



805 Broadway, 8th Floor
Vancouver, WA 98660

November 19, 2010

Oregon Public Utility Commission
Attn: Filing Center
550 Capitol Street NE, Ste 215
Salem, OR 97301-2551

RE: UM-1484 CenturyLink/Qwest Merger

Dear Commission:

Enclosed for filing, please find an original and five copies of CenturyLink's Supplemental Rebuttal Testimony of Michael R. Hunsucker and Todd Schafer.

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

William E. Hendricks

Enclosures
cc: Service List

Phone: 360-905-5949
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BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1484

In the Matter of

CENTURYLINK, INC.

Application for an Order to Approve the Indirect
Transfer of Control of QWEST
CORPORATION

SUPPLEMENTAL REBUTTAL TESTIMONY OF

TODD SCHAFFER

PRESIDENT, MID-ATLANTIC REGION

ON BEHALF OF

CENTURYLINK, INC.

NOVEMBER 19, 2010

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Todd Schafer and my business address is 14111 Capital Blvd, Wake Forest,
3 NC 27587.

4

5 **Q. WHO IS YOUR EMPLOYER AND WHAT IS YOUR POSITION?**

6 A. I am employed by CenturyLink as the President for the Mid Atlantic Region.

7

8 **Q. ARE YOU THE SAME TODD SCHAFFER THAT FILED DIRECT AND**
9 **REBUTTAL TESTIMONIES IN THIS PROCEEDING?**

10 A. Yes, I am.

11

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 A. I am responding to certain issues raised in the supplemental testimony of Timothy J.
14 Gates on behalf of the Joint CLECs.¹

15

16 **Q. MR. GATES REFERENCES THE TESTIMONY OF THE COMMUNICATIONS**
17 **WORKERS OF AMERICA (“CWA”) FILED IN MINNESOTA AND ARIZONA**
18 **CONCERNING OPERATIONAL ISSUES ALLEGEDLY ARISING OUT OF**
19 **CENTURYLINK’S ONGOING INTEGRATION OF EMBARQ CORPORATION**
20 **(“EMBARQ”). DOES MR. GATES’ REFERENCE TO THE CWA TESTIMONY**

¹ Supplemental Testimony of Timothy J. Gates on behalf of tw telecom or Oregon, llc, Covad Communications Company, Level 3 Communications, LLC, and Charter Fiberlink OR-CCVII, LLC (“Joint CLECs); Joint CLECs/19.

1 **FAIRLY REFLECT THE PROGRESS AND SUCCESS OF THE EMBARQ**
2 **INTEGRATION EFFORT?**

3 A. No. With any integration of large, complex systems, some issues are expected to arise,
4 but CenturyLink will be able to minimize the impacts of such issues. CenturyLink
5 works hard in every integration process to minimize the number and severity of any
6 issues, and to avoid any potential negative impact on the Company's customers and
7 employees. CenturyLink has successfully completed conversions of multiple systems
8 from multiple different companies over the years and has learned new things with every
9 conversion. Those learnings are applied to future conversions eliminating past issues and
10 minimizing possible future issues.

11
12 During the recent conversion of the North Carolina market to the CenturyLink billing and
13 operational systems, some of the outside plant records were loaded incorrectly. Plant
14 constructing methods varied among the legacy Embarq areas, and those methods differed
15 from those in the legacy CenturyTel areas. As a result, records for some of the devices
16 initially did not load correctly in the conversion. This led to certain issues that Mr. Gates
17 cites from the CWA testimony in Minnesota and Arizona. However, it would be helpful
18 to add some perspective to the situation.

19
20 CenturyLink identified the issue, evaluated it and learned that the records of
21 approximately 2,000 out of approximately 11,500 devices did not load correctly. The
22 issues were found to be manageable and, at this time, the records for approximately 99%
23 of those 2,000 devices have been fixed. CenturyLink continues to work diligently on the

1 remaining 1%. Finally, CenturyLink is working to ensure that the outside plant records
2 are correct and consistent prior to any future conversions resulting from the Embarq
3 integration. As such, CenturyLink does not expect the issues referenced by Mr. Gates to
4 recur.

5
6 In addition, a number of the issues referenced by Mr. Gates from the CWA testimony
7 were caused by differences between the old and new systems. This is not a situation
8 where one system is “better” or “worse” than the other system; the two systems are just
9 different in certain respects. Employees have worked with the old systems for years,
10 which naturally create a significant level of familiarity. When converting to new
11 systems, the steps to perform the work or where the related detailed information is
12 contained in the new system to perform the work are often different. The lack of
13 familiarity with the new systems can cause added questions and impede efficiency for a
14 short time, until the employees gain the needed familiarity. Aside from issues such as the
15 previously mentioned records quality, the data exists and the systems work. It will take
16 time for all who work with the new systems to develop the comfort and proficiency that
17 was established after working for years with the old system.

18
19 **Q. THE NORTH CAROLINA MARKET WAS CONVERTED IN MAY AND IT IS**
20 **NOW NOVEMBER. IS IT UNUSUAL FOR IT TO TAKE THIS LONG TO**
21 **COMPLETELY CORRECT THE OUTSIDE PLANT RECORDS?**

22 **A.** No. It is largely a manual process to correct the plant records for the various devices.
23 For each of the approximately 2,000 devices that have incorrect plant records,

1 CenturyLink must manually research, determine and load the correct information into the
2 system. This process requires significant effort on the part Operational Support teams,
3 Information Technology, and technicians. However, as I just indicated, CenturyLink
4 already has corrected the records of approximately 99% of those 2,000 devices in that
5 state and is working diligently to resolve the issues with the remaining 1%
6 (approximately 20 devices).

7
8 **Q. WHAT IS CENTURYLINK DOING TO ENSURE THAT ISSUES WITH**
9 **INCORRECT PLANT RECORDS DO NOT OCCUR IN FUTURE**
10 **CONVERSIONS?**

11 A. First, CenturyLink's integration process is designed to ensure that any irregularities that
12 might occur do not spread system-wide. The integration process is deliberate and
13 focused. It uses a market-oriented, phased approach so that if an issue does occur,
14 CenturyLink can isolate it and fix it before it occurs in other areas. The North Carolina
15 issue raised by Mr. Gates is a perfect example of how this phased integration process
16 works well to minimize impacts to customers. Now that we are aware of the differences
17 in outside plant records, CenturyLink is taking additional steps to identify and to correct
18 those plant records *before* other conversions take place. For instance, CenturyLink has
19 identified those devices that may be at a higher risk for having incorrect plant records and
20 is going to have technicians test those devices to determine if there are any issues. In
21 proactively implementing these additional steps, CenturyLink is confident that it will
22 minimize the issues encountered in future conversions. In fact, the latest system
23 conversions for the legacy Embarq territories in Nevada (including Las Vegas),

1 Tennessee, Virginia, and New Jersey, have gone very well demonstrating that that the
2 proactive steps CenturyLink has taken to address the records issue have proven effective.
3

4 **Q. WHY IS IT NECESSARY TO INTEGRATE THE CENTURYLINK AND**
5 **EMBARQ SYSTEMS?**

6 A. The systems need to be integrated so that all employees are working on the same
7 platform and using the same processes. It is very inefficient to have employees working
8 with multiple systems and platforms. Doing so would require employees to have a
9 working knowledge of numerous systems. That inefficiency would result in longer times
10 to complete service orders. Having multiple different systems would also increase the
11 likelihood of inconsistency in or inaccuracy of records information. As already indicated
12 earlier, increasing the risks of inaccurate information does not align with CenturyLink's
13 goals of providing the highest level of customer service delivered efficiently.
14

15 **Q. IS THE INTEGRATION OF EMBARQ'S OPERATIONS MOVING ALONG AS**
16 **PLANNED?**

17 A. Yes. Because the systems being converted are large and complex, a significant amount
18 of planning and testing goes into the conversion of each Embarq market prior to that
19 conversion taking place. CenturyLink takes what was learned from each previous market
20 conversion and applies that learning to future conversions. It is for this very reason that
21 we chose to convert Embarq to CenturyLink's systems on a phased basis, rather than to
22 "flash cut" all of Embarq's customers at once. A phased approach to the conversion
23 minimizes the potential for system-wide issues and mitigates possible negative impacts

1 on customers and employees alike. In my view, CenturyLink's experience with these
2 issues is unmatched in the industry. Our experience in successfully integrating
3 companies in merger transactions better positions CenturyLink to achieve a smooth and
4 efficient integration in the Qwest merger.

5
6 **Q. PLEASE PLACE THE EMBARQ CONVERSION PROCESSES IN OHIO AND**
7 **NORTH CAROLINA IN THEIR PROPER PERSPECTIVE.**

8 A. The Ohio and North Carolina markets have been converted, representing approximately
9 25% of the legacy Embarq access lines. In addition, recent conversions completed in
10 early October in the states of Nevada, Tennessee, Virginia, and New Jersey bring the
11 total converted to approximately 50% of the legacy Embarq access lines. While one can
12 expect an adverse intervenor to focus on the areas that did not go perfectly during the
13 conversion, one can lose perspective of the entirety of what was completed. Since the
14 conversions of North Carolina and Ohio, over 8 million bills have been accurately
15 produced; over one million customer orders have been processed and over 350,000 jobs
16 dispatched to technicians have been completed on the converted systems. The issues
17 encountered in North Carolina occurred on top of the heavy seasonal summer load caused
18 by the hottest summer on record for North Carolina. This caused CenturyLink to produce
19 lower service level metrics than desired. However, the plant records for these devices
20 have been corrected, seasonal load levels have eased, and employees have become more
21 familiar with the new systems. As a result, the service quality levels recovered by
22 September and continue to be at levels produced before conversion.

1 **Q. FINALLY, WHILE MR. GATES REFERENCES CONCERNS RAISED BY CWA**
2 **IN TESTIMONY IN OTHER STATES, CAN YOU PROVIDE THE**
3 **COMMISSION AN UPDATE ON CWA'S ONGOING PARTICIPATION IN**
4 **THOSE STATE PROCEEDINGS?**

5 A. Yes. On October 18, 2010, the CWA, CenturyLink and Qwest entered into a settlement
6 agreement whereby the CWA agrees that the proposed merger between CenturyLink and
7 Qwest is in the public interest. In the settlement agreement, CenturyLink and Qwest
8 were able to mitigate CWA concerns regarding continued investment, and the speed of
9 integration of various systems, including wholesale operational support systems. In an ex
10 parte filing with the FCC, the CWA states that the settlement “. . . is in the public interest
11 and constitutes a reasonable resolution to issues raised by CWA before this
12 Commission.”² As a result of the settlement agreement, the CWA has withdrawn from
13 the state merger proceedings they were participating in, including the Minnesota and
14 Arizona proceedings referenced in Mr. Gates testimony. This should provide the
15 Commission further assurance that CenturyLink has adequately addressed the concerns of
16 the CWA with respect to the systems conversion issue.

17

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A. Yes.

² See Exhibit CTL/1001, CWA Ex-Parte Notice, October 20, 2010, In the Matter of Applications Filed by Qwest Communications International Inc. and CenturyTel, Inc., d/b/a/ CenturyLink for Consent to transfer of Control. FCC WC Docket No. 10-110.

**BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON**

UM 1484

In the Matter of

CENTURYLINK, INC.

Application for an Order to Approve the Indirect
Transfer of Control of QWEST
CORPORATION

SUPPLEMENTAL REBUTTAL TESTIMONY OF

MICHAEL R. HUNSUCKER

**ON BEHALF OF
CENTURYLINK, INC**

NOVEMBER 19, 2010

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION.**

2 A. My name is Michael R. Hunsucker. My business address is 5454 W. 110th Street,
3 Overland Park, Kansas 66211. I am Director of CLEC management for CenturyLink.

4

5 **Q. ON WHOSE BEHALF ARE YOU SUBMITTING SUPPLEMENTAL REBUTTAL**
6 **TESTIMONY?**

7 A. I am submitting Supplemental Rebuttal Testimony on behalf of CenturyLink, Inc.,
8 referred to herein as "CenturyLink."

9

10 **Q. ARE YOU THE SAME MICHAEL HUNSUCKER WHO SUBMITTED**
11 **REBUTTAL TESTIMONY IN THIS PROCEEDING?**

12 A. Yes.

13

14 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL REBUTTAL**
15 **TESTIMONY?**

16 A. The purpose of my testimony is to address certain issues raised in the Supplemental
17 Testimony of Joint CLEC witness Timothy Gates filed on November 12, 2010, ostensibly
18 regarding the Hart-Scott-Rodino ("HSR") documents that CenturyLink and Qwest
19 produced to the Joint CLECs after August 24, 2010. To the extent that particular
20 statements in Mr. Gates' Supplemental Testimony are not addressed in my Supplemental
21 Rebuttal testimony, this does not mean that CenturyLink or Qwest necessarily agree with
22 or acquiesce in those statements. Rather, I have attempted to focus on the major points

1 addressed in Mr. Gates' testimony and to organize my Supplemental Rebuttal testimony
2 around those points.

3
4 **Q. HOW WOULD YOU CHARACTERIZE THE JOINT CLECs' ARGUMENTS IN**
5 **MR. GATES' SUPPLEMENTAL TESTIMONY?**

6 A. Mr. Gates relies on speculation to manufacture "public interest" and "competitive harm"
7 concerns where none exist. If one were to take Mr. Gates' Supplemental Testimony at
8 face value, for example, one would conclude that Mr. Gates somehow knows more about
9 CenturyLink's true intent than CenturyLink's own executive management team, even
10 when that supposed intent conflicts with statements the company has made on the record,
11 and including CenturyLink's intent regarding issues the company has not yet begun
12 evaluating.

13
14 In the interest of brevity, rather point each instance of Joint CLEC speculation, I will
15 provide illustrative examples to show how Mr. Gates' testimony relies primarily on
16 speculation and conjecture. In addition, Mr. Gates also spends much of his Supplemental
17 Testimony discussion on matters that have little, if anything, to do with the HSR
18 documents.¹ As a result, the testimony only serves to burden the record with superfluous
19 and unnecessary argument.

20
21 **Q. COULD YOU PROVIDE SOME ILLUSTRATIVE EXAMPLES OF HOW THE**
22 **CLECs USE UNFOUNDED SPECULATION TO CREATE AN ISSUE WHERE**
23 **NONE EXISTS?**

¹ See the Qwest and CenturyLink Expedited Motion to Strike (November 16, 2010).

1 A. Yes. Mr. Gates relies on Hart-Scott-Rodino (“HSR”) documents in a failed attempt to
2 show that consolidation and elimination of duplicate work functions and wholesale
3 operations systems will somehow impact wholesale service quality and regulatory
4 compliance.² With no real evidence to rely on, Mr. Gates resorts to gross speculation
5 regarding discussion in the HSR of projected headcount reductions. Critically though, he
6 ignores the defining words “consolidation” and “duplicative” that are used in the HSR
7 documents. He does not offer any evidence that CenturyLink’s planned elimination of
8 *duplicative* functions would have an adverse impact on CLECs.³ Because Mr. Gates
9 cannot provide any concrete evidence, he is forced to speculate harm by claiming that
10 “[s]ince CenturyLink has no experience operating in the urban exchanges in which Qwest
11 currently operates, or under the BOC obligations that apply to Qwest, there is no
12 evidence that CenturyLink can or will realign its work force in a way – or in numbers –
13 that would maintain Qwest’s current wholesale service quality metrics and compliance
14 with its regulatory obligations.”⁴ Because there is no support in the record for such
15 statements, they should be afforded no weight and treated as unfounded speculation.
16 Moreover, Mr. Gates ignores my testimony regarding this very matter. Mr. Gates
17 continues to assert that CenturyLink “primarily operate[s] in small, rural exchanges,”
18 despite my earlier testimony that shows on a national basis, approximately 85% of
19 CenturyLink’s retail access lines are not operating under the “rural exemption,” and thus
20 have been and will continue to be subject to the same Section 251 and 252 obligations of

² Joint CLECs/19, Gates/5-7 and Gates/14-17.

³ Many duplicative functions will consist of administrative or “unused capacity” in nature, and therefore of no possible impact to the CLECs. Mr. Gates correctly quotes CenturyLink on pages 19-20 of his Supplemental Testimony: “CenturyLink and Qwest believe that there are numerous important benefits flowing from the proposed transaction, including... [i]mproved operating and capital efficiency through reductions in corporate overhead and the elimination of duplicative functions and systems.” Mr. Gates then ignores this statement as he creates unfounded scenarios of speculative harm.

⁴ Joint CLECs/19, Gates/5.

1 the Telecom Act that Qwest is subject to.⁵ Further, Mr. Gates also asserts that the
2 merged company will “cause harm” to CLECs because it plans to reduce duplicative
3 headcount in functional areas that are unrelated to serving CLEC needs.⁶
4

5 **Q. ARE THERE OTHER EXAMPLES WHERE MR. GATES USES THIS TYPE OF**
6 **SPECULATION TO CREATE A FALSE ASSUMPTION?**

7 A. Yes. In his Supplemental Testimony, Mr. Gates claims “[o]ther information provided by
8 [CenturyLink and Qwest] shows that CenturyLink’s systems migration assumption
9 involves CenturyLink migrating from Qwest’s OSS [Operations Support Systems] to
10 CenturyLink’s OSS.”⁷ Mr. Gates does not clarify what this “other information” may be,
11 and it is certainly not encompassed within the HSR documents he cites. Further, I cannot
12 clarify what it may be either, since I am not aware of any information that CenturyLink
13 or Qwest have provided that would support Mr. Gates’ assertion.
14

15 Mr. Gates’ fails to make any real connection between the HSR documents and his
16 speculation regarding the harms of the transaction. The arguments he makes, and
17 questionable relationship of the HSR documents he cites to support those arguments,
18 suggest nothing but desperation. Mr. Gates has attached just **two** pages from only **one**
19 CenturyLink prepared HSR document, that he references as HSR attachment 4(c)-42 (two

⁵ CTL/800, Hunsucker/8-9. Additionally, CenturyLink’s properties include more densely-populated areas, including Las Vegas, Nevada, suburban Orlando, Florida, suburban St. Louis, Missouri, the urban “I-95 corridor” in North Carolina, suburban Birmingham, Alabama, Columbia, Missouri and Lacrosse, Wisconsin, to name a few.

⁶ Joint CLECs/19, Gates/15-16 (“...employees in Qwest’s Ethics/Compliance/Risk Management group, Regulatory group and Public Policy & Corporate Relations group”).

⁷ Joint CLECs/19, Gates/ 6. The closest that Mr. Gates comes to offering any “support” for his claim is his discussion of the existing Qwest OSS not currently being Uniform Ordering Module (UOM)-compliant, whereas CenturyLink’s OSS is UOM-compliant. Joint CLECs/19, Gates/6-7. Mr. Gates does not clarify that UOM is the new industry standard replacement for Electronic Data Interface (EDI). To give “credibility” to his speculation, Mr. Gates overlooks any need for Qwest to upgrade its OSS to the new industry standard.

1 slides on “Integration Approach”), to his testimony, and he fails to attach the remaining
2 HSR documents he discusses. He cites to HSR documents 4(c)-52 (pp. 6, 15-16), 4(c)-5
3 (p. 13), 4(c)-44 (pp. 15-16, 21), 4(c)-53 (pp. 22, 32), 4(c)-60 (p.23), 4(c)-46 (p. 32) and
4 4(c)-82 (p. 33), but does not attach these documents, which would put his citations in
5 proper context. Again, Mr. Gates’ arguments do not add anything to the Joint CLECs’
6 advocacy and merely serve to burden the record and confuse the issues, and certainly do
7 not help the Commission in any meaningful way to evaluate this Transaction.

8
9 **Q. EVEN THOUGH HIS ACCOMPANYING TESTIMONY DOES NOT RELATE**
10 **TO THE HSR DOCUMENTS, ATTACHED TO MR. GATES’ SUPPLEMENTAL**
11 **TESTIMONY IS A MATRIX THAT HE ASSERTS COMPARES THE**
12 **FUNCTIONALITY OF CENTURLINK AND QWEST OSS FOR HANDLING**
13 **LOCAL SERVICE REQUESTS (“LSRS”).⁸ IS IT REASONABLE TO SAY THAT**
14 **THIS MATRIX SHOWS, AS MR. GATES ASSERTS, THAT THERE ARE**
15 **NUMEROUS FUNCTIONALITIES AND ORDER TYPES RELATED TO LSRs**
16 **THAT ARE AVAILABLE FROM QWEST’S OSS THAT ARE NOT AVAILABLE**
17 **FROM CENTURLINK’S OSS?**

18 **A.** No. I believe the matrix is a mischaracterization rather than a valid assessment. First, the
19 matrix only lists LSR capabilities, without accurately representing whether the capability
20 in question is related to a service typically ordered via an Access Service Request (ASR).
21 Second, Mr. Gates does not acknowledge OSS capabilities that are provided, but just not
22 included within the specific *phrasing* of the Joint CLECs’ questions. In other words,
23 CenturyLink does provide many of the functions, but does so within a different part of

⁸ Exhibit Joint CLECs/20.

1 the OSS than the one specified in the question. As an example, an order may be able to
2 be provisioned from order entry to service turn up by three methods that adhere to
3 industry standards, but the spreadsheet attached to his testimony is marked “no”, even
4 when there may be another method used. Finally, several of the functions in the inquiry
5 were stated in the response as “in development,” and Mr. Gates does not acknowledge
6 that many specified functionalities will or may exist before the closing date of this
7 Transaction.

8
9 **Q. MR. GATES ALSO ASSERTS THAT CENTURYLINK’S DATA REQUEST**
10 **RESPONSE SUGGESTS THAT THE COMPANY DOES NOT OFFER CERTAIN**
11 **PRODUCTS ON THE BASIS OF CENTURYLINK NOT RECOGNIZING THE**
12 **NAMES OF THE PRODUCTS. IS THIS A VALID ASSUMPTION?**

13 A. No. Different telecommunications carriers call their offered products or services by
14 various names. The data request Mr. Gates refers to listed only the Qwest trade names
15 inclusive of alphabetical abbreviations. It did not provide service descriptions. Just
16 because an identified trade name does not appear, does not mean that the other company
17 does not offer a comparable service under a different name. I have worked in this
18 industry for more than 30 years and I also do not recognize many of the specified
19 products by the listed trade names.⁹

20
21 **Q. MR. GATES CLAIMS THAT CENTURYLINK OBTAINING A TEMPORARY**
22 **WAIVER OF THE FCC’S DEADLINE FOR IMPLEMENTING A ONE-DAY**
23 **PORTING REQUIREMENT IS AN EXAMPLE OF MERGER-RELATED**

⁹ For example I am unclear about the functionalities of “DSS Trunks” and “Design Trunks.”

1 **ACTIVITIES TAKING PRECEDENCE OVER EXISTING OBLIGATIONS.¹⁰**

2 **CAN YOU COMMENT ON THAT CLAIM?**

3 A. Yes. First of all, I would note that Mr. Gates' testimony on this point is unrelated to the
4 HSR documents. Nevertheless, I will provide some clarification for the Commission's
5 benefit. CenturyLink is engaged in a rolling cutover to the Embarq OSS in order to
6 assure continued billing quality for its end-user customers. Meeting the one-day interval
7 effective date proposed in the FCC's order would require the company to implement
8 changes to a system that is being discontinued. Contrary to the implication in Mr. Gates'
9 testimony, the FCC offered a waiver process for just such a situation. CenturyLink
10 applied for and was granted a waiver under that process. Further, the waiver is only for a
11 limited time period, and will expire in February 2011. CenturyLink will be processing
12 porting orders within a one-day interval long before any OSS integration activities take
13 place in regards to the Qwest OSS.

14
15 **Q. MR. GATES REFERS TO VARIOUS HSR DOCUMENTS AS SUPPORT FOR**
16 **HIS CRITICISMS OF CENTURYLINK'S UNWILLINGNESS TO PROVIDE**
17 **INFORMATION ABOUT ITS "DIRECT RESPONSE MARKETING**
18 **EFFORTS".¹¹ HOW DO YOU RESPOND?**

19 A. To begin with, Mr. Gates infers that CenturyLink should not have any reluctance to hand
20 over sensitive information about its retail operations to its competitors. I have no doubt
21 that Mr. Gates' CLEC clients would be equally protective of their marketing information.
22 CLECs are not entitled to review CenturyLink's retail marketing strategies, especially

¹⁰ Joint CLECs/19, Gates/32.

¹¹ Joint CLECs/19, Gates/5-7 and Gates/31-33.

1 because they will continue to be competitors, as well as customers, after this transaction
2 closes. However, and more to the point, Mr. Gates once again provides the Commission
3 with no context. Rather, he refers generally to three CenturyLink HSR documents, and
4 then proceeds to inflate the meaning of the documents beyond any reasonable
5 interpretation, and fails to attach the documents as exhibits to provide an accurate
6 context.¹²

7
8 In his discussion of these three CenturyLink HSR documents, Mr. Gates speculates that
9 CenturyLink’s future compliance with porting requirements is questionable. But the only
10 evidence he can muster is that the documents indicate CenturyLink tries to prevent
11 “churn,” or loss of customers. Indeed, CenturyLink prospectively tries to encourage
12 customers to stay with CenturyLink, and if successful of course the result is that such a
13 customer’s telephone number (service) will not be ported to another service provider at
14 that time. There is simply nothing wrong or disturbing about that – it is just fair
15 competition, and a competitive firm’s attempt to retain or capture customers in a highly
16 competitive market. Moreover, CenturyLink markets its services in compliance with
17 applicable laws and regulations. If CenturyLink’s future direct marketing efforts are
18 successful in mitigating customer loss and winning customers back to CenturyLink, this
19 is not “harm to competition.” This is yet another example of Mr. Gates taking an
20 innocuous statement from the HSR and using it in an attempt to fabricate some malicious
21 intent.¹³ Thus, Mr. Gates’ arguments on this point are not viable.

¹² Joint CLECs/19, Gates/32-33.

¹³ Joint CLECs/19, Gates 33 Mr. Gates’ reference to page 5 of HSR Attachment 4(c)-82 which is attached as Highly Confidential Exhibit CTL/902.

1 Q. [BEGIN HIGHLY CONFIDENTIAL *** [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]

¹⁴ Joint CLECs/19, Gates/20-21. Mr. Gates' references HSR Attachment 4(c)-44 which is attached as Highly Confidential Exhibit CTL/903.

¹⁵ Rates for non-obligated wholesale services that are already in the tariff likewise cannot be changed outside of the tariff approval process.

¹⁶ Joint CLECs/19, Gates/20.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED] ***END

6 **HIGHLY CONFIDENTIAL]**

7
8 **Q. MR. GATES IS CONCERNED THAT A NEW INTERCONNECTION**
9 **AGREEMENT (“ICA”) TEMPLATE PREPARED BY CENTURYLINK WILL**
10 **INCLUDE PROVISIONS THAT WILL “DISADVANTAGE” CLECs.¹⁷ IS THIS A**
11 **VALID CONCERN?**

12 A. No. Mr. Gates appears to confuse possible terms in a proposed template with the final
13 negotiated and approved terms in a signed ICA. Mr. Gates does not explain how a CLEC
14 would fail to negotiate or arbitrate any terms that the CLEC believed were “negative” to
15 its interests.

16
17 **Q. MR. GATES PROPOSES ADOPTION OF A CONDITION THAT REQUIRES**
18 **EXTENDING THE TERM OF CURRENT ICAs FOR AT LEAST THREE YEARS**
19 **FROM THE MERGER CLOSING DATE SO THAT COMPETITORS WOULD**
20 **NOT HAVE TO RENEGOTIATE INTERCONNECTION AGREEMENTS.¹⁸**
21 **DOES THIS CHANGE THE ICA STATUS QUO BETWEEN CENTURYLINK**
22 **AND THE REMAINING JOINT CLECs?**

¹⁷ Joint CLECs/19, Gates/18.

¹⁸ Joint CLECs/19, Gates/19.

1 A. Yes. Maintaining the status quo means ensuring that the merger does not detrimentally
2 affect the rights and obligation of parties as they currently exist notwithstanding the
3 merger. In other words, maintaining the status quo means to preserve things *completely*
4 *as they are*.

5
6 **Q. HOW DOES MR. GATES' PROPOSED CONDITION CHANGE THE STATUS**
7 **QUO?**

8 A. The Joint CLECs' proposed conditions imply that preserving the status quo means
9 placing the current Qwest-CLEC contractual and process-related relationships in a state
10 of suspended animation. Existing ICAs have a negotiated and approved term, and a
11 process for negotiation of replacement ICAs is covered in both the existing ICA terms
12 and in applicable law. The CLECs apparently wish to ignore the term and replacement
13 provisions of the ICAs that they willingly negotiated and signed, and also to deny the
14 merged company its rights under applicable law. This proposed condition therefore does
15 not maintain the status quo; it *changes* the status quo, and does so to the Joint CLECs'
16 unilateral benefit.

17
18 **Q. CAN YOU FURTHER CLARIFY WHY MR. GATES' PROPOSED CONDITION**
19 **IS INAPPROPRIATE?**

20 A. To put Mr. Gates' proposal, and all the Joint CLECs' proposed conditions, into the
21 correct context, it is helpful to consider it outside the context of this merger. Both the
22 Joint CLECs and CenturyLink and Qwest have rights and obligations granted under
23 applicable law and set forth in ICAs and in regulatory requirements. None of the Joint
24 CLECs' existing rights and obligations will change directly as a result of this merger.

1 Nor will Qwest's or CenturyLink's existing rights and obligations change directly as a
2 result of this merger. Notwithstanding the merger, these rights and obligations protect
3 the Joint CLECs from the "complete uncertainty and potential severe disruption and harm
4 in every aspect of [its] wholesale relationship" that Mr. Gates hypothesizes,¹⁹ and ensure
5 "the much-needed certainty that the Joint CLECs need to continue to operate their
6 businesses and make prudent decisions."²⁰

7
8 **Q. MR. GATES ASSERTS THAT CLECs WILL HAVE TO "ENGAGE IN THE**
9 **TIME-CONSUMING PROCESS OF NEGOTIATING OR ARBITRATING**
10 **PREVIOUSLY SETTLED ISSUES WITH THE POST-MERGER COMPANY."**²¹
11 **DO YOU AGREE?**

12 A. No. If an issue is already settled here in Oregon by a Commission decision, there would
13 not be any reasonable ability for CenturyLink to reopen that issue to achieve a different
14 outcome. Even if the Commission would accept an arbitration petition on an already-
15 litigated issue, CenturyLink has no desire to expend its valuable resources on futile
16 efforts.

17
18 **Q. MR. GATES ASSERTS THAT BECAUSE THE MERGED COMPANY WILL BE**
19 **LARGER IN SIZE, IT WILL HAVE A STRONG INCENTIVE TO USE ITS**
20 **ALLEGED "MARKET POWER" AS LEVERAGE DURING**

¹⁹ Joint CLECs/8, Gates/110.

²⁰ Joint CLECs/8, Gates/110-111. In addition, I note that the settlement entered into between CenturyLink, Qwest and Integra, which has been filed with this Commission, addresses these concerns.

²¹ Joint CLECs/19, Gates/18.

1 **INTERCONNECTION AGREEMENT NEGOTIATIONS.²² IS THIS AN**
2 **ACCURATE ASSESSMENT?**

3 A. No. I do not see any logical linkage of corporate size to a speculative “competitive
4 incentive.” Further, Mr. Gates ignores the CLECs’ rights and obligations granted under
5 applicable law and in regulatory requirements, and he fails to state how the merged
6 company could use its “size” to override applicable law and regulation.

7
8 **Q. MR. GATES SAYS THAT CENTURYLINK VIEWS CABLE COMPANIES AS**
9 **“KEY COMPETITORS.”²³ HE FURTHER ASSERTS THAT THIS FACT**
10 **MEANS CENTURYLINK HAS AN INCENTIVE TO UNDERMINE**
11 **COMPETITORS’ ABILITY TO COMPETE.²⁴ IS THIS A VALID CONCERN?**

12 A. Mr. Gates appears to somehow equate “lawfully competing with the competitor” with
13 “undermining the competitor.” However, CenturyLink is entitled to compete to the full
14 extent allowed by applicable laws and regulations. Mr. Gates does not point to any
15 evidence in the record that CenturyLink has unlawfully discriminated against the cable
16 companies in the past, or plans to do so in the future. Further, Mr. Gates goes on to admit
17 that cable companies “have been very successful at competing with CenturyLink’s
18 traditional business by providing competitive voice service in residential markets.”²⁵
19 CenturyLink does not “discriminate against competitors” today, and the CLECs’
20 proposed conditions are not necessary to ensure that competitors will continue to compete
21 successfully against CenturyLink after the merger.

²² Joint CLECs/19, Gates/18.

²³ Joint CLECs/19, Gates/22-23.

²⁴ Joint CLECs/19, Gates/23.

²⁵ Joint CLECs/19, Gates/22-23.

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Q. DO YOU HAVE ANY FINAL THOUGHTS TO SHARE WITH THE COMMISSION?

A. Yes. The Joint CLECs claim that if CenturyLink “truly valued” its CLEC wholesale customers, it would be more receptive to the CLECs’ proposed conditions.²⁶ Being valued, however, does not equate to permitting CLECs the ability to dictate significant aspects of the merged company’s operations. For example, the Joint CLECs’ continue to claim that proposed conditions are necessary to meet the standard for approval of this merger, and yet, McLeod/PAETEC, one of the CLECs arguing for these same conditions in several other states, takes a completely opposite position regarding an intervenor’s proposed conditions when it is involved as an applicant in a merger docket. In Pennsylvania, where PAETEC seeks approval for its acquisition of another company, PAETEC has opposed other parties’ attempts to saddle it with conditions, and therefore stated the following in a filed motion as follows:²⁷

“...[t]he protest of [another CLEC] in this proceeding does **not** challenge the statutory requisites of Commission approval of the requested certification. [emphasis in the original] Instead, [the other CLEC’s protest] *seeks to inject unrelated private intercarrier compensation disputes with the Joint Applicants into a certification proceeding.* [Emphasis added.] ... for the purpose of deciding this Motion, the Commission may grant the Joint Applicants’ request without interfering with [the other CLEC’s] ability to pursue its legal claims elsewhere.

Now, PAETEC is not an intervenor in the Oregon proceeding, but this example does demonstrate that at least one CLEC believes it is not reasonable or appropriate to use a merger proceeding to address various interconnection-related concerns that can, and

²⁶ Joint CLECs/19, Gates/23.

²⁷ *Joint Application for All Approvals Under the Pennsylvania Public Utility Code for Indirect Transfer of Control of Talk America, Inc, LDMI Telecommunications, Inc., Cavalier Telephone Mid-Atlantic, LLC and Intellifiber, Networks, LLC to PAETEC Holding Corp.*, Penn. PUC, Docket No. 1-2010-22200202 (other docket numbers omitted), Motion of Joint Applicants for Judgment on the Pleadings, pp. 5–6 (October 27, 2010).

1 should, be properly addressed in other more-focused and appropriate proceedings. This
2 is consistent with CenturyLink's and Qwest's position that existing regulations and laws
3 adequately protect the Joint CLECs' interests, and therefore, that additional conditions,
4 which in many cases seek remedies or protections that are based on speculative harms or
5 unrelated disputes, should be rejected. In short, CenturyLink and Qwest have already
6 made numerous commitments to Integra and other CLECs in the Integra Settlement,
7 which Mr. Gates ignores, and no further conditions or commitments are appropriate, or
8 shareholder adopted. The Commission should reject all of Mr. Gates' testimony,
9 especially because it fails to even acknowledge the reality today of the comprehensive
10 and detailed Integra Settlement.

11

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 **A. Yes.**



October 20, 2010

Ms. Marlene Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Dear Ms. Dortch:

RE: Ex Parte Notice. In the Matter of Applications Filed by Qwest Communications International Inc. and CenturyTel, Inc., d/b/a/ CenturyLink for Consent to transfer of Control. WC Docket No. 10-110.

The Communications Workers of America (CWA) submitted Comments in the aforementioned proceeding on July 12, 2010.

When we submitted our Comments, it did not appear that the Joint Applicants had provided sufficient information to demonstrate that the proposed merger would benefit the public or otherwise be consistent with the public interest. The application did not appear to provide evidence of any specific, verifiable benefits to consumers and employees from the proposed transaction.

Since filing our Comments, CWA has received substantially more information about the proposed transaction. Moreover, on October 18, 2010, CWA, the International Brotherhood of Electrical Workers, CenturyLink, and Qwest entered into an agreement concerning the proposed merger (referred to herein as "the CWA Settlement"). In our Comments, CWA raised several concerns about the proposed transaction which have been addressed.

First, CWA was concerned about the apparent intention of CenturyLink to move quickly to integrate billing, customer service, dispatch, and other operational support systems (OSS). In a settlement with the Minnesota Department of Commerce in the on-going Minnesota proceeding, CenturyLink has committed to wait at least two years after closing before it begins to integrate the Qwest and CenturyLink wholesale OSS. Because the wholesale and retail OSS are closely linked, and because Qwest relies on the same OSS in all jurisdictions, CWA believes that a two-year hiatus addresses the concerns that we raised concerning Qwest-CenturyLink integration activities. CenturyLink anticipates concluding the Embarq integration process in the third quarter of 2011, which would provide a period of at least 18 months before the Qwest OSS integration would begin. In CWA's opinion, this provision is a satisfactory resolution of CWA's first concern.

Second, CWA was concerned about the effect of the proposed transaction on employment levels, particularly among Qwest's field work force and call center operations. In state proceedings, CWA has had an opportunity to review synergy estimates prepared by the Joint Applicants and it does not appear that substantial reductions are anticipated in the field work force. Moreover, in the CWA Settlement CenturyLink has agreed to a process whereby CWA and the Joint Applicants will attempt to maximize employment levels throughout the CenturyLink/Qwest service areas.

While reductions in call center operations may occur, the CWA Settlement provides a transition period of approximately one year (until May 15, 2012) during which CenturyLink agrees not to close any Qwest call center where the workers are represented by CWA or another labor union. Moreover, CenturyLink also has committed to certain enhanced separation benefits for a limited period of time for any affected call center employees, which should further ease the burden on employees of any call center closings that the Joint Applicants find to be necessary to enhance operational efficiency. This also provides a monetary incentive for CenturyLink to retain these call centers in service for an additional five months after the May 2012 commitment.

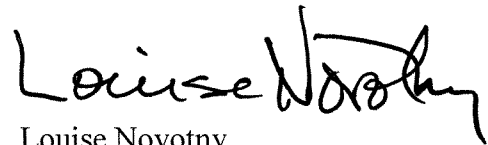
The remainder of the CWA Settlement essentially reaffirms commitments made by Joint Applicants in their merger agreement to keep in place collective bargaining agreements, and various terms and conditions thereof, after the transaction closes. While these provisions of the CWA Settlement reaffirm commitments made in the merger agreement, their existence in a settlement with CWA is important because the merger agreement states that there are no "third party beneficiaries" of the merger agreement. Thus, without a specific agreement between the union and the Joint Applicants, the employee-related provisions of the merger agreement would not be enforceable by the employees themselves.

For the reasons set forth above, CWA submits that the CWA Settlement is in the public interest and constitutes a reasonable resolution to issues raised by CWA before this Commission.

Respectfully Submitted,



Debbie Goldman
Telecommunications Policy Director



Louise Novotny
Research Director

CERTIFICATE OF SERVICE
UM-1484

I certify that on November 19th, 2010, true and correct copies of **CenturyLink's Supplemental Rebuttal Testimony of Michael R. Hunsucker and Todd Schafer** were served on the following parties via electronic mail and US Mail where applicable:

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