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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE JOINT NOTICE AND APPLICATION OF QWEST CORPORATION, QWEST COMMUNICATIONS COMPANY, LLC, QWEST LD CORP., EMBARQ COMMUNICATIONS, INC. D/B/A CENTURY LINK COMUNICATIONS, EMBARQ PAYPHONE SERVICES, INC. D/B/A CENTURYLINK, AND CENTURYTEL SOLUTIONS, LLC, FOR APPROVAL OF THE PROPOSED MERGER OF THEIR PARENT CORPORATIONS QWEST COMMUNICATIONS INTERNATIONAL INC., AND CENTURYTEL, INC.	Docket Nos.: T-01051B-10-0194 T-03902A-10-0194 T-02811B-10-0194 T-20443A-10-0194 T-04190A-10-0194 T-03555A-10-0194

RUCO'S NOTICE OF FILING
SURREBUTTAL TESTIMONY

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Surrebuttal Testimony of William A. Rigsby in the above-referenced matter.

RESPECTFULLY SUBMITTED this 10th day of November, 2010.

Daniel W. Pozefsky
Chief Counsel

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QWEST/CENTURYLINK

DOCKET NO. T-01051B-10-0194 ET AL.

SURREBUTAL TESTIMONY

OF

WILLIAM A. RIGSBY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

NOVEMBER 10, 2010

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INTRODUCTION

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

A. My name is William A. Rigsby. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Have you filed any prior testimony in this case on behalf of RUCO?

A. Yes, on September 27, 2010, I filed direct testimony which recommended that the ACC approve, subject to condition, the Proposed Merger of Qwest and CenturyLink, the Joint Applicants in this proceeding.

Q. Please state the purpose of your surrebuttal testimony.

A. The purpose of my surrebuttal testimony is twofold. First I will provide additional testimony on the public interest standard and on why I performed the type of analysis that I conducted in this proceeding. I will also explain why RUCO continues to believe that the Proposed Merger is in the public interest. Second, I will address the rebuttal positions of the Joint Parties and defend RUCO's position on the Proposed Merger.

PUBLIC INTEREST ANALYSIS

Q. Does RUCO believe that the merger is still in the public interest?

A. Yes. For the reasons stated in both my direct testimony and my present surrebuttal testimony, RUCO believes that the merger is still in the public interest. However, I wish to point out that RUCO's recommendation, as presented in my direct testimony, is only from a financial perspective.

Q. Should the Commission only consider the financial perspective when evaluating the public interest?

A. No. The Commission has addressed the public interest standard in prior reorganization applications. For example, in Decision No. 67454, The Matter of the Reorganization of Unisource Energy Corporation, the Commission stated the following:

> "The duty to act in the public interest requires this Commission to consider all factors implicated in this transaction and not solely the impairment of the financial status or services of the public service corporation. A careful analysis of potential risks is particularly crucial when the proposed transaction can impact the public health and safety."

The Commission further noted that the public interest inquiry is "broad" and that the Commission should consider all of the available evidence in any given case.[1] RUCO believes that this same standard and the same broad level of scrutiny should be applied in the Proposed Merger of Qwest and CenturyLink.

[1] Decision No. 67454 pages 28 thru 29.

Q. Is RUCO's recommendation on the Proposed Merger meant to be the result of a broad public interest analysis as described in Decision No. 67454?

A. No. It was never RUCO's intent to make a recommendation based on a broad public interest analysis.

Q. Why didn't RUCO perform a broad public interest analysis?

A. RUCO does not have the necessary expertise to perform a broad analysis. For example, RUCO is not a CLEC and is not aware of the particular problems and concerns that CLEC's have had with the Joint Applicants regarding access rates in this state (i.e with Qwest) and in other states (i.e. with Qwest and CenturyLink). Nor is RUCO aware of the particular quality of service issues that this merger presents or the integration concerns and their significance that are associated with CenturyLink's previous acquisitions. RUCO chose not to use its limited resources to hire outside consultants on these issues, as RUCO believes and remains convinced that these issues could be adequately addressed by the other parties in this docket.

...

Q. Does RUCO have a position on the conditions sought by other parties in this case as a prerequisite for approval?

A. RUCO does not oppose the conditions sought by ACC Staff (such as the integration/acquisition cost condition discussed below which RUCO supports) and has no position on the conditions sought by other parties in this case.

SUMMARY OF REBUTTAL TESTIMONY

Q. Have you reviewed rebuttal testimony filed by the Joint Applicants filed on October 27, 2010?

A. Yes. I have reviewed the rebuttal testimony of Joint Applicant witnesses Robert H. Brigham, James P. Campbell, Michael G. Williams, Jeff Glover, Michael R. Hunsucker, Kristin McMillan and Todd Schafer.

Q. Which of the Joint Applicants' witnesses addressed RUCO's recommendations?

A. RUCO's recommendations were addressed by Mr. Jeff Glover.

Q. Please provide a brief summary of Mr. Glover's rebuttal testimony.

A. In his rebuttal testimony, Mr. Glover addressed the financial and related issues related to the Proposed Merger that were raised in my direct testimony. Mr. Glover relies on the information presented in my direct testimony to support the Joint Applicants' argument that the Proposed

Merger should be approved by the ACC. Mr. Glover, however, takes exception to RUCO's recommendation that Arizona ratepayers be shielded from any integration/acquisition costs that the merged Qwest/CenturyLink entity may attempt to pass on to them.

INTEGRATION/ACQUISITION COSTS

Q. What is the Joint Parties' position on RUCO's recommendation that the Commission should approve the Proposed Merger on the condition that Qwest's Arizona ratepayers be shielded from any integration/acquisition costs that the combined entity may attempt to pass on to them?

A. The Joint Parties' witness, Mr. Glover, states in his rebuttal testimony that the proper treatment of integration costs should be determined under applicable laws or regulations and not as a condition of approval of the Proposed Merger.

Q. Does RUCO agree with Mr. Glover on this issue?

A. No.

Q. Has RUCO changed or modified its position based on Mr. Glover's testimony?

A. No.

Q. Why does RUCO continue to advocate its position on this issue?

A. RUCO believes that ratepayers should not have to bear any costs that may be incurred in order to integrate Qwest and CenturyLink's system for accounting, billing or other business related functions. RUCO believes that these types of costs should be borne by the acquiring entity or its ultimate parent since they are a direct result of the decision to enter into a merger. Throughout their filed testimony in this proceeding, the Joint Applicants have highlighted the estimated synergies that the merger will produce. RUCO believes that if the Joint Applicants enjoy the savings that the Proposed Merger will bring, then they must also bear the costs. By making the denial of integration/acquisition costs a condition of the approval of the Proposed Merger, there will be no need to litigate this issue in a future rate case or price cap renewal proceeding. The entity that emerges from the Proposed Merger will know that integration costs have been denied and that it cannot seek recovery for such costs in the future.

Q. Has ACC Staff made a similar recommendation?

A. Yes. ACC Staff has made a similar recommendation. In Attachment 1 of the direct testimony of ACC Staff witness Armando Fimbres, ACC Staff's first condition for approval of the Proposed Merger is as follows:

> That CenturyLink and Qwest Corporation ("the Merged Company") shall not recover, or seek to recover, through wholesale service rates or other fees paid by Competitive Local Exchange Carriers ("CLECs") or through Arizona end-user retail rates, and will hold both wholesale and retail customers harmless for, one-time transfer, branding, or any merger or transaction-related costs.

Q. Do you believe that the Commission has the authority to approve the Proposed Merger on a conditional basis?

A. Yes. While I am not a lawyer and I am not expressing a legal opinion, I believe that the Commission has the constitutional authority to approve a merger on certain conditions in order to insure that ratepayers are not harmed as a result of a transaction such as the one being sought in this proceeding.

Q. Can you cite any cases in which the Commission approved a request for a merger or acquisition on a conditional basis?

A. Yes. In Decision No. 62672, dated June 30, 2000, the ACC approved the merger of Qwest and US West Communications, Inc. subject to a number of conditions that were adopted by the Commission.[2] More recently in Decision No. 71486, dated February 23, 2010, the ACC approved the transfer of 6,000 Verizon California local exchange access lines located in Arizona to Frontier Communications Corporation subject to numerous conditions recommended by ACC Staff.[3] In Decision No. 62909, dated September 18, 2000, the Commission approved the acquisition of

[2] Docket No. T-01051B-99-0497

[3] Docket No. T-01846B-09-0274 et al.

Chaparral City Water Company ("CCWC"), which serves customers in Fountain Hills, Arizona, from MCO Properties, Inc. to American States Water Company ("American States") on the condition that CCWC's customers be held harmless from any obligation to pay judgments arising out of future lawsuits against California subsidiaries of American States.[4]

Q. Does your silence on any of the issues or positions addressed in the rebuttal testimony of the Mr. Glover or any of the Joint Applicants' other witnesses constitute acceptance?

A. No, it does not.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

[4] W-02113A-00-0233