

**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



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Application for Approval of Merger	)	
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Communications International, Inc.	)	
_____	)	

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

3   **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  
10   will likely result in customer benefits from network efficiencies and cost savings.

1 **II. CUB's View of the Merger**

2 CenturyLink, in entering into this merger agreement, is assuming a number of  
3 financial risks. CenturyLink is a smaller company than Qwest in terms of revenues,  
4 subscriber lines, and corporate clients. CenturyLink is also smaller in the sense that it has  
5 historically served customers in rural areas and small towns, and has only recently –  
6 through acquisitions – become one of the larger telecommunications companies in the  
7 US. Qwest, on the other hand, is a large, incumbent Regional Bell Operating Company  
8 (RBOC) that has historically had millions of customers in urban, suburban, and rural  
9 areas throughout the western US, as well as corporate and wholesale clients from coast to  
10 coast. If executed properly, there are many synergies to be gained in this merger, as the  
11 Applicant companies have complementary structures. CenturyLink's management must  
12 be aware of the importance of properly integrating the two companies' networks,  
13 employees, and customer bases in a way that takes advantage of economies of scale and  
14 benefits consumers as well as shareholders.

15 In addition to any issues of differing corporate culture, CenturyLink also needs to  
16 be cautious in its assumption of Qwest's debt load. While the debt load of the combined  
17 companies would remain in comparable proportion to CenturyLink's current debt load,  
18 the addition, to its balance sheet, of over \$12 billion<sup>1</sup> in long-term debt should be cause  
19 for concern. This long term debt has already caused Qwest's bond rating to drop below  
20 investment-grade.<sup>2</sup> Thus, the post-merger CenturyLink will need to have a carefully  
21 crafted plan to manage the consolidated long-term debt load of nearly \$20 billion.<sup>3</sup>

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

<sup>2</sup> Qwest Debt Schedule & Credit Ratings as of December 31, 2009. <http://investor.qwest.com/debt>

<sup>3</sup> CenturyLink 10-Q Filing, August 6, 2010. [http://ir.centurylink.com/phoenix.zhtml?c=112635&p=irol-sec&control\\_symbol=](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.

### 3 **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  
7 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  
10 of citizen access to 911 services and other emergency contacts. CUB thoroughly supports  
11 the upgrading of the telecommunications infrastructure in this part of the state, either  
12 through a physical link between Newport and Lincoln City or some other form of  
13 network redundancy.

### 14 **IV. Conclusion**

15 CUB supports the merger of CenturyLink and Qwest with the caveat that a strong  
16 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  
18 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  
20 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

- 1 this merger is in the public interest and that it will, with the right conditions, result in no
- 2 harm.<sup>4</sup>

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<sup>4</sup> 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

**EMPLOYER:** Citizens' Utility Board of Oregon (CUB)

**TITLE:** Utility Analyst

**ADDRESS:** 610 SW Broadway, Suite 308  
Portland, OR 97205

**EDUCATION:** Master of Environmental Management, 2005  
Duke University, Durham, NC

Bachelor of Arts, Economics, 2002  
Reed College, Portland, OR

**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 24<sup>th</sup> 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.

**(W denotes waiver of paper service)**

**(HC denotes highly confidential material authorized)**

**(C denotes service of Confidential material authorized)**

	<b>360NETWORKS(USA) INC</b> MICHEL SINGER NELSON 370 INTERLOCKEN BLVD STE 600 BROOMFIELD CO 80021-8015	<b>W</b>	<b>LEVEL 3 COMMUNICATIONS</b> <b>LLC</b> GREG L ROGERS 1025 ELDORADO BLVD BROOMFIELD CO 80021 <a href="mailto:greg.rogers@level3.com">greg.rogers@level3.com</a>
	<b>360NETWORKS(USA) INC</b> PENNY STANLEY370 INTERLOCKEN BLVD STE 600 BROOMFIELD CO 80021-8015 <a href="mailto:penny.stanley@360.net">penny.stanley@360.net</a>	<b>W</b> <b>C</b> <b>HC</b>	<b>MCDOWELL RACKNER &amp;</b> <b>GIBSON PC</b> ADAM LOWNEY 419 SW 11TH AVE, STE 400 PORTLAND OR 97205 <a href="mailto:adam@mcd-law.com">adam@mcd-law.com</a>
<b>W</b> <b>C</b> <b>HC</b>	<b>ATER WYNNE LLP</b> ARTHUR A BUTLER 601 UNION STREET, STE 1501 SEATTLE WA 98101-3981 <a href="mailto:aab@aterwynne.com">aab@aterwynne.com</a>	<b>W</b> <b>C</b>	<b>MCDOWELL RACKNER &amp;</b> <b>GIBSON PC</b> WENDY MCINDOO OFFICE MANAGER419 SW 11TH AVE., SUITE 400 PORTLAND OR 97205 <a href="mailto:wendy@mcd-law.com">wendy@mcd-law.com</a>
<b>W</b>	<b>ATER WYNNE LLP</b> JOEL PAISNER 601 UNION ST STE 1501 SEATTLE WA 98101-2327 <a href="mailto:jrp@aterwynne.com">jrp@aterwynne.com</a>	<b>W</b> <b>C</b>	<b>MCDOWELL RACKNER &amp;</b> <b>GIBSON PC</b> LISA F RACKNER ATTORNEY419 SW 11TH AVE., SUITE 400 PORTLAND OR 97205 <a href="mailto:lisa@mcd-law.com">lisa@mcd-law.com</a>
<b>W</b>	<b>CENTRAL TELEPHONE INC</b> RICHARD STEVENS PO BOX 25 GOLDENDALE WA 98620 <a href="mailto:rstevens@gorge.net">rstevens@gorge.net</a>		

**W CENTURY FARM COURT**  
JOHN FELZ  
DIRECTOR REGULATORY  
OPERATIONS  
5454 W 110TH ST KSOPKJ0502  
OVERLAND PARK KS 66211  
[john.felz@centurylink.com](mailto:john.felz@centurylink.com)

**W NORTHWEST PUBLIC  
COMMUNICATIONS  
COUNCIL**  
GREG MARSHALL  
2373 NW 185TH AVE - # 310  
HILLSBORO OR 97124  
[gmarshall@corbantechologies.com](mailto:gmarshall@corbantechologies.com)

**W CENTURYLINK**  
RHONDA KENT  
805 BROADWAY 8TH FL  
VANCOUVER WA 98660  
[rhonda.kent@centurylink.com](mailto:rhonda.kent@centurylink.com)

**W PACIFIC NORTHWEST  
PAYPHONE**  
RANDY LINDERMAN  
1315 NW 185TH AVE STE 215  
BEAVERTON OR 97006-1947  
[rlinderman@gofirestream.com](mailto:rlinderman@gofirestream.com)

**W CENTURYLINK, INC.**  
WILLIAM E HENDRICKS  
805 BROADWAY ST  
VANCOUVER WA 98660-3277  
[tre.hendricks@centurylink.com](mailto:tre.hendricks@centurylink.com)

**W C PRIORITYONE  
TELECOMMUNICATIONS  
INC**  
KELLY MUTCH  
PO BOX 758  
LA GRANDE OR 97850-6462  
[managers@pltel.com](mailto:managers@pltel.com)

**W CHARTER FIBERLINK OR -  
CCVII LLC**  
MICHAEL R MOORE  
12405 POWERSCOURT DR  
ST LOUIS MO 63131  
[michael.moore@chartercom.com](mailto:michael.moore@chartercom.com)

**C HC PUBLIC UTILITY  
COMMISSION OF  
OREGON**  
BRYAN CONWAY  
PO BOX 2148  
SALEM OR 97308-2148  
[bryan.conway@state.or.us](mailto:bryan.conway@state.or.us)

**W CITY OF LINCOLN CITY**  
DOUGLAS R HOLBROOK  
PO BOX 2087  
NEWPORT OR 97365  
[doug@lawbyhs.com](mailto:doug@lawbyhs.com)

**C HC PUBLIC UTILITY  
COMMISSION OF  
OREGON**  
MICHAEL DOUGHERTY (C)PO  
BOX 2148  
SALEM OR 97308-2148  
[michael.dougherty@state.or.us](mailto:michael.dougherty@state.or.us)

**W CITY OF LINCOLN CITY**  
DAVID HAWKER  
CITY MANAGER  
801 SW HIGHWAY 101  
NEWPORT OR 97367  
[Davidh@lincolncity.org](mailto:Davidh@lincolncity.org)

**HC C QSI CONSULTING, INC**  
PATRICK L PHIPPS  
3504 SUNDANCE DR  
SPRINGFIELD IL 62711



**W COMMUNICATION CONNECTION**  
 CHARLES JONES  
 14250 NW SCIENCE PARK DR  
 STE B  
 PORTLAND OR 97229  
[charlesjones@cms-nw.com](mailto:charlesjones@cms-nw.com)

**W CONVERGE COMMUNICATIONS**  
 MARSHA SPELLMAN  
 10425 SW HAWTHORNE LN  
 PORTLAND OR 97225  
[marsha@convergecomm.com](mailto:marsha@convergecomm.com)

**W CORPORATE LAWYERS PC**  
 FRANK G PATRICK  
 PO BOX 231119  
 PORTLAND OR 97281  
[fgplawpc@hotmail.com](mailto:fgplawpc@hotmail.com)

**COVAD COMMUNICATIONS CO**  
 KATHERINE K MUDGE  
 7000 N MOPAC EXPWY 2ND FL  
 AUSTIN TX 78731  
[kmudge@covad.com](mailto:kmudge@covad.com)

**W DAVIS WRIGHT TREMAINE C HC LLP**  
 K C HALM  
 1919 PENNSYLVANIA AVE NW  
 2ND FL  
 WASHINGTON DC 20006-3458  
[kchalm@dwt.com](mailto:kchalm@dwt.com)

**W DAVIS WRIGHT TREMAINE LLP**  
 GREGORY J KOPTA  
 1201 THIRD AVE - STE 2200  
 SEATTLE WA 98101-1688  
[gregkopta@dwt.com](mailto:gregkopta@dwt.com)

**QWEST CORPORATION**  
 ALEX M DUARTE  
 310 SW PARK AVE 11TH FL  
 PORTLAND OR 97205-3715  
[alex.duarte@qwest.com](mailto:alex.duarte@qwest.com)

**QWEST CORPORATION**  
 MARK REYNOLDS  
 1600 7TH AVE RM 3206  
 SEATTLE WA 98191  
[mark.reynolds3@qwest.com](mailto:mark.reynolds3@qwest.com)

**W SPRINT COMMUNICATIONS CO LP**  
 DIANE BROWNING6450 SPRINT  
 PKWY  
 OVERLAND PARK KS 66251  
[diane.c.browning@sprint.com](mailto:diane.c.browning@sprint.com)

**W SPRINT COMMUNICATIONS CO LP**  
 KENNETH SCHIFMAN  
 6450 SPRINT PKWY  
 OVERLAND PARK KS 66251  
[kenneth.schifman@sprint.com](mailto:kenneth.schifman@sprint.com)

**W SPRINT NEXTEL C**  
 KRISTIN L JACOBSON  
 201 MISSION ST STE 1500  
 SAN FRANCISCO CA 94105  
[kristin.l.jacobson@sprint.com](mailto:kristin.l.jacobson@sprint.com)

**T-MOBILE USA INC**  
 DAVE CONN12920 SE 38TH ST  
 BELLEVUE WA 98006  
[dave.conn@t-mobile.com](mailto:dave.conn@t-mobile.com)

**C TW TELECOM OF OREGON LLC**  
 LYNDALL NIPPS  
 9665 GRANITE RIDGE DR - STE  
 500  
 SAN DIEGO CA 92123  
[lyndall.nipps@twtelecom.com](mailto:lyndall.nipps@twtelecom.com)

**W** **DAVIS WRIGHT TREMAINE**  
**C** **LLP**  
**HC** MARK P TRINCHERO  
1300 SW FIFTH AVE STE 2300  
PORTLAND OR 97201-5682  
[marktrinchero@dwt.com](mailto:marktrinchero@dwt.com)

**C** **DEPARTMENT OF JUSTICE**  
**HC** JASON W JONES  
1162 COURT ST NE  
SALEM OR 97301-4096  
[jason.w.jones@state.or.us](mailto:jason.w.jones@state.or.us)

**W** **LINCOLN CITY COUNSEL**  
WAYNE BELMONT  
225 OLIVE STREET  
NEWPORT OR 97365  
[wbelmont@co.lincoln.or.us](mailto:wbelmont@co.lincoln.or.us)

**W** **CHARLES BEST**  
ATTORNEY AT LAW  
1631 NE BROADWAY 3538  
PORTLAND OR 97232-1425  
[chuck@charlesbest.com](mailto:chuck@charlesbest.com)

**W** **PARKER**  
**TELECOMMUNICATIONS**  
EDWIN B PARKER  
PO BOX 402  
GLENEDEN BEACH OR 97388  
[edparker@teleport.com](mailto:edparker@teleport.com)

**GRAHAM & DUNN PC**  
JUDITH ENDEJAN (C)  
2801 ALASKIAN WAY SUITE 300  
SEATTLE WA 98121  
[jendejan@grahamdunn.com](mailto:jendejan@grahamdunn.com)

**GRAY PLANT MOOTY**  
GREGORY MERZ (C) (HC)  
500 IDS CENTER  
80 S EIGHTH ST  
MINNEAPOLIS MN 55402  
[gregory.merz@gpmlaw.com](mailto:gregory.merz@gpmlaw.com)

**UNITED TELEPHONE**  
**COMPANY OF THE**  
**NORTHWEST**  
BARBARA YOUNG  
902 WASCO ST ORHDRA0305  
HOOD RIVER OR 97031  
[barbara.c.young@centurylink.com](mailto:barbara.c.young@centurylink.com)

**W** **WSTC**  
ADAM HAAS  
10425 SW HAWTHORNE LN  
PORTLAND OR 97225  
[adamhaas@convergecomm.com](mailto:adamhaas@convergecomm.com)

**XO COMMUNICATIONS**  
**SERVICES INC**  
REX M KNOWLES  
7050 UNION PARK AVE - STE  
400  
MIDVALE UT 84047  
[rex.knowles@xo.com](mailto:rex.knowles@xo.com)

**W** **TILLAMOOK COUNTY**  
WILLIAM SARGENT  
1134 MAIN AVE  
TILLAMOOK OR 97141  
[wsargent@oregoncoast.com](mailto:wsargent@oregoncoast.com)

**W**    **INTEGRA TELCOM INC**  
KAREN L CLAUSON  
6160 GOLDEN HILLS DR  
GOLDEN VALLEY MN 55416-  
1020  
[klclauson@integratelecom.com](mailto:klclauson@integratelecom.com)

Respectfully submitted,



G. Catriona McCracken, Attorney #933587  
Legal Counsel  
Citizens' Utility Board of Oregon  
610 SW Broadway Ste 400  
Portland, OR 97205  
(503) 227-1984  
[Catriona@oregoncub.org](mailto:Catriona@oregoncub.org)