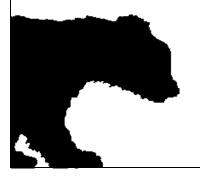
BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1484

)
In the Matter of)
)
CENTURYLINK, INC.,)
)
Application for Approval of Merger)
between CenturyTel, Inc. and Qwest)
Communications International, Inc.)
)

REPLY TESTIMONY OF THE CITIZENS' UTILITY BOARD OF OREGON



August 24, 2010

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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)	

- My name is Gordon Feighner, and my qualifications are listed in CUB Exhibit
- 2 101.

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I. Introduction

- 4 On May 21, 2010, CenturyLink, Inc. ("CenturyLink") requested the Public Utility
- 5 Commission of Oregon ("the Commission") to approve its indirect merger with Qwest
- 6 Corporation ("Qwest"). At this point CUB believes that this merger meets the
- 7 requirements of Oregon Revised Statute ("ORS") 759.375, ORS 759.380 and Oregon
- 8 Administrative Rule 860-027-0025, and should therefore be approved by the
- 9 Commission. This is a sound merger of operations that will do no harm to customers, and
- will likely result in customer benefits from network efficiencies and cost savings.

II. CUB's View of the Merger

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CenturyLink, in entering into this merger agreement, is assuming a number of 2 3 financial risks. CenturyLink is a smaller company than Qwest in terms of revenues, subscriber lines, and corporate clients. CenturyLink is also smaller in the sense that it has 4 historically served customers in rural areas and small towns, and has only recently – 5 through acquisitions – become one of the larger telecommunications companies in the 6 US. Qwest, on the other hand, is a large, incumbent Regional Bell Operating Company 7 (RBOC) that has historically had millions of customers in urban, suburban, and rural 8 areas throughout the western US, as well as corporate and wholesale clients from coast to 9 coast. If executed properly, there are many synergies to be gained in this merger, as the 10 Applicant companies have complementary structures. CenturyLink's management must 11 be aware of the importance of properly integrating the two companies' networks, 12 employees, and customer bases in a way that takes advantage of economies of scale and 13 14 benefits consumers as well as shareholders. In addition to any issues of differing corporate culture, CenturyLink also needs to 15 be cautious in its assumption of Qwest's debt load. While the debt load of the combined 16 companies would remain in comparable proportion to CenturyLink's current debt load, 17 the addition, to its balance sheet, of over \$12 billion in long-term debt should be cause 18 for concern. This long term debt has already caused Qwest's bond rating to drop below 19 investment-grade.² Thus, the post-merger CenturyLink will need to have a carefully 20 crafted plan to manage the consolidated long-term debt load of nearly \$20 billion.³ 21

¹ Qwest 10-Q Filing, August 6, 2010. http://qwest.investorroom.com/qcii-sec-filings

Qwest Debt Schedule & Credit Ratings as of December 31, 2009. http://investor.qwest.com/debt
 CenturyLink 10-Q Filing, August 6, 2010. http://ir.centurylink.com/phoenix.zhtml?c=112635&p=irol-sec&control symbol=

- 1 CenturyLink will also need to be prepared to take measures to ensure that its credit rating
- 2 remains at investment-grade.

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III. Coastal Infrastructure Improvement

- 4 Several parties, including Oregon Emergency Management, Lincoln County, the
- 5 City of Lincoln City, and Tillamook County General Hospital, have expressed their
- 6 support for an enhancement of the infrastructure connecting the Oregon coast to Qwest
- and CenturyLink's broader network. Lincoln and Tillamook Counties, in particular, have
- 8 historically experienced a high rate of outages and, consequently, community isolation
- 9 from lack of telecommunications access. This is a public safety issue from the standpoint
- of citizen access to 911 services and other emergency contacts. CUB thoroughly supports
- the upgrading of the telecommunications infrastructure in this part of the state, either
- through a physical link between Newport and Lincoln City or some other form of
- 13 network redundancy.

IV. Conclusion

- 15 CUB supports the merger of CenturyLink and Qwest with the caveat that a strong
- set of Commission conditions are needed to ensure protection of the public. Joining the
- 17 largest (Qwest) and the third-largest (CenturyLink) telecommunications carriers in
- Oregon should put the combined companies in a stronger financial position than if the
- 19 two were to continue separate operations. With the proper set of conditions put forth by
- the Commission, customers should benefit from a strengthened utility that is better suited
- 21 to withstand the current challenges that face the wireline telecom industry. CUB believes

this merger is in the public interest and that it will, with the right conditions, result in no

2 harm.⁴

⁴ The standard for telephone mergers is "in the public interest, no harm" (UM 1416 In the Matter of EMBARQ CORPORATION and CENTURYTEL, INC. Order No. 09-169 at 3).

WITNESS QUALIFICATION STATEMENT

NAME: Gordon Feighner

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EDUCATION: Master of Environmental Management, 2005

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WORK EXPERIENCE: I have previously provided testimony in dockets including UE 196,

UE 204, UE 207, UE 208, UE 210, UE 213, UE 214, UE 216, UE 217, UE 219, UM 1355 and UM 1431. I have also completed the Annual Regulatory Studies Program at the Institute of Public

Utilities at Michigan State University in 2010.

Between 2004 and 2008, I worked for the US Environmental

Protection Agency and the City of Portland Bureau of

Environmental Services, conducting economic and environmental analyses on a number of projects. In November 2008 I joined the Citizens' Utility Board of Oregon as a Utility Analyst and began

conducting research and analysis on behalf of CUB.

UM 1484 – CERTIFICATE OF SERVICE

I hereby certify that, on this 24th day of August, 2010, I served the foregoing **REPLY TESTIMONY OF THE CITIZENS' UTILITY BOARD OF OREGON** in docket UM 1484 upon each party listed in the UM 1484 PUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending one (1) original and five (5) copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

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