completed, which is similar to the treatment granted to Qwest in Docket UT-030704.

7) For three years following the date the transaction closes, if any CenturyLink ILEC or Qwest has service quality degradation that falls below the average level of retail service quality metrics reported for six months prior to the closing date of the transaction, Staff, at its discretion, can initiate a service quality investigation and, if warranted, will require the carrier to off-set the degradation in service quality by requiring the carrier to offer a service quality performance plan, similar to the requirements imposed on Qwest in Docket UT-991358.

Q. Does this complete your testimony?

A. Yes.