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BEFORE THE ARIZONA CORPORATION COMMISSION

2010 DEC -1 P 4: 23

COMMISSIONERS

KRISTIN K. MAYES, Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

JOINT NOTICE AND APPLICATION OF  
QWEST CORPORATION, QWEST  
COMMUNICATIONS COMPANY, LLC,  
QWEST LD CORP., EMBARQ  
COMMUNICATIONS, INC. D/B/A/  
CENTURY LINK COMMUNICATIONS,  
EMBARQ PAYPHONE SERVICES, INC.  
D/B/A/ CENTURLINK, AND  
CENTURYTEL SOLUTIONS, LLC FOR  
APPROVAL OF THE PROPOSED MERGER  
OF THEIR PARENT CORPORATIONS  
QWEST COMMUNICATIONS  
INTERNATIONAL INC. AND  
CENTURYTEL, INC.

DOCKET NO. T-01051B-10-0194  
DOCKET NO. T-02811B-10-0194  
DOCKET NO. T-04190A-10-0194  
DOCKET NO. T-20443A-10-0194  
DOCKET NO. T-03555A-10-0194  
DOCKET NO. T-03902A-10-0194

JOINT APPLICANTS' NOTICE OF  
FILING TESTIMONY IN SUPPORT  
OF PROPOSED SETTLEMENT  
AGREEMENT

Snell & Wilmer

L.L.P.  
LAW OFFICES  
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The joint applicants listed in the caption above (the "Joint Applicants") hereby provide notice that they are filing testimony in support of the proposed settlement between the Joint Applicants, the Utilities Division Staff, and the Residential Utility Consumer Office in the above-captioned dockets on behalf of the following witnesses:

Qwest:

- James P. Campbell
- Karen A. Stewart

CenturyLink:

- Jeff Glover
- Michael R. Hunsucker

Arizona Corporation Commission

DOCKETED

DEC 1 2010

DOCKETED BY [Signature]

1 RESPECTFULLY SUBMITTED this 1st day of December, 2010.

2 SNELL & WILMER L.L.P.

3  
4 By 

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19 ORIGINAL and 13 copies filed  
20 this 1st day of December, 2010, with:

21 Docket Control  
22 Arizona Corporation Commission  
23 1200 West Washington Street  
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**JAMES P. CAMPBELL**

BEFORE THE ARIZONA CORPORATION COMMISSION

**KRISTIN MAYES**

Chairman

**GARY PIERCE**

Commissioner

**SANDRA KENNEDY**

Commissioner

**PAUL NEWMAN**

Commissioner

**BOB STUMP**

Commissioner

JOINT NOTICE AND APPLICATION OF )  
QWEST CORPORATION, QWEST )  
COMMUNICATIONS COMPANY, LLC, ) DOCKET NO. T-01051B-10-0194  
QWEST LD CORP., EMBARQ ) DOCKET NO. T-02811B-10-0194  
COMMUNICATIONS, INC. D/B/A/ CENTURY ) DOCKET NO. T-04190A-10-0194  
LINK COMMUNICATIONS, EMBARQ ) DOCKET NO. T-20443A-10-0194  
PAYPHONE SERVICES, INC. D/B/A/ ) DOCKET NO. T-03555A-10-0194  
CENTURYLINK, AND CENTURYTEL ) DOCKET NO. T-03902A-10-0194  
SOLUTIONS, LLC FOR APPROVAL OF THE )  
PROPOSED MERGER OF THEIR PARENT )  
CORPORATIONS QWEST )  
COMMUNICATIONS INTERNATIONAL INC. )  
AND CENTURYTEL, INC. )

TESTIMONY IN SUPPORT OF

SETTLEMENT AGREEMENT

OF

JAMES P. CAMPBELL

ON BEHALF OF

QWEST CORPORATION

QWEST COMMUNICATIONS COMPANY, LLC, AND

QWEST LD CORP.

DECEMBER 1, 2010

**TESTIMONY IN SUPPORT OF SETTLEMENT OF JAMES P. CAMPBELL**

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1

**I. IDENTIFICATION OF WITNESS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH**  
3 **QWEST.**

4 A. My name is James P. Campbell. I am Arizona State President for Qwest. My business  
5 address is 20 E. Thomas Road, Phoenix, AZ, 85012.

6 **Q. ARE YOU THE SAME JAMES P. CAMPBELL THAT FILED DIRECT**  
7 **TESTIMONY ON MAY 24, 2010, REBUTTAL TESTIMONY ON OCTOBER 27,**  
8 **2010, AND ERRATA TESTIMONY ON NOVEMBER 18, 2010 IN THIS**  
9 **PROCEEDING?**

10 A. Yes, I am.

11

**II. PURPOSE OF TESTIMONY**

12 **Q. ON WHAT PARTIES' BEHALF ARE YOU FILING TESTIMONY IN SUPPORT**  
13 **OF THE SETTLEMENT AGREEMENT WITH COMMISSION STAFF AND**  
14 **RUCO IN THIS PROCEEDING?**

15 A. My testimony is prepared on behalf of the Qwest telecommunications entities operating in  
16 Arizona, who have joined with the Arizona telecommunications companies of CenturyLink  
17 (together, the "Joint Applicants") to file the Joint Notice and Application for Approval.

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 A. The purpose of my testimony, together with the testimony of other Qwest and CenturyLink  
20 witnesses, is to illustrate that the settlement agreement with Commission Staff and RUCO  
21 in this proceeding (hereafter referenced as the "Settlement", "Agreement" or "Settlement  
22 Agreement") will provide sufficient assurances to the Commission to support a finding that

1 the merger between Qwest International, Inc. (“Qwest”) and CenturyLink, Inc.  
2 (“CenturyLink”) (the “Transaction”) meets the applicable standard of review in Arizona.

3 **Q. ARE OTHER WITNESSES ALSO OFFERING TESTIMONY IN SUPPORT OF**  
4 **THE SETTLEMENT AGREEMENT IN THIS PROCEEDING ON BEHALF OF**  
5 **THE JOINT APPLICANTS?**

6 A. Yes, Ms. Karen A. Stewart of Qwest and Mr. Jeff Glover and Mr. Michael R. Hunsucker,  
7 both of CenturyLink, are also providing testimony in support of the Agreement. Mr.  
8 Glover presents an overview of the retail commitments contained in the Settlement. Mr.  
9 Hunsucker provides a summary of the wholesale conditions contained in the Agreement  
10 and Ms. Stewart explains why certain matters the remaining CLEC interveners raise should  
11 not be addressed in this merger approval docket.

12 **III. STANDARD OF REVIEW**

13 **Q. WHAT STANDARD OF REVIEW IS APPLICABLE IN THIS PROCEEDING?**

14 A. The standard of review is outlined in section IV of the Application. Ms. McMillan also  
15 discusses the standard of review in her rebuttal testimony filed on October 27, 2010. I am  
16 not testifying as an attorney with respect to the legal issues regarding the standard of  
17 review but simply to my understanding of the standard. The standard of review is provided  
18 in the Commission’s Affiliated Interest Rules, set forth in A.A.C. R14-2-803(C): “At the  
19 conclusion of any hearing, the Commission may reject the proposal if it determines that it  
20 would impair the financial status of the public utility, otherwise prevent it from attracting  
21 capital at fair and reasonable terms, or impair the ability of the public utility to provide  
22 safe, reasonable and adequate service.” This has been viewed as a form of “public interest”  
23 standard.

1 **Q. HAVE THE REVIEW STANDARDS BEEN MET?**

2 A. Yes. The direct and rebuttal testimonies of all of the Qwest and CenturyLink witnesses  
3 demonstrate the widespread benefits of the Transaction. Further, the Settlement  
4 Agreement creates a number of additional commitments that will inure to the benefit of  
5 retail and wholesale customers in this state. The agreed upon conditions provide additional  
6 assurances to the Commission that the Qwest and CenturyLink merger meets the standards  
7 applicable in Arizona for transactions of this nature. For example, through this Agreement  
8 and as further discussed in the Settlement testimony of Mr. Glover, CenturyLink, Qwest  
9 and their applicable local exchange carrier entities commit to significant reporting that will  
10 enable the Commission, among other things, to evaluate and monitor service quality, the  
11 status of customer complaints, infrastructure investment and broadband coverage,  
12 integration efforts, as well as the financial status of the operating entities in Arizona. The  
13 Settlement memorializes a commitment of a guaranteed \$70 million in broadband  
14 investment within the state of Arizona over a 5-year period. Retail and wholesale  
15 customers in Arizona can be assured that they will not be assessed for any acquisition costs  
16 of the merger. Further, the Joint Applicants will evaluate existing litigation involving the  
17 Commission in a good faith effort to resolve issues without the need for further litigation.  
18 In addition, the Settlement Agreement provides a multitude of commitments from a  
19 wholesale perspective which are discussed in greater detail by Mr. Hunsucker.

20 The Commission Staff and RUCO, both of whom are responsible with ensuring that the  
21 proposed Transaction meets the public interest, are signatories to this extensive Settlement  
22 Agreement with 41 conditions, many with multiple subparts. The Settlement contains a set  
23 of comprehensive protections for retail consumers and wholesale competitors, including  
24 regulatory and reporting requirements that will provide the Commission with the  
25 information to assure compliance with those protections. By approving the merger with the

1 conditions provided in the Settlement Agreement, the Commission can be further assured  
2 that it has fulfilled its obligation to make the required findings under the Affiliated Interest  
3 Rules and, by doing so, uphold the public interest.

4 **IV. CONSERVATION OF RESOURCES**

5 **Q. PLEASE DESCRIBE HOW THE SETTLEMENT AGREEMENT CONSERVES**  
6 **RESOURCES OF THE PARTIES AND THE COMMISSION (CONDITION 41).**

7 A. The Settlement Agreement conserves resources by encouraging a good faith effort to  
8 resolve issues which could avoid the time and expense of further litigation in certain  
9 matters. These matters generally involve complex litigation on long standing issues that  
10 pre-date the proposed merger, such as the treatment of compensation for the handling of  
11 VNXX traffic under interconnection agreements that are no longer in effect. Even for  
12 parties that have chosen not to sign the Agreement, the transparent nature of the  
13 negotiations and the involvement of all interested parties may serve to narrow remaining  
14 issues and promote continued settlement talks between the parties. In addition, the  
15 Settlement Agreement provides significant benefits to non-signing wholesale parties that  
16 they will receive whether they have elected to sign the Agreement or not.

17 **V. OPEN NEGOTIATION PROCESS**

18 **Q. PLEASE DESCRIBE THE NEGOTIATIONS WHICH LEAD TO THE**  
19 **SETTLEMENT AGREEMENT.**

20 A. The negotiations were open to all interested parties in the proceeding and lasted for five  
21 contiguous days. All interveners were invited to participate in the negotiations and to my  
22 knowledge, all non-settling interveners had a representative either on the telephone or in  
23 person during the negotiations. After going through the Staff proposed conditions item by

1 item, other parties were given an opportunity to voice any additional issues, concerns or  
2 proposed conditions they may have. At the end of the process, the only items remaining  
3 are issues specific to certain CLECs that are either non-merger related, are merger related  
4 but have been either (i) addressed in the Integra settlement as well as the Settlement or  
5 (ii) these issues are currently pending in separate litigation either in the courts or before  
6 the Commission. Mr. Hunsucker addresses the wholesale issues in his testimony and the  
7 wholesale conditions that are set forth in both the Integra settlement and the Agreement.

8 **VI. SETTLEMENT AGREEMENT FURTHERS THE PUBLIC INTEREST**

9 **Q. PLEASE EXPLAIN WHY THE SETTLEMENT WITH COMMISSION STAFF**  
10 **AND RUCO FURTHERS THE PUBLIC INTEREST.**

11 A. The agreed upon conditions provide additional assurances to the Commission that the  
12 Qwest and CenturyLink merger meets the standards applicable in Arizona for transactions  
13 of this nature. For example, the Settlement memorializes a commitment of a guaranteed  
14 \$70 million in broadband investment within the state of Arizona over a 5 year period. Also  
15 through this Agreement, CenturyLink, Qwest and/or their Arizona operating companies  
16 have agreed to significant reporting that will enable the Commission, among other things,  
17 to better evaluate and monitor service quality, the status of customer complaints,  
18 infrastructure investment and broadband coverage, integration efforts, as well as the  
19 financial status of the operating entities in Arizona. Retail and wholesale customers in  
20 Arizona can be assured that they will not be assessed for any acquisition costs of the  
21 merger. Further, the Joint Applicants will evaluate existing litigation involving the  
22 Commission in a good faith effort to resolve issues without the need for further litigation.  
23 In addition, the Settlement Agreement provides a multitude of commitments from a  
24 wholesale perspective which are discussed in greater detail by Mr. Hunsucker. Specific

1 examples of the public interest which will result from Commission approval of the  
2 Settlement Agreement include the following:

3 (1) Creation of a combined company that is stronger financially than either company would  
4 be standing alone. This will allow the merged company the ability to make necessary  
5 investments to its network in order to provide advanced products and services.

6 (2) Guaranteed \$70 million investment in broadband.

7 (3) Maintenance of existing retail service quality measures for a period of two years.

8 (4) Implementation of a new local market model whereby operation decisions are pushed  
9 closer to the customer, increasing responsiveness to customer needs and marketing  
10 flexibility.

11 (5) Acquisition costs of the merger will not be recovered through either retail or wholesale  
12 customers.

13 (6) Extension of certain wholesale provisions which include interconnection agreements,  
14 operation support systems and the Qwest Performance Assurance Plan as discussed by  
15 Mr. Hunsucker.

16 (7) Evaluation of existing litigation involving the Commission and make a good faith effort  
17 to resolve the issues without further litigation.

18 (8) Significant reporting requirements to the Commission which will enable the Commission  
19 to evaluate service quality, customer complaints, infrastructure, broadband coverage and  
20 financial status.

1

**VII. CONCLUSION**

2 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATION TO THE COMMISSION.**

3 A. The Settlement enhances the benefits of the merger to Arizona consumers. These benefits  
4 are wide-ranging. The merger will create a combined company that is financially and  
5 operationally stronger than either company would be standing alone. This will better  
6 position the merged company to continue making investments in its network, facilitating  
7 the provision of traditional and advanced products and services. It will also bring to  
8 Arizona a new local market model whereby operational decisions are made closer to the  
9 customer, increasing responsiveness to customer needs and marketing flexibility. It is my  
10 recommendation that the Commission expeditiously approve the Settlement Agreement  
11 without modification so that Arizona consumers can experience the numerous public  
12 benefits of the merger as quickly as possible.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY IN SUPPORT OF THE**  
14 **SETTLEMENT AGREEMENT WITH THE COMMISSION STAFF AND RUCO?**

15 A. Yes, it does.

**KAREN A. STEWART**

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**KRISTIN MAYES**

**Chairman**

**GARY PIERCE**

**Commissioner**

**SANDRA KENNEDY**

**Commissioner**

**PAUL NEWMAN**

**Commissioner**

**BOB STUMP**

**Commissioner**

<b>JOINT NOTICE AND APPLICATION OF</b>	)	
<b>QWEST CORPORATION, QWEST</b>	)	
<b>COMMUNICATIONS COMPANY, LLC,</b>	)	<b>DOCKET NO. T-01051B-10-0194</b>
<b>QWEST LD CORP., EMBARQ</b>	)	<b>DOCKET NO. T-02811B-10-0194</b>
<b>COMMUNICATIONS, INC. D/B/A/ CENTURY</b>	)	<b>DOCKET NO. T-04190A-10-0194</b>
<b>LINK COMMUNICATIONS, EMBARQ</b>	)	<b>DOCKET NO. T-20443A-10-0194</b>
<b>PAYPHONE SERVICES, INC. D/B/A/</b>	)	<b>DOCKET NO. T-03555A-10-0194</b>
<b>CENTURYLINK, AND CENTURYTEL</b>	)	<b>DOCKET NO. T-03902A-10-0194</b>
<b>SOLUTIONS, LLC FOR APPROVAL OF THE</b>	)	
<b>PROPOSED MERGER OF THEIR PARENT</b>	)	
<b>CORPORATIONS QWEST</b>	)	
<b>COMMUNICATIONS INTERNATIONAL INC.</b>	)	
<b>AND CENTURYTEL, INC.</b>	)	

**TESTIMONY IN SUPPORT OF**

**SETTLEMENT AGREEMENT**

**OF**

**KAREN A. STEWART**

**ON BEHALF OF**

**QWEST CORPORATION**

**QWEST COMMUNICATIONS COMPANY, LLC, AND**

**QWEST LD CORP.**

**DECEMBER 1, 2010**

**TESTIMONY IN SUPPORT OF SETTLEMENT OF KAREN A. STEWART**

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1

**I. IDENTIFICATION OF WITNESS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH**  
3 **QWEST.**

4 A. My name is Karen A. Stewart and my business address is 310 SW Park Avenue, 11th  
5 Floor, Portland, Oregon 97205. I am employed by Qwest Corporation (“Qwest”) as a  
6 Director – Legal Issues in the Law Department.

7 **Q. ARE YOU THE SAME KAREN A. STEWART THAT FILED REBUTTAL**  
8 **TESTIMONY ON OCTOBER 27, 2010?**

9 A. Yes I am.

10

**II. PURPOSE OF TESTIMONY**

11 **Q. ON WHAT PARTIES’ BEHALF ARE YOU FILING TESTIMONY IN SUPPORT**  
12 **OF THE SETTLEMENT AGREEMENT WITH COMMISSION STAFF AND**  
13 **RUCO IN THIS PROCEEDING?**

14 A. My testimony is prepared on behalf of the Qwest telecommunications entities operating in  
15 Arizona, who have joined with the CenturyLink companies to file the Joint Notice and  
16 Application for Approval (the “Application”).

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 A. The purpose of my testimony is to show that certain matters the remaining CLEC  
19 intervenors raise should not be addressed in this merger approval docket, because they are  
20 not merger related, and in some instances, are CLEC specific billing disputes. These non-  
21 merger matters are already the subject of separate dockets before the Commission (as is the

1 case with the VNXX matter), or could be brought before the Commission in a complaint or  
2 other proceeding if the dispute cannot be resolved by the ongoing discussions between the  
3 companies. Some of the non-merger matters the CLECs complain about relate to interstate  
4 rather than intrastate service, and are therefore not properly before the Commission in any  
5 event.

6 **Q. ARE OTHER WITNESSES ALSO OFFERING TESTIMONY IN SUPPORT OF**  
7 **THE SETTLEMENT AGREEMENT IN THIS PROCEEDING ON BEHALF OF**  
8 **THE JOINT APPLICANTS?**

9 A. Yes, Mr. James P. Campbell of Qwest and Mr. Jeffery Glover and Mr. Michael R.  
10 Hunsucker, both of CenturyLink are also providing testimony in support of the Agreement.  
11 The supplemental testimony of Mr. Hunsucker will address the overall benefits to the  
12 CLECs of the Settlement Agreement.

13 **III. VNXX RELATED ISSUES**

14 **Q. LEVEL 3 AND PAC-WEST CONTINUE TO BRING THEIR ADVOCACY**  
15 **REGARDING COMPENSATION FOR VNXX TRAFFIC INTO THIS MERGER**  
16 **REVIEW. HOW HAS THE ARIZONA COMMISSION DEFINED VNXX?**

17 A. In Decision No. 68817, which was an interconnection agreement arbitration between  
18 Qwest and Level 3, the Commission held:

19 “VNXX traffic” is all traffic originated by the Qwest End User  
20 Customer that is terminated to CLEC’s End User Customer who is  
21 not physically located within the same Qwest Local Calling Area  
22 (as approved by the state Commission) as the originating caller,  
23 and CLEC’s End User Customer is assigned an NPA-NXX in the  
24 local calling Area in which the Qwest End User Customer is  
25 physically located.” Decision No. 68817, p. 29, line 28—p. 30,  
26 line 3.

1 **Q. WHAT VNXX PROCEEDINGS HAVE OCCURRED IN ARIZONA?**

2 A. The VNXX issue in Arizona was initially heard by the Commission in two different kinds  
3 of proceedings—complaints by Level 3 and Pac-West against Qwest, and an arbitration of  
4 an interconnection agreement (ICA) between Level 3 and Qwest.

5 **Q. PLEASE DESCRIBE THE COMPLAINTS AND THEIR CURRENT STATUS.**

6 A. The complaints were brought by Pac-West and Level 3 in Dockets T-03693A-05-0495, and  
7 T-03654A-05-0415 (the “VNXX Complaint Dockets”). The Commission initially ruled  
8 against Qwest on the complaints, and ordered Qwest to pay terminating compensation  
9 under the terms of the ICAs, as interpreted by the Commission at that time. Qwest  
10 appealed the Commission’s interpretation of the ICAs to the District Court for Arizona.  
11 The District Court held that the ICAs did not require Qwest to pay for VNXX traffic, and  
12 remanded the complaints to the Commission for further consideration and determination of  
13 how to treat VNXX. That remand is still pending before the Commission, under the same  
14 docket numbers, which have now been consolidated. The CLECs, Staff and Qwest have  
15 briefed the question of whether the complaints may be resolved by legal argument, as the  
16 CLECs claim, or whether a hearing is necessary, as Qwest argues. The Staff brief stated  
17 that Staff believes the best course of action would be to hold a hearing. The matter is now  
18 in the hands of the Administrative Law Judge.

19 **Q. ARE THE AGREEMENTS THAT ARE BEING LITIGATED IN THE VNXX**  
20 **COMPLAINT DOCKETS STILL IN EFFECT?**

21 A. No. Those agreements terminated not long after the Commission interpreted them. Level  
22 3 and Pac-West entered into new ICAs based on another Commission ruling, the Level 3  
23 ICA arbitration, which I address below. The economic result the parties seek in the VNXX  
24 Complaints Dockets, i.e., who owes compensation to whom for VNXX traffic during the

1 effectiveness of those agreements, is limited to a past period of time. In our discussions we  
2 have referred to this in shorthand fashion as the “VNXX Retroactive Issue.”

3 **Q. HOW DOES THE SETTLEMENT AGREEMENT AFFECT THE VNXX**  
4 **RETROACTIVE ISSUE?**

5 A. Settlement Agreement condition 41 calls for the Merged Company to evaluate existing  
6 litigation involving the Commission, including specifically the VNXX Complaints  
7 Dockets, and to make a good faith effort to resolve the issues without further litigation in  
8 an effort to conserve Commission resources. Qwest is committed to making a good faith  
9 effort to see if these issues can be resolved and is willing to begin the process without  
10 waiting for the merger to close. I can report that at the time this testimony was written,  
11 Qwest has already sent communications to Level 3 and Pac-West expressing Qwest’s  
12 willingness to begin the settlement discussions pursuant to condition 41.

13 **Q. PLEASE DESCRIBE THE VNXX ARBITRATION AND ITS CURRENT STATUS.**

14 A. The VNXX issue was included in the arbitration of a new interconnection agreement  
15 between Level 3 and Qwest, in 2006, Docket No. T-03654A-05-0350. The arbitration  
16 concluded in Decision No’s. 68817 and 69176. The Commission ruled in Decision No.  
17 68817 that VNXX is not permitted in Arizona and should be eliminated; however, the  
18 Commission also held that the parties should institute an interim “FX-like” solution. In  
19 Decision No. 69176, the Commission adopted the Utility Division Staff’s proposed  
20 language regarding the FX-like solution, and the parties executed an ICA with those  
21 provisions. Level 3 and Qwest have been operating under the arbitrated agreement,  
22 including the FX-like provisions, ever since.

1 **Q. DID PAC-WEST OPT IN TO THE LEVEL 3 ARBITRATED “FX-LIKE” ICA?**

2 A. Yes. Pac-West opted in to the Level 3 arbitrated FX-like ICA, and has subsequently opted  
3 into another ICA.

4 **Q. HAS QWEST, LEVEL 3, OR PAC-WEST SOUGHT COURT REVIEW OF THE**  
5 **FX-LIKE ARRANGEMENT?**

6 A. No, no party has challenged the Commission’s creation of an “FX-like” solution to the  
7 handling of VNXX traffic.

8 **Q. HAS QWEST, LEVEL 3, OR PAC-WEST FILED A COMPLAINT ALLEGING**  
9 **THAT THEIR CURRENT AGREEMENTS DO NOT COMPLY WITH THEIR**  
10 **VIEW OF HOW VNXX TRAFFIC SHOULD BE COMPENSATED?**

11 A. No.

12 **Q. WHAT CONCLUSIONS DO YOU DRAW FROM THIS STATUS?**

13 A. In our discussions we have separately addressed the Retroactive VNXX Issue discussed  
14 above, from the current VNXX state of affairs existing under current ICAs with Level 3  
15 and Pac-West. Qwest, Pac-West, and Level 3 are all pursuing their respective advocacies  
16 about how VNXX traffic should be categorized, in national and state forums.

17 In summary, it would be imprudent and unnecessary for the Commission to attempt to  
18 resolve the difficult questions surrounding VNXX in the context of an unrelated docket,  
19 such as this merger proceeding. The Retroactive VNXX Issue is the singular focus of  
20 another docket currently underway before the Commission and the proposed merger will  
21 not have any negative impact on the process. Indeed as described above, the Settlement  
22 Agreement condition 41 may have a positive impact.

1                   **IV.    PAC-WEST SWITCHED ACCESS TARIFF CONCERNS**

2   **Q.    IS THE VNXX ISSUE THE ONLY ONE THAT QWEST HAS COMMITTED TO**  
3   **ENTER INTO GOOD FAITH NEGOTIATIONS TO RESOLVE?**

4   A.   No. Qwest has also agreed to make a good faith effort to meet with Pac-West prior to the  
5   end of the year to discuss the Pac-West concerns regarding billing disputes involving  
6   Qwest Communications Corporation's (QCC) payment of originating access charges  
7   pursuant to the Pac-West Switched Access Tariff.

8   **Q.    THIS ISSUE INVOLVES THE BUSINESS RELATIONSHIPS BETWEEN QCC**  
9   **AND PAC-WEST; PLEASE STATE WHETHER THAT IS IMPORTANT TO**  
10   **CONSIDER IN THE CONTEXT OF THIS DOCKET.**

11   A.   QCC is Qwest's long distance service provider. Long distance services are very  
12   competitive. As the Commission is also aware, QC, not QCC, is the incumbent local  
13   exchange carrier and RBOC in Arizona. The focus of concern in this merger docket has  
14   been on the effect the merger has with regard to QC.

15   Long distance providers such as QCC must purchase switched access from LECs,  
16   including CLECs. Even though a CLEC may not enjoy a large share of the local exchange  
17   market, it does have bottleneck monopoly control over the switched access services needed  
18   by long distance carriers to reach the CLEC's local service customers.

19   Pac-West's attempt to inject its monopoly switched access billing issue against a  
20   competitive long distance provider into this merger proceeding is completely out of place.

1 **Q. WERE YOU ABLE TO ADDRESS THIS ISSUE IN YOUR REBUTTAL**  
2 **TESTIMONY?**

3 A. No. This issue was raised in Pac-West witness James Falvey's Surrebuttal testimony filed  
4 subsequent to my Rebuttal testimony.

5 **Q. HAVE YOU REVIEWED THE SURREBUTTAL TESTIMONY OF MR. FALVEY,**  
6 **AND DO YOU HAVE ANY COMMENTS REGARDING HIS TESTIMONY YOU**  
7 **WOULD LIKE TO PROVIDE AT THIS TIME?**

8 A. Yes. On page 10 of his Surrebuttal testimony, Mr. Falvey claims that QCC has improperly  
9 withheld allegedly non-disputed payments that he says are due under Pac-West's switched  
10 access tariff. This is incorrect. QCC promptly notified Pac-West of its concerns regarding  
11 the switched access bills for minutes that exceed the total minutes of the originating traffic  
12 exchanged between the two networks. QCC believes that Pac-West is billing QCC for  
13 minutes that are potentially also being billed to and paid for by other carriers. QCC did  
14 inadvertently pay a full Pac-West invoice that it was in the process of disputing.

15 However, the only improper treatment of billed amounts that currently exist between the  
16 parties, is that Pac-West has implemented a "self-help" action by withholding valid,  
17 undisputed billed amounts, via payment offset to Qwest Corporation (QC) bills to Pac-  
18 West. Such offset action, which is not allowed under the Interconnection Agreement  
19 between the parties and which QC has disputed, has resulted in Pac-West suffering no  
20 financial harm as this issue is being negotiated between the parties.

21 Moreover, Pac-West's allegations that the Qwest attorney working on this issue failed to  
22 respond for several weeks is incorrect and was not an oversight of Qwest, but rather Pac-

1 West did not send or copy the assigned Qwest attorney they have been working with in  
2 their demand letter.

3 Pac-West has already filed for mediation on this multi-state and primarily interstate issue  
4 with the FCC, and Qwest committed to make a good faith effort to meet with Pac-West  
5 before the end of the year. I can report that Qwest and Pac-West have both reached out  
6 with offers to meet to discuss the settlement of this dispute, and barring unforeseen  
7 circumstances, I am confident a meeting will occur before the end of the year.

8 In sum, this billing dispute between the parties is already being addressed and is outside the  
9 scope of this merger proceeding. The dispute involves the Pac-West tariff, and Pac West  
10 should have the processes in place to deal with billing disputes regarding Pac-West's  
11 products and services. There is no reason to believe that this matter cannot be resolved  
12 outside of this merger proceeding.

13 **V. RESOLUTION OF LEVEL 3 PROPOSED CONDITION NO. 7**

14 **Q. WERE ANY OTHER CLEC ISSUES RESOLVED AS PART OF THE**  
15 **NEGOTIATIONS WITH THE PARTIES THAT LED TO THE SETTLEMENT**  
16 **AGREEMENT?**

17 **A.** While Level 3 did not sign the Settlement Agreement, Qwest successfully continued its  
18 efforts to settle the issue regarding Qwest's current policies as it relates to the handling  
19 of billing disputes that are more than 90 days old. Level 3 had proposed the following  
20 merger condition in the Direct Testimony of Mr. Richard E. Thayer:

21 7. Require Qwest to cease its practice of denying dispute claims  
22 purely on the basis that they are older than 90 days from the date

1 originally billed; and<sup>1</sup>

2 Qwest clarified its current policies as it relates to the processing of back billing disputes in  
3 a business-to-business communications with Level 3 wherein Qwest stated that its policy is  
4 as follows:

5 Qwest Corporation agrees to accept and process CLEC orders  
6 consistent with the terms and conditions of its tariffs and/or the  
7 terms and conditions of individual CLEC interconnection  
8 agreements. Qwest Corporation agrees that it will not deny billing  
9 disputes based solely on the reason that such disputes are older  
10 than 90 days from the date of the original billing of the disputed  
11 charge.

12 Qwest believes that this resolves this issue between the parties.

13 **VI. SETTLEMENT CONDITION NO. 23**

14 **Q. DO ANY OF THE CLECS WHO OBJECTED TO THE SETTLEMENT**  
15 **AGREEMENT DO SO ON THE BASIS THAT THEY SEEK TO RESTRICT**  
16 **QWEST FROM MAKING CHANGES TO THE TERMS, CONDITIONS AND**  
17 **RATES OFFERED PRIOR TO THE MERGER CLOSE?**

18 **A.** Yes. The Settlement Agreement, specifically Condition 23, provides for stability with  
19 regard to interconnection agreements, wholesale agreements and wholesale tariffs, after the  
20 close of the merger. Mr. Hunsucker describes Condition 23 more fully in his Testimony in  
21 Support of the Settlement Agreement. However, it appears that at least one of the CLECs  
22 will argue that the Settlement Agreement is deficient because it does not lock the rates,  
23 terms and conditions of services offered by Qwest, retroactively back to the merger  
24 announcement date. As a shorthand reference, I will refer to agreements expiring in the  
25 time period before merger close as the “gap agreements.”

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<sup>1</sup> Thayer Surrebuttal Testimony, 5:1-8, prefiled Nov. 10, 2010.

1   **Q.   HOW DOES THE IMPENDING MERGER WITH CENTURYLINK RELATE TO,**  
2   **OR AFFECT, THE GAP AGREEMENTS?**

3   A.   The merger does not have any relationship to the gap agreements, and will not affect them  
4   at all. The gap agreements are matters which come within the pre-closing “business as  
5   usual” category of transactions. The expiration of any wholesale agreements, or the  
6   termination of any specific arrangements, occurs according to the terms of the applicable  
7   agreement, or tariff, without regard to whether a merger will occur with CenturyLink. If  
8   the agreement or arrangement needs to be renewed, it will be renewed according to the  
9   terms that are offered at that time by Qwest, without regard to whether a merger will occur  
10  with CenturyLink.

11   The gap agreements are very different from the kinds of concerns voiced by the CLECs  
12  before the Settlement Agreement. In arguing that the gap agreements should be frozen as  
13  well, it is obvious that the CLECs are attempting to leverage merger conditions—not  
14  forward onto the new owner—but backwards onto Qwest, in an effort to achieve price  
15  concessions or other terms that are not otherwise available. The Commission should reject  
16  that attempt, because the prospect of a merger provides no logical reason to dictate the  
17  rates, terms and conditions that Qwest offers now, before the merger closes.

18  **Q.   YOU STATE THAT QWEST IS CONDUCTING “BUSINESS AS USUAL” UP TO**  
19  **THE CLOSING OF THE MERGER, BUT IS CENTURYLINK DECIDING HOW**  
20  **QWEST SHOULD CONDUCT ITS BUSINESS?**

21  A.   Absolutely not. Qwest’s management continues to operate its business independently, and  
22  will do so up to the consummation of the merger.

1 **Q. DOES THE SETTLEMENT BETWEEN THE PARTIES PROVIDE FOR INITIAL**  
2 **STABILIZATION OF RATES AND SERVICES FOR CLECS POST MERGER?**

3 A. Yes. Mr. Hunsucker addresses this in more detail in his testimony in support of the  
4 merger. Wholesale commitments and conditions are an integral part of the Settlement  
5 Agreement, including the extension of all ICAs for a period of 36 months, Commercial  
6 agreements for eighteen months, Wholesale agreements for 18 months, and Wholesale  
7 tariffs for 12 months. The Merged Company also will honor any existing contracts for  
8 services on an individualized term pricing plan arrangement for the duration of the  
9 contracted term.

10 **Q. WHY ARE THERE DIFFERENT TIME PERIODS FOR MANY OF THE**  
11 **AGREEMENTS TYPES?**

12 A. In general, the different time periods are reflective of the relative availability of the  
13 underlying services and the regulatory obligation to provide such services. Services that  
14 are not available from carriers other than Qwest carry a longer time period under the  
15 settlements. For example, ICAs are the contracting vehicle for the post merger company  
16 to provide CLECs with access to Section 251 unbundled network elements (UNEs).  
17 UNEs are network elements for which the CLECs typically would be unable to cost  
18 effectively self provision or be able to purchase from an alternative provider, such as  
19 unbundled loops. Thus, the merged company has agreed to extend these agreements for  
20 36 months from closing.

21 In contrast, Commercial agreements contain the terms and conditions for services, such  
22 as central office switching facilities, that the FCC has determined a CLEC can effectively

1 self provision or purchase from a third party. Because CLECs may self-provision or  
2 purchase these services from carriers other than Qwest, and because ILECs such as  
3 Qwest may not even have the obligation to provide these services in the first instance, a  
4 CLEC's reliance upon these services is not reasonable, and thus the Merged Company's  
5 agreement to extend these agreements for an 18-month period is more than adequate to  
6 protect any purported CLEC interest.

7 **Q. IS THE MORE COMPETITIVE NATURE OF THE WHOLESALE TARIFFS**  
8 **THE GOVERNING FACTOR FOR ITS APPLICABLE TIME PERIOD?**

9 A. Absolutely. For services that CLECs do have competitive alternatives in the market  
10 place available to them, the Merged Company will need to be able to respond more  
11 quickly to changes in the market place. These changes include competitive price  
12 changes, the types of services being purchased (e.g., the ongoing shift from copper based  
13 services to fiber based services) and the need to respond more quickly to a new  
14 competitor in the market place.

15 In a competitive market place, a commitment to extend existing agreements for a 12  
16 month period is a generous and more risky proposition for the Merged Company.

17 **Q. ARE CLECS ATTEMPTING TO IMPOSE EXTENSIONS FOR INTERSTATE**  
18 **SERVICE PLANS THAT ARE CURRENTLY NO LONGER AVAILABLE?**

19 A. Yes, certain carriers are demanding extensions of services known as Regional  
20 Commitment Plans, which are discount plans for interstate DS1 services that are filed by  
21 Qwest with the FCC. An extension is no longer available under the current tariff.

1 **Q. SINCE THE RCP PLAN IS FOR INTERSTATE SERVICES, ARE THERE**  
2 **SPECIFIC ARIZONA RATES, TERMS, CONDITIONS OR SERVICE**  
3 **COMMITMENT LEVELS?**

4 A. No. Given the interstate nature of the services, all circuit revenues are combined  
5 (independent of what state they are physically located in) to determine the level of  
6 discount that a CLEC has under the tariff. To create an Arizona specific breakout of  
7 circuits would require extensive changes to the FCC 1 tariff and it would also require  
8 extensive Information Technology ("IT") resources to develop the billing systems  
9 tracking and billing to create a state specific component to this interstate tariff.

10 **Q. CAN QWEST MODIFY THE TERMS OF ITS TARIFF TO MEET THE NEEDS OF**  
11 **A SPECIFIC CLEC?**

12 A. No. The federal RCP tariff is consistently applied to all CLECs and is not subject to  
13 modification and negotiations of its terms and conditions. Therefore, while a CLEC may  
14 need to take time to assess if they would like to renew with Qwest, this period of time does  
15 not include the option to negotiate with Qwest to modify their RCP plan.

16 **Q. DO CLECS RECEIVE AMPLE NOTICE THAT THEIR RCP PLAN IS GOING TO**  
17 **EXPIRE IN THE NEAR FUTURE?**

18 A. Yes. Qwest monitors the expiration of the agreements and approximately 90 days before  
19 the agreement expires the CLEC will receive notice from Qwest, and information regarding  
20 the current Qwest RCP in its FCC tariff.

1 **Q. DO YOU BELIEVE THAT ANY CLECS WHO HAVE RCP PLANS EXPIRING**  
2 **BETWEEN NOW AND THE END OF THE CLOSE OF THE MERGER (SO**  
3 **CALLED "GAP AGREEMENTS") WILL NEED ADDITIONAL TIME TO**  
4 **NEGOTIATE WITH QWEST?**

5 A. No, I do not, for all the reasons I have explained above, CLECs have received ample  
6 notice, they are aware of the terms and conditions of the tariff in effect for new agreements,  
7 and they may work with Qwest before the closing of the merger to obtain the desired  
8 services.

9 **VII. CONCLUSION**

10 **Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE**  
11 **SETTLEMENT AGREEMENT WITH THE COMMISSION STAFF AND RUCO?**

12 A. It is my recommendation that the Commission expeditiously approve the Settlement  
13 Agreement without modification so that the public benefits of the Settlement Agreement  
14 will begin as quickly as possible.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY IN SUPPORT OF THE**  
16 **SETTLEMENT AGREEMENT WITH THE COMMISSION STAFF AND RUCO?**

17 A. Yes, it does.

**JEFF GLOVER**

**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

KRISTIN K. MAYES, Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

JOINT NOTICE AND APPLICATION OF QWEST CORPORATION, QWEST COMMUNICATIONS COMPANY, LLC, QWEST LD CORP., EMBARQ COMMUNICATIONS, INC. D/B/A/ CENTURY LINK COMMUNICATIONS, 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 NO. T-01051B-10-0194 DOCKET NO. T-02811B-10-0194 DOCKET NO. T-04190A-10-0194 DOCKET NO. T-20443A-10-0194 DOCKET NO. T-03555A-10-0194 DOCKET NO. T-03902A-10-0194
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**TESTIMONY IN SUPPORT OF  
PROPOSED SETTLEMENT AGREEMENT**

**JEFF GLOVER**

**ON BEHALF OF**

**EMBARQ COMMUNICATIONS, INC. D/B/A CENTURYLINK  
COMMUNICATIONS, EMBARQ PAYPHONE SERVICES, INC. D/B/A  
CENTURYLINK, AND CENTURYTEL SOLUTIONS, LLC**

**DECEMBER 1, 2010**

1 **Q. Please state your name and business address.**

2 A. My name is Jeff Glover and my business address is 100 CenturyLink Drive, Monroe,  
3 Louisiana 71203.

4 **Q. Who is your employer and what is your position?**

5 A. I am employed as Vice President – Regulatory Operations & Policy for CenturyLink, Inc.  
6 (“CenturyLink” or the “Company”).

7 **Q. Are you the same Jeff Glover who supplied direct and rebuttal testimony in this**  
8 **proceeding on May 24, and October 27, 2010?**

9 A. Yes. I am.

10 **Q. What is the purpose of this Testimony?**

11 A. I am providing testimony in support of the proposed Settlement Agreement (“Settlement  
12 Agreement,” “Settlement” or “Agreement”) between the Utilities Division Staff of the  
13 Commission (“Staff”), the Residential Utility Consumer Office (“RUCO”) and the Joint  
14 Applicants which was filed in this docket on November 26th. In addition to my  
15 testimony, Michael R. Hunsucker on behalf of CenturyLink and James P. Campbell and  
16 Karen A. Stewart on behalf of Qwest are also filing testimony in support of the  
17 Settlement Agreement. Mr. Campbell’s testimony discusses certain conditions contained  
18 in the Agreement and explains how the Settlement Agreement as a whole adds to the  
19 overall benefits of the merger. Mr. Hunsucker and Ms. Stewart discuss the aspects of the  
20 Proposed Settlement that address the wholesale issues raised by Staff. Together, these

1 testimonies demonstrate that the Settlement Agreement comprehensively resolves all  
2 remaining issues and should be adopted as presented to the Commission.

3 **Q. Please summarize your testimony.**

4 A. My testimony will demonstrate that the Settlement comprehensively addresses and  
5 resolves all outstanding issues raised by Staff and RUCO in this docket and that all  
6 parties were given an opportunity to participate in the negotiation process. When viewed  
7 together with the additional settlements reached with other parties and filed in this  
8 docket, including those with Competitive Local Exchange Companies (“CLECs”), the  
9 proposed merger meets the requirements of A.A.C. R14-2-803 and promotes the public  
10 interest.

11 **Q. Please provide an update regarding the status of merger approval in other states?<sup>1</sup>**

12 A. Certainly. With the release of an Iowa Utilities Board Order<sup>2</sup> approving the merger on  
13 November 19, 2010, approvals have been granted by 13 of the 22 regulatory  
14 commissions where approval was required.<sup>3</sup> CenturyLink and Qwest have also recently  
15 reached settlements in support of the merger with all parties in Montana and New Jersey.  
16 In Montana, the settlements also included all CLEC parties. As of the date of the filing of

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<sup>1</sup> See the Rebuttal Testimony of Kristin McMillan on pages 9 and 17 for the previous update of settlement agreements and state approvals.

<sup>2</sup> Docket NO. SPU-2010-0006, Order Approving Settlement Agreements, Granting Motions to Withdraw, and Allowing Proposed Reorganization, released November 19, 2011.

<sup>3</sup> California, District of Columbia, Georgia, Hawaii, Iowa, Louisiana, Maryland, Mississippi, New York, Ohio, Pennsylvania, Virginia, and West Virginia have each approved the merger.

1 this testimony, all other scheduled state hearings regarding the merger have been held  
2 except for Arizona, Oregon and Washington.

3 **Q. In addition to the Settlement Agreement with Staff and RUCO, have CenturyLink**  
4 **and Qwest reached settlement with other intervenors in Arizona?**

5 A. Yes. CenturyLink and Qwest have reached settlement with eight of the twelve<sup>4</sup> active  
6 intervenors in this docket that results in each of the signing parties supporting the  
7 approval of the merger by the Commission. Specifically, the Communications Workers  
8 of America (CWA), the International Brotherhood of Electrical Workers (IBEW),  
9 CenturyLink, Inc. and Qwest Communications International, Inc. reached an agreement  
10 which resolves the concerns of the unions in all of the states in which they intervened  
11 including Arizona, as well as before the FCC; consequently, the CWA withdrew its  
12 intervention and supports the Transaction as being in the public interest. Similarly, the  
13 U.S. Department of Defense and All Other Federal Executive agencies also reached  
14 agreement with CenturyLink and Qwest and now support the merger. Settlement  
15 agreements were also reached with CLECs including Integra Telecom,<sup>5</sup> Cox Arizona  
16 Telcom, LLC, and 360network (USA), Inc., as well as with Westel, Inc, a long distance  
17 reseller. Each of the settlement agreements resulted in support for the Commission's  
18 approval of the merger. These settlement agreements have been filed publicly with the  
19 Commission in this consolidated docket.

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<sup>4</sup> Covad Communications, Inc. and XO Communications, Inc. did not sponsor testimony and did not participate in settlement discussions in Arizona.

<sup>5</sup> Eschelon Telecom of Arizona, Inc., Electric Lightwave, LLC, Mountain Telecommunications of Arizona, Inc. d/b/a Integra Telecom

1 **Q. Were the conditions agreed to in these settlement agreements necessary in order to**  
2 **meet the statutory requirements for the approval of the merger in Arizona?**

3 A. No. CenturyLink believes that the merger as proposed provides positive benefits to the  
4 State of Arizona and Arizona consumers. The Application and Direct Testimony filed by  
5 the Joint Applicants fully discusses the benefits that will result from the proposed merger  
6 without any conditions.

7 **Q. Can you summarize how the proposed Transaction is expected to benefit Arizona**  
8 **customers, and why it satisfies the Arizona standard of review without additional**  
9 **conditions?**

10 A. Yes. The merger benefits are addressed comprehensively in all of the direct and rebuttal  
11 testimonies of the CenturyLink and Qwest witnesses in this proceeding, and in Mr.  
12 Campbell's Settlement testimony. To briefly summarize from a financial perspective, the  
13 merger is a direct and constructive response to increasing competitive pressures in the  
14 telecommunications industry. The wireline telecommunications industry is coping with a  
15 number of dynamic factors including a shrinking base of voice-only customers, greater  
16 risks in terms of technology deployment, and pressures on margins and cash flows.  
17 Creating a combined company with greater scope and scale, strong financial  
18 characteristics (low leverage, a prudent dividend payout ratio, diversification of markets  
19 and revenue sources, increased access to financial markets, etc.), and the ability to  
20 generate significant free cash flows will help to effectively address these risk factors.  
21 Through synergies, greater focus on customer retention, and potentially incremental

1 revenues from expanded service offerings based on the combination of CenturyLink and  
2 Qwest assets, higher cash flows will be generated that can be used to fund operations,  
3 invest in network infrastructure, and reduce debt from current levels, which are  
4 affirmative benefits of the merger. Finally, the combined company will be run by a  
5 management team drawn from CenturyLink and Qwest that has been effective in  
6 responding to customers, in generating better operating results through synergies and  
7 efficiencies, while investing in network infrastructure to improve and expand service.

8 Based on the benefits of the proposed Transaction, as described in the various testimonies  
9 of the Joint Applicants, CenturyLink believes that the Arizona standard has been met,  
10 even without the additional benefits and assurances that are part of the Proposed  
11 Settlement Agreement.

12  
13 **Q. How do you recommend the Commission view the Proposed Settlement Agreement?**

14 A. While as noted above, the consummation of the proposed merger without any additional  
15 conditions satisfies the statutory requirements for Commission approval, the Settlement  
16 Agreement and the settlements reached with other parties provide additional assurances  
17 that should allow the Commission with the confidence to provide a swift approval. The  
18 settling parties include not only the Staff and RUCO representing consumers and the  
19 general public, but also the Union representing the majority of the Qwest Arizona  
20 workforce (CWA), a large sophisticated customer (DoD/FEA), several CLEC and long

1 distance competitors (Integra, 360 Networks and Westel) and Arizona's largest cable  
2 VoIP provider (Cox).

3 **Q. Focusing specifically on the process associated with the Settlement Agreement, how**  
4 **was this agreement reached?**

5 A. At the request of the Staff and the Joint Applicants, and with the support of all parties, the  
6 hearing scheduled to begin on November 15, 2010 was suspended by the ALJ and  
7 settlement negotiations began that afternoon. Settlement discussion participation was  
8 open to all interested parties. As a starting point for the negotiations, the Joint Applicants  
9 developed two matrices based on the 47 proposed conditions from the Staff testimony,  
10 one primarily for retail conditions and one for wholesale conditions. The matrices  
11 displayed the proposed Staff conditions and the Joint Applicant's response in the form of  
12 acceptance of the Staff proposed condition or alternative proposed language. Staff,  
13 RUCO, and the remaining parties then engaged in settlement discussions on both the  
14 retail and wholesale conditions throughout the week of November 15<sup>th</sup>. As discussed  
15 more specifically by Mr. Hunsucker, during the course of the week, a separate settlement  
16 agreement was reached with Cox.

17 Ultimately, Staff and RUCO agreed to the Settlement, containing the 41 conditions listed  
18 in Attachment 1. There remain a few CLECs that are neither a party to the Settlement or  
19 to one of the other settlements filed in the docket.

1 **Q. Should the Commission be concerned that the remaining CLECs did not agree to**  
2 **the Settlement Agreement?**

3 A. No. The Settlement Agreement is comprehensive containing conditions benefitting both  
4 retail and wholesale customers including the remaining non-signing CLECs who will  
5 have an equal opportunity to take advantage of the Settlement conditions negotiated by  
6 Staff and RUCO. The Staff and RUCO both advocated strongly for the conditions they  
7 believed necessary for the protection of customers of both Qwest and its competitors. As  
8 a further demonstration of the Joint Applicants efforts to reach consensus, the Joint  
9 Applicants were able to obtain separate settlements with CLECs of various sizes and  
10 competitive models including its largest Arizona wireline competitors, Cox and Integra,  
11 as well as Westel and 360 Networks.

12 **Q. Please provide an overview of Attachment 1 to the Proposed Settlement Agreement?**

13 A. Attachment 1 to the Proposed Settlement Agreement contains 41 separate conditions that  
14 the Joint Applicant has agreed to fulfill. They are very comprehensive individually, but  
15 can be grouped into several discrete categories. A brief summary of the highlights by  
16 category follows:

17 Merger Costs (Conditions 1 – 3): Arizona end users and wholesale customers are  
18 further protected by the Merged Company's agreement to not seek recovery of  
19 transactions related costs that result from the transaction and acknowledgment of  
20 the Commission's ongoing authority to review the books and records that pertain  
21 to the merger.

1 Regulatory (Conditions 4 – 9): Additional regulatory certainty is provided by the  
2 Merged Company’s affirmation of its ongoing obligations under Federal and state  
3 law.

4 Retail Operations (Conditions 10 – 18): Arizona consumers are provide additional  
5 assurance of benefits by the Merged Company’s commitment to invest no less  
6 than \$70 million in broadband infrastructure in Arizona over the next five years  
7 and to meet confidentially with the Commission Staff and RUCO to review  
8 broadband deployment annually over the next five years. The Merged Company  
9 also agrees to update the Commission Staff and RUCO every six months  
10 regarding integration plans that impact retail support centers and systems and with  
11 no less than 90 days notice prior to specific systems conversions.

12 Wholesale Operations (Conditions 19 – 31): Wholesale customers’ concerns  
13 regarding stability are answered by the wholesale conditions contained in the  
14 Settlement. Mr. Hunsucker’s testimony provides additional detail regarding these  
15 conditions.

16 Financial (Conditions 32 – 33): The Merged Company agrees to provide the  
17 Commission and RUCO notice of particular financial events and to provide SEC  
18 filed reports on a regular basis, and to provide reports from debt rating agencies as  
19 they are issued allowing the Commission and RUCO to easily monitor the  
20 financial progress of the combined company.

1 Reporting (Conditions 34 – 40): The Merged Company agrees to keep the  
2 Commission Staff and RUCO informed regarding the progress and impact of  
3 integration through a series of reports that include, but are not limited to,  
4 synergies, infrastructure, organizational changes, service quality, and new  
5 services.

6 Conservation of Commission Resources (Condition 41): The Merged Company  
7 commits to make a good faith effort to resolve certain existing litigation.

8 **Q. Please summarize how the Settlement Agreement enhances the benefits of the**  
9 **merger such that, together, they promote the public interest.**

10 A. The proposed merger will create a combined company that is stronger financially and  
11 operationally than either company would be alone. This, in turn, will provide the merged  
12 company the ability to make necessary investments to its network in order to provide  
13 traditional as well as advanced products and services. The merger will also bring the  
14 implementation of a new local market operating model whereby operational decisions are  
15 made by company personnel that more closely understand the needs of Arizona  
16 consumers, thereby increasing responsiveness to customers' needs, creating greater  
17 marketing flexibility and providing for more targeted investment. Furthermore,  
18 CenturyLink has selected Phoenix as one of its six regional headquarters nationwide.  
19 Additional operational personnel will be based in the state to support the company's local  
20 operating teams in the Southwestern United States. The press release regarding region  
21 headquarters is attached as Exhibit JGSETT-1.

1 The Settlement Attachment 1 conditions will provide some additional measures to assure  
2 consumer benefits, and will provide the Commission an avenue to monitor and evaluate  
3 the benefits of the merger. For example, the Joint Applicants have agreed to significant  
4 reporting to the Commission which will enable the Commission to assess improvements  
5 in service quality, the status of customer complaints, infrastructure improvements,  
6 broadband coverage, integration efforts, and the financial status of the Joint Applicants.  
7 Additionally, retail and wholesale customers will have written assurance that they will  
8 not be asked to support any acquisition costs of the merger, and retail customers will not  
9 experience any changes to the Service Quality Tariff measures for more than two years.

10 As further discussed by Mr. Hunsucker, interconnection agreements, wholesale  
11 agreements, commercial agreements and tariffs will be extended for the benefit of CLECs  
12 and their respective customers.

13 Moreover, CenturyLink has committed to expend at least a \$70 million investment in  
14 broadband infrastructure in the state over a five year period.

15 The proposed Transaction will create numerous benefits to consumers in the State of  
16 Arizona. It is in the public interest and should be approved by the Commission.  
17 CenturyLink's willingness to provide post-merger information to confirm the expected  
18 attributes of the merger, and to provide a substantial broadband commitment, should  
19 instill further confidence in the company's ability and commitment to successfully

1 execute this Transaction as an accomplished acquirer, integrator and operator of  
2 telecommunication properties.

3 **Q. Do you have concluding remarks?**

4 A. Yes. CenturyLink is excited for the opportunity to serve customers in Arizona and  
5 anxious to begin meeting the challenges of the competitive marketplace together with the  
6 Qwest team members. We are also excited about bringing a region headquarters to the  
7 state. Both CenturyLink and Qwest have endeavored to gain consensus on the benefits of  
8 the merger and to address the concerns of Staff, RUCO and all the intervenors in the  
9 Arizona merger proceeding through this and the other settlement agreements that have  
10 been reached. Each is a clear demonstration of the commitment to deal fairly with  
11 competitors, customers and regulators and should provide Commission with the  
12 assurances it needs to confidently and forthrightly approve the merger without any further  
13 conditions or requirements.

14 **Q. Does this complete your Testimony?**

15 A. Yes.

**EXHIBIT JGSETT-1**



**Press Release**

**CenturyLink Announces Regional Operating Structure**

**Regions, executive assignments to become effective upon CenturyLink and Qwest merger completion in 2011**

MONROE, La., Nov. 30, 2010 /PRNewswire via COMTEX/ --

CenturyLink, Inc. (NYSE: CTL) announces the regional structure that will become effective when the company's merger with Qwest clears all state and federal regulatory approval processes and upon the legal closing of the transaction. The merger is expected to be completed during the first half of 2011.

(Logo: <http://photos.prnewswire.com/prnh/20090602/DA26511LOGO>)

The combined company's 37-state service area will be organized into six regions and led by region presidents. The region presidents are responsible for revenue, customer retention, customer satisfaction and service delivery throughout their local markets. The regions, region presidents, region headquarters locations, and states within each region are:

- **Eastern Region**
  - President: Todd Schafer, currently president of CenturyLink's Mid-Atlantic Region
  - Headquarters: Wake Forest, N.C.
  - States: Georgia, New Jersey, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia
- **Midwest Region**
  - President: Duane Ring, currently president of CenturyLink's Northeast Region
  - Headquarters: Minneapolis, Minn.
  - States: Illinois, Indiana, Iowa, Michigan, Minnesota, Nebraska, North Dakota, South Dakota, Wisconsin
- **Mountain Region**
  - President: Kenny Wyatt, currently president of CenturyLink's South Central Region
  - Headquarters: Denver, Colo.
  - States: Colorado, Montana, Utah, Wyoming
- **Southern Region**
  - President: Dana Chase, currently president of CenturyLink's Southern Region
  - Headquarters: Orlando, Fla.
  - States: Alabama, Arkansas, Florida, Kansas, Louisiana, Mississippi, Missouri, Oklahoma, Texas
- **Northwest Region**
  - President: Brian Stading, currently vice president of network operations and engineering for Qwest
  - Headquarters: Seattle, Wash.
  - States: California, Idaho, Oregon, Washington
- **Southwest Region**
  - President: Terry Beeler, currently president of CenturyLink's Western Region
  - Headquarters: Phoenix, Ariz.
  - States: Arizona, New Mexico, Nevada

Each region will be segmented into several local markets, each of which will be led by a vice president/general manager who will be responsible for the market's financial and operational performance. CenturyLink will name these executives and their locations in the near future.

"Through this regional and local approach, we place leadership and decision making as close as possible to our customers," said CenturyLink Chief Operating Officer Karen Puckett. "The headquarters of the six regions of the combined company will be located where we will have the highest concentration of customers and employees. Our presence in these cities, combined with the local market knowledge we will have throughout our service areas, will allow us to compete more effectively and deliver the best possible customer experience across all of our markets whether rural, urban or metropolitan."

As of Sept. 30, 2010, CenturyLink served approximately 2.4 million broadband customers, 6.6 million access lines and 588,000 satellite video subscribers. On the same date, Qwest served approximately 2.9 million broadband customers, 9.1 million access lines, 960,000 video subscribers and more than one million wireless customers.

For more information about the merger, visit [centurylinkqwestmerger.com](http://centurylinkqwestmerger.com).

### **About CenturyLink**

CenturyLink is a leading provider of high-quality broadband, entertainment and voice services over its advanced communications networks to consumers and businesses in 33 states. CenturyLink, headquartered in Monroe, La., is an S&P 500 company and is included among the Fortune 500 list of America's largest corporations. For more information on CenturyLink, visit <http://www.centurylink.com/>.

### **Forward Looking Statements**

Except for the historical and factual information contained herein, the matters set forth in this communication, including statements regarding the expected timing and benefits of the acquisition such as efficiencies, cost savings, enhanced revenues, growth potential, market profile and financial strength, and the competitive ability and position of the combined company, and other statements identified by words such as "estimates," "expects," "projects," "plans," and similar expressions are forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the ability of the parties to timely and successfully receive the required approvals of regulatory agencies and their respective shareholders; the possibility that the anticipated benefits from the acquisition cannot be fully realized or may take longer to realize than expected; the possibility that costs or difficulties related to the integration of Qwest's operations into CenturyLink will be greater than expected; the ability of the combined company to retain and hire key personnel; the timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; the ability of the combined company to effectively adjust to changes in the communications industry and to successfully introduce new product or service offerings on a timely and cost-effective basis; any adverse developments in commercial disputes or legal proceedings; the ability of the combined company to utilize net operating losses in amounts projected; changes in our future cash requirements; and other risk factors and cautionary statements as detailed from time to time in each of CenturyLink's and Qwest's reports filed with the Securities and Exchange Commission (SEC). There can be no assurance that the proposed acquisition will in fact be consummated. You should be aware that new factors may emerge from time to time and it is not possible for us to identify all such factors nor can we predict the impact of each such factor on the acquisition or the combined company. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this communication. Unless legally required, CenturyLink and Qwest undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

SOURCE CenturyLink, Inc.

**MICHAEL R. HUNSUCKER**

**BEFORE THE ARIZONA CORPORATION COMMISSION**

<b>JOINT NOTICE AND APPLICATION OF</b>	)	
<b>QWEST CORPORATION, QWEST</b>	)	
<b>COMMUNICATIONS COMPANY, LLC,</b>	)	
<b>QWEST LD CORP., EMBARQ</b>	)	<b>Docket No. T-01051B-10-0194</b>
<b>COMMUNICATIONS, INC. D/B/A</b>	)	<b>Docket No. T-02811B-10-0194</b>
<b>CENTURYLINK COMMUNICATIONS,</b>	)	<b>Docket No. T-04190A-10-0194</b>
<b>EMBARQ PAYPHONE SERVICES, INC.</b>	)	<b>Docket No. T-20443A-10-0194</b>
<b>D/B/A CENTURYLINK, AND CENTURYTEL</b>	)	<b>Docket No. T-03555A-10-0194</b>
<b>SOLUTIONS, LLC FOR APPROVAL OF THE</b>	)	<b>Docket No. T-03902A-10-0194</b>
<b>PROPOSED MERGER OF THEIR PARENT</b>	)	
<b>CORPORATIONS QWEST</b>	)	
<b>COMMUNICATIONS INTERNATIONAL</b>	)	
<b>INC. AND CENTURYTEL, INC.</b>	)	

**TESTIMONY IN SUPPORT OF**

**SETTLEMENT AGREEMENT**

**OF**

**MICHAEL R. HUNSUCKER**

**ON BEHALF OF**

**EMBARQ COMMUNICATIONS INC. D/B/A CENTURYLINK COMMUNICATIONS,  
EMBARQ PAYPHONE SERVICES, INC. D/B/A CENTURYLINK, AND CENTURYTEL  
SOLUTIONS, LLC,**

**DECEMBER 1, 2010**

**TESTIMONY IN SUPPORT OF SETTLEMENT OF MICHAEL R. HUNSUCKER**

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1  
2 **I. IDENTIFICATION OF WITNESS**  
3

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

5 A. My name is Michael R. Hunsucker. My business address is 5454 W. 110<sup>th</sup> Street,  
6 Overland Park, Kansas 66211. I am Director of CLEC management for CenturyLink.

7 **Q. ON WHOSE BEHALF ARE YOU SUBMITTING SUPPLEMENTAL**  
8 **TESTIMONY?**

9 A. I am submitting Supplemental Testimony on behalf of CenturyLink, Inc. referred to  
10 herein as "CenturyLink."

11 **Q. ARE YOU THE SAME MICHAEL HUNSUCKER WHO SUBMITTED**  
12 **REBUTTAL TESTIMONY ON OCTOBER 27, 2010, IN THIS PROCEEDING?**

13 A. Yes.

14 **II. PURPOSE OF TESTIMONY**  
15

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. The purpose of my testimony is to show how certain provisions of the Settlement  
18 Agreement ("Settlement") reached with the Arizona Corporation Commission Utilities  
19 Division Staff ("Staff") and the Residential Utility Consumer Office ("RUCO")<sup>1</sup> satisfy  
20 the concerns raised by Staff and by CLEC parties in this proceeding. Specifically, my  
21 testimony addresses the provisions of the Settlement that deal with wholesale market and  
22 interconnection issues, and I will refer to these provisions as "wholesale conditions." My

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<sup>1</sup> Throughout my testimony I refer to the Joint Applicants, Staff, and RUCO collectively as the "Settling Parties."

1 testimony will demonstrate that the wholesale conditions in the Settlement are  
2 reasonable, are in the public interest, and sufficiently address the CLECs' stated desire  
3 for "certainty" and stability after the close of the merger, while also providing the post-  
4 merger company a reasonable amount of flexibility to manage its wholesale operations  
5 and to eventually integrate the wholesale operations of Qwest and CenturyLink.

6 **Q. APART FROM THE SETTLEMENT AGREEMENT WITH STAFF AND RUCO,**  
7 **WHAT IS YOUR POSITION ON WHETHER WHOLESALE CONDITIONS**  
8 **SHOULD BE IMPOSED ON THIS MERGER?**

9 A. My basic position is that wholesale conditions are unnecessary to protect the CLEC  
10 industry. First, the existing Qwest ILEC operating entity and the interconnection  
11 agreements ("ICA") between that entity and CLECs, will continue in place immediately  
12 post-merger, so the relationships between Qwest and the CLECs will remain status quo  
13 and there will be none of the impacts that CLECs might encounter with completely new  
14 incumbent entities and completely new Operations Support Systems ("OSS"). Next,  
15 CLECs have significant legal protections in place today that remain in place post-merger.  
16 These protections include the provisions and obligations of the federal  
17 Telecommunications Act ("FTA" or "Telecom Act"), federal and State orders, ICAs,  
18 tariffs, and Qwest's § 271 protections, Performance Assurance Plans ("QPAP"), and  
19 Change Management Process ("CMP") commitments. Additionally, the Commission  
20 retains its jurisdiction provided under the Telecom Act, including review of  
21 interconnection agreement terms and its ability to resolve disputes related to such  
22 interconnection agreements.



1 Qwest-region states where Integra has intervened and at the Federal Communications  
2 Commission ("FCC"). The Integra settlement agreement provides for a comprehensive  
3 treatment of the major issues raised by most of the CLEC interveners in this proceeding.  
4 In fact, it should be noted that Integra was a member of the Joint CLEC interveners prior  
5 to Integra settling with the Joint Applicants.

6 In addition to the settlement reached with Integra, the Joint Applicants have reached  
7 settlement agreements with CLEC interveners Cox Communications, Inc. ("Cox"),  
8 Westel, Inc. ("Westel") and 360Networks (USA) ("360Networks"), among others.  
9 Settlement Agreements were reached with all active CLEC parties in Iowa and Montana,  
10 resulting in their non-opposition to the merger in those states. The Joint Applicants have  
11 also reached settlement agreements with the Iowa Office of Consumer Advocate, the  
12 Colorado Public Utilities Commission staff, the Minnesota Department of Commerce  
13 staff, the Montana consumer counsel, the Utah Public Service Commission Division of  
14 Public Utilities staff and the Utah state consumer advocate, among others. Settlement  
15 agreements also have been reached with the federal government in Arizona, Colorado,  
16 and Utah and with the Salt Lake Community Action Program. When added to the  
17 Settlement Agreement with Staff and RUCO, the number of settlement agreements  
18 achieved to date and the diversity of settling parties demonstrates that the Joint  
19 Applicants have seriously pursued settlement based on reasonable terms and conditions.

20 **Q. HOW DID THIS SERIES OF SETTLEMENT AGREEMENTS AFFECT THE**  
21 **SETTLEMENT PROCESS IN ARIZONA?**

1 A. The Joint Applicants announced their settlement with Integra on November 8, 2010, a  
2 week before the scheduled first day of hearings in the Arizona proceeding. The  
3 settlement with the Colorado Public Utility Commission Staff was announced two days  
4 later on November 10, 2010. Each of the settlement agreements with the respective  
5 commission Staffs in Minnesota, Utah, and then Colorado, includes wholesale conditions.  
6 Although the Joint Applicants had been in discussions with various CLECs, the Integra  
7 settlement agreement represented a significant break-through in satisfying a major  
8 CLEC's concerns and that settlement agreement contains a significant number of  
9 compromises by the Joint Applicants. In my opinion, given how comprehensive the  
10 Integra settlement is, the Integra settlement provides an excellent platform for resolution  
11 of all the major issues raised by most CLECs. The impact of the Integra settlement  
12 agreement, and the series of settlements with other state commission staffs and consumer  
13 advocates, provided the momentum necessary to engage in serious and fruitful settlement  
14 discussions in Arizona. That momentum was important to the process in Arizona  
15 because in its direct testimony the Staff had proposed approval of the merger based on 15  
16 wholesale conditions, which was a greater number of wholesale conditions than were  
17 agreed to by any of the staffs in Minnesota, Utah or Colorado. Once the Integra  
18 settlement was finalized, it provided a comprehensive set of wholesale conditions that  
19 could serve as a platform for addressing Staff's wholesale concerns in a reasonable  
20 fashion. Therefore, it made sense to the Settling Parties to engage in detailed, multi-party  
21 settlement discussions in lieu of proceeding to hearing on November 15, 2010.

1   **Q.   DO YOU BELIEVE THAT THE SETTLEMENT THAT CENTURYLINK**  
2       **REACHED WITH INTEGRA ADEQUATELY ADDRESSES THE WHOLESALE**  
3       **AND COMPETITION-RELATED CONCERNS RAISED BY STAFF AND CLECS**  
4       **IN THIS PROCEEDING?**

5   **A.**   Yes. First, let me again state that CenturyLink believes that the record demonstrates that  
6       the proposed merger is in the public interest and therefore no conditions are necessary to  
7       meet the standard for approval in Arizona. This is especially true given that Qwest  
8       Corporation will continue to remain the sole ILEC affiliate in Arizona post-merger, will  
9       continue to remain a Bell Operating Company and will continue to have all the  
10      Operations Support Systems (“OSS”), Change Management Program (“CMP”),  
11      interconnection agreement (“ICA”), and other obligations that it currently has today.  
12      However, as I previously stated, the Joint Applicants in the interests of compromise  
13      believe that the voluntary commitments that we have made in the Integra settlement and  
14      subsequently the Staff and RUCO settlement will provide the merged company’s  
15      wholesale customers with the business continuity that they desire and that is in the public  
16      interest. The wholesale conditions in the Settlement with Staff and RUCO are based on  
17      the Integra settlement agreement. In the settlement discussions held during the week of  
18      November 15, 2010, the CLEC interveners were afforded a full and fair opportunity to  
19      explain in a detailed fashion their concerns with the wholesale conditions in the Integra  
20      settlement and their desires for additional conditions or resolution to specific issues.  
21      During that week I personally had additional discussions with some of the CLEC parties  
22      in an effort to better understand their concerns and to work towards further compromise.

1 The Joint Applicants were able to reach a separate settlement agreement with Cox based  
2 largely on the provisions in the Integra settlement, although a few issues of specific  
3 concern to Cox were also addressed. Obviously, certain CLECs continue to advocate for  
4 wholesale conditions in addition to those included in the Settlement, and the final  
5 Settlement Agreement entered into with Staff and RUCO does not include any CLEC  
6 parties. However, that should not detract from the significance of having achieved  
7 settlement with Integra, with Cox, with 360Networks, with Westel, and with the Staff and  
8 RUCO. It should also be noted that whether or not a CLEC is a party to a Settlement  
9 with Staff or RUCO, the CLEC will benefit from the wholesale conditions contained in  
10 the Settlement. It is not reasonable to expect the Joint Applicants to satisfy every CLEC  
11 and to address every CLEC concern as part of this merger approval proceeding, but the  
12 Joint Applicants believe there are many positive wholesale conditions in the Settlement  
13 that provide benefits for every CLEC. I firmly believe that these wholesale conditions  
14 address both Staff's and the CLECs' expressed concerns that there be a reasonable  
15 amount of certainty and stability after the merger closes.

16 **Q. DOES THE SETTLEMENT SUBSTANTIALLY ADDRESS THE CONCERNS**  
17 **REFLECTED IN THE STAFF'S PROPOSED WHOLESALE CONDITIONS?**

18 A. Yes. The Staff's position in prefiled testimony was that the merger should be approved,  
19 subject to the imposition of certain conditions. The Staff's proposed conditions can be  
20 found in Attachment 1 to the Direct Testimony of Staff witness Armando Fimbres, and  
21 the Staff's proposed wholesale conditions are condition numbers 19 through 33.  
22 Virtually all of Staff's proposed wholesale conditions are directly or effectively met by

1 the final wholesale conditions in the Settlement. For example, the Settlement's wholesale  
2 condition 23 permits extensions of existing ICAs for up to three years, thereby  
3 encompassing the same ICA extension requirement as Staff's proposed condition 25.  
4 The remaining portion of Staff's proposed condition 25 - honoring the obligations of  
5 current ICAs, tariffs and contracts - is already met by the legal obligation of the post-  
6 merger Qwest affiliate to honor any contracts pursuant to the written terms of those  
7 contracts.

8 As regards Staff's proposed condition 27,<sup>2</sup> the Settlement's terms in wholesale condition  
9 24 are actually more comprehensively worded than Staff's proposed condition. For  
10 example, in regards to Qwest's provision of wholesale service support the Settlement  
11 includes a requirement for staffing trained IT personnel instead of the requirement being  
12 limited to just CLEC support center personnel as in the Staff's proposed condition, and  
13 wholesale condition 24 also reaffirms the merged company's commitment to 47 USC §  
14 222 confidentiality of carrier information.

15 Wholesale condition 25 in the Settlement also encompasses the same obligations for the  
16 provision and maintenance of contact and support information as Staff's proposed  
17 condition 28, with additional clarifications addressing Acts of God or other circumstances  
18 that might impact noticing.

---

<sup>2</sup> Ensuring CLEC support centers are staffed with trained personnel and maintain existing levels of service.

1 Wholesale condition 26 in the Settlement includes the same commitments proposed in  
2 Staff condition 29. This condition covers the availability of types of information  
3 currently made available to CLECs by Qwest.

4 Staff's proposed condition 30, which would permit the use of any existing Arizona  
5 interconnection agreement ("ICA") as the basis for negotiating a replacement ICA, is  
6 essentially met by the provision of wholesale condition 23 that permits a CLEC to use its  
7 existing ICA as the basis for negotiating the initial successor ICA. This condition was  
8 also expanded during the settlement negotiations at the request of one of the CLEC  
9 parties, so that the condition also permits a CLEC to use an ICA of one of its affiliates as  
10 the basis for negotiating a replacement ICA. Wholesale condition 23 allows a CLEC to  
11 adopt any existing Arizona Qwest ICA, including any Arizona ICA whose initial term  
12 has expired and is in "extended" status, and the condition also assures any CLEC that is  
13 currently negotiating an ICA that the post-merger company will not seek to restart  
14 negotiations based on a new template ICA. Overall, wholesale condition 23 is much  
15 more comprehensive and provides greater protections to CLECs than Staff's proposed  
16 condition 30.

17 In Staff's proposed condition 33, Staff sought a commitment that the post-merger  
18 company would not impose any new or additional charges upon CLECs in regards to  
19 existing Qwest functions without prior Commission approval. Wholesale condition 27 in  
20 the Settlement provides a more comprehensively worded set of protections for CLECs  
21 and exceeds the requirements of Staff's originally proposed condition.

1   **Q     CAN YOU PROVIDE GREATER DETAIL ON HOW THE SETTLEMENT**  
2   **EXCEEDS THE REQUIREMENTS OF STAFF'S PROPOSED CONDITION 33?**

3   A.   Yes.  As noted above, Staff's proposed condition 33 addresses charges not currently  
4   assessed by Qwest for several listed functions.  CenturyLink has agreed not to seek such  
5   charges in Arizona without Commission approval, just as suggested by Staff.  This  
6   wholesale condition provides an excellent contrast to the unreasonable conditions that the  
7   Joint CLECs have often proposed.  The Joint CLECs' proposed condition 24 generally  
8   parallels the Settlement's wholesale condition 27, with one important distinction:  the  
9   Joint CLEC's condition would prohibit, forever, the post-merger company from seeking  
10  to impose charges for certain functions.  The Joint CLECs' proposed condition 24 would  
11  predetermine in this merger proceeding the appropriateness of charging for certain  
12  interconnection-related activities that are more appropriately addressed in an  
13  interconnection negotiation or arbitration.  The Settlement's wholesale condition 27, like  
14  Staff's original proposed condition 33, recognizes that the Commission approval process  
15  for new charges provides an appropriate level of protection for CLECs, which is why  
16  wholesale condition 27 is reasonable and the Joint CLECs' proposed condition is  
17  unreasonable.  Furthermore, the detailed terms of wholesale condition 27 provide greater  
18  rate stability for CLECs than Staff's proposed condition 33 by limiting the scope of rates  
19  that the post-merger company can seek to establish or change via a cost docket and by  
20  limiting when those rates can be implemented.

21  **Q.   STAFF'S PROPOSED CONDITIONS 19, 20 AND 23 REQUIRE MAINTAINING**  
22  **THE QWEST OSS FOR A DEFINED PERIOD OF TIME AND THEN**

1           **PROVIDING A DOCUMENTED INTEGRATION PLAN FOR ANY CHANGES**  
2           **WITH SPECIFIC NOTICING AND TESTING REQUIREMENTS. DOES THE**  
3           **SETTLEMENT ADDRESS THESE REQUIREMENTS?**

4    A.    Yes. Although Staff previously suggested that the Qwest OSS should be retained for  
5           three years, I believe that Staff's primary concern behind the proposed term that the  
6           Qwest OSS would be retained stemmed from a concern about possible overlapping of  
7           CenturyLink - Qwest OSS integration activities with the current CenturyLink - Embarq  
8           OSS integration.<sup>3</sup> This overlap will not take place since the Embarq OSS integration will  
9           be winding up before any Qwest wholesale OSS integration begins. That fact, coupled  
10          with the comprehensive noticing and cooperative integration efforts set forth in the  
11          Settlement, permitted Staff and Integra to agree that two years is an adequate retention  
12          timeframe for Qwest's OSS, and this is reflected in wholesale condition 19 of the  
13          Settlement. The actual commitment is to retain the Qwest OSS for two years from the  
14          date of merger close, or until July 1, 2013, whichever is later.

15          However, it must be emphasized that the Joint Applicants currently have not made  
16          decisions regarding the post-merger wholesale OSS and are committed to take the time in  
17          completing a thorough, methodical review of the current OSS systems prior to making  
18          such a decision. The Joint Applicants simply seek the flexibility to manage their  
19          wholesale operations without unreasonable artificial time limitations. Some CLEC  
20          interveners will inevitably argue that the Qwest OSS must be maintained for longer than  
21          24 months, but CLEC arguments for greater "certainty and stability" simply cannot be

---

<sup>3</sup> Fimbres Direct Testimony at 15.

1 squared with the reality that the post-merger company must be allowed to manage its  
2 business without artificial constraints just as they can individually do today. Similarly,  
3 the reality reflected in the Settlement is that the Joint Applicants have agreed to numerous  
4 protections for CLECs in the event the post-merger company does decide to replace or  
5 integrate the Qwest OSS. Specifically, wholesale condition 19 provides numerous  
6 protections for CLECs including 270 days notice, the submission of a detailed plan, and  
7 continued applicability of the Qwest Change Management Process. If any Qwest OSS  
8 interface is retired or replaced then CLECs are assured of joint testing for operational  
9 acceptance of any new interface, and detailed provisions governing this joint testing and  
10 acceptance process are set forth in the Settlement. After the proscribed period, the post-  
11 merger company has committed to providing CLECs with OSS wholesale service quality  
12 that is not less than, and is functionally equivalent to, the OSS wholesale service quality  
13 provided by Qwest prior to the merger close. These additional settlement conditions go  
14 far beyond Staff's original proposed condition and therefore, combined with a minimum  
15 24 month commitment to retain the Qwest OSS, wholesale condition 19 provides  
16 reasonable post-merger stability for CLECs and the wholesale market.

17 **Q HOW DOES THE SETTLEMENT ADDRESS STAFF'S PROPOSED**  
18 **CONDITION 21 REGARDING THE QWEST PERFORMANCE ASSURANCE**  
19 **PLAN ("QPAP") AND PERFORMANCE INDICATOR DEFINITION ("PID")?**

20 A. Wholesale condition 20 of the Settlement obligates the post-merger company to maintain  
21 the QPAP and PID without reduction or modification for eighteen months. After  
22 eighteen months, modification to the QPAP may be sought under the terms and

1 conditions outlined in the QPAP. Further, the post-merger company will not seek to  
2 eliminate or withdraw the QPAP for at least three years past the Closing Date. In  
3 addition, condition 20 provides measurement standards to compare pre- and post-merger  
4 performance, requires the merged company to conduct root causes analysis on service  
5 performance, requires the merged company to develop proposals to remedy deficiencies,  
6 and requires the parties to work cooperatively to identify and remedy any deterioration in  
7 wholesale performance in a transparent manner.

8 **Q. STAFF'S PROPOSED CONDITION 24 ADDRESSES THE EXISTING QWEST**  
9 **CHANGE MANAGEMENT PROCESS ("CMP"). DOES THE SETTLEMENT**  
10 **INCLUDE A CMP CONDITION?**

11 A. Yes. The post-merger company has agreed to follow the procedures in the CMP  
12 document just as Staff desires. Regarding any changes to the CMP, because the CMP is  
13 incorporated in Qwest ICAs, changes can only occur with Commission approval or by  
14 agreement between the ILEC and the CLEC. This allows the CLECs to have meaningful  
15 input on any proposed changes.

16 **Q. HOW DOES THE SETTLEMENT SATISFY STAFF'S PROPOSED**  
17 **CONDITIONS 25 AND 26?**

18 A. Staff's original proposed conditions 25 and 26 sought a three year extension of existing  
19 ICAs, and generally sought stability in the services provide to CLECs, subject to  
20 Commission approval of any discontinuance or changes. As I mentioned above, the  
21 Settlement permits extensions of existing ICAs up to three years, thereby encompassing  
22 the same ICA extension requirement as Staff's proposed condition 25. In addition,

1 wholesale condition 23 provides an eighteen month extension of Qwest commercial and  
2 other wholesale agreements, and commits to a limited grandfathering provision for such  
3 agreements if the services provided are later discontinued by Qwest. Lastly, the  
4 Settlement also addresses wholesale tariffs by committing to no changes for a twelve  
5 month period and a twelve month extension of existing volume and term discount plans  
6 beyond the term of any current plan.

7 **Q. WHY DID THE PARTIES NEGOTIATING THE SETTLEMENT BELIEVE**  
8 **THERE WAS NO NEED TO PROVIDE THE SAME EXTENSION PERIOD TO**  
9 **COMMERCIAL AND OTHER WHOLESALE AGREEMENTS, AS WELL AS TO**  
10 **TARIFFED SERVICES, AS THEY DID TO ICAS?**

11 A. Comparing Section 251 ICA and non-Section 251 agreements is like comparing apples  
12 and oranges. First, a Section 251 interconnection agreement (an "ICA") defines the  
13 operational relationship between the interconnecting parties. By agreeing to retain  
14 existing ICAs for three years, CenturyLink has preserved the current operational  
15 relationship between the merged company and all CLECs in Arizona for that time period,  
16 insofar as interconnection and the mutual exchange of traffic are concerned. Further, the  
17 primary purpose of Section 251 is to promote local service competition; in other words,  
18 to provide for services and obligations above and beyond those already available in an  
19 ILEC's wholesale and commercial offerings. There are many requirements of Section  
20 251 that establish the necessary fundamental obligations for local service competition and  
21 these obligations are again equally offered to all Arizona CLECs by the ICA extension.

1       These obligations include interconnection, local number porting, dialing parity and access  
2       to poles, ducts and conduit.

3       Section 251 requires the ILEC to provide interconnection, unbundled network elements  
4       ("UNEs"), collocation and resold retail services at a wholesale discount to CLECs.  
5       Some CLECs do not avail themselves of UNEs, collocation, or discounted resale  
6       services, but they do have the ability today to order these services regardless, so the  
7       extension of the ICAs provides parity for all CLECs. Further, the determination of  
8       whether to self-provision or purchase UNEs or services for resale is a business plan  
9       decision of the CLEC's and as such is outside the scope of an ILEC's competitive  
10      obligations under applicable law. Not all CLECs avail themselves of all ILEC  
11      obligations under Section 251 but all CLECs have the ability to, and are provided parity  
12      under the law.

13      As I described above, commercial agreements cover services that an ILEC is not  
14      obligated to provide under Section 251. An ILEC may still be required to provide via a  
15      commercial agreement certain services or elements under Section 271 of the  
16      Telecommunication Act, but those services and elements are not subject to the same  
17      negotiation, arbitration, contractual and pricing requirements as services provided under a  
18      Section 251 ICA. When an element is declared "nonimpaired" and not subject to 251(c),  
19      that means a CLEC is not impaired by denying the CLEC access to the element under the  
20      standards of Section 251. A network element may still be subject to Section 271, but the  
21      pricing of Section 271 elements is based on the just and reasonable standard in Sections

1 201 and 202. Other wholesale service contracts fall into the same category of services  
2 that are not subject to the competition-promoting provisions of Section 251. The services  
3 provided under these kinds of contracts are considered available from multiple sources,  
4 including self-provisioning by a CLEC, and are subject to pricing based on market forces  
5 rather than the requirements of Section 251. However, by offering to extend these types  
6 of contracts, despite the fact that they are not mandated by Section 251, the post-merger  
7 company is making a major concession to those parties who have such contracts.

8 **Q. DOES THE PRICING STANDARD FOR SECTION 271 ELEMENTS**  
9 **ILLUSTRATE THE DIFFERENCE BETWEEN SECTION 251 ICAS AND THOSE**  
10 **SERVICES AND ELEMENTS PROVIDED UNDER COMMERCIAL**  
11 **AGREEMENTS?**

12 A. Yes. The FCC addressed these differences in its discussion of the Triennial Review  
13 Order's ("TRO") description of Section 271 pricing requirements. The FCC's direction on  
14 the pricing of Section 271 elements is clear:

15  
16 Where there is no impairment under section 251 and a network element is no  
17 longer subject to unbundling, we look to section 271 and elsewhere in the Act to  
18 determine the proper standard for evaluating the terms, conditions, and pricing  
19 under which a BOC must provide the checklist network elements. Contrary to  
20 the claims of some commenters, *TELRIC pricing for checklist network*  
21 *elements that have been removed from the list of section 251 UNEs is neither*  
22 *mandated by statute nor necessary to protect the public interest.* Rather,  
23 Congress established a pricing standard under section 252 for network elements  
24 unbundled pursuant to section 251 *where impairment is found to exist.* Here,  
25 however, we are discussing the appropriate pricing standard for these network  
26 elements where there is no impairment. Under the no impairment scenario,  
27 section 271 requires these elements to be unbundled, but not using the  
28 statutorily mandated rate under section 252. As set forth below, *we find that*  
29 *the appropriate inquiry for network elements required only under section 271*  
30 *is to assess whether they are priced on a just, reasonable and not*

1            *unreasonably discriminatory basis – the standards set forth in sections 201*  
2            *and 202.*<sup>4</sup> (footnotes omitted; emphasis added)  
3

4            The FCC continues:

5            . . . . . we conclude that section 271 requires BOCs to provide unbundled access  
6            to elements not required to be unbundled under section 251, but *does not*  
7            *require TELRIC pricing.* This interpretation allows us to reconcile the  
8            interrelated terms of the Act *so that one provision (section 271) does not*  
9            *gratuitously reimpose the very same requirements that another provision*  
10           *(section 251) has eliminated.*<sup>5</sup>  
11  
12  
13

14        **Q.        CAN YOU ADDRESS IN MORE DETAIL THE EXTENSION PROVISIONS FOR**  
15            **TARIFFED OFFERINGS?**

16        **A.**        Yes. As I briefly described above, the post merger company has agreed to extend for  
17            twelve months beyond the merger closing date all wholesale tariff offerings that a CLEC  
18            has ordered from Qwest as of the closing date. Because tariff changes, including  
19            discontinuance of service offerings, are subject to Commission approval, there is an  
20            existing process in place that affords some protection to CLECs that rely on intrastate  
21            tariffed services. In addition, I believe that most intrastate wholesale tariffed services  
22            that are typically used by CLECs in Arizona are considered Basket 3 services that are  
23            treated as flexibly-priced competitive services. This regulatory treatment of such tariffed  
24            services suggests that CLECs do have competitive alternatives in the market place, and as  
25            a result the post-merger company will need to be able to respond quickly to changes in

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<sup>4</sup>        *In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Deployment of Wireline Services Offering Advanced Telecommunications Capability, Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, 18 FCC Rcd 16978, ¶ 656 (2003) (Triennial Review Order), corrected by Triennial Review Order Errata, 18 FCC Rcd 19020 (2003). (“TRO”).*

<sup>5</sup>        TRO, ¶ 659.

1 the market place. These changes include competitive price changes, the types of services  
2 being purchased (for example, the ongoing shift from copper based services to fiber  
3 based services) and the need to respond more quickly to a new competitor in the market  
4 place.

5 In a competitive marketplace, a commitment to extend existing agreements for a 12  
6 month period is a generous and more risky proposition for the post-merger company.  
7 This is particularly true for volume and term discount plans, which are developed to  
8 respond to specific market conditions at a given time and need to be modified as market  
9 conditions and business needs dictate. Consequently, the post-merger company should  
10 be granted maximum flexibility in changing its tariffs and, in particular, its volume and  
11 term discount plans as those plans expire. Nevertheless, wholesale condition 23 provides  
12 for a twelve month extension of wholesale tariffs, as I have described, and also provides  
13 for a twelve month extension of any volume or term discount plan beyond the expiration  
14 of the plan's then existing term. This is a generous compromise by the Joint Applicants.  
15 Some CLECs may have a volume or term discount plan that expires shortly after the  
16 merger close date, in which case that particular plan has probably been in place for quite  
17 some time, perhaps two to four years, however, that plan can be extended by the CLEC  
18 for up to twelve months. Other CLECs may have a volume or term discount plan that  
19 does not expire for another three or four years, well beyond the close of the merger. Yet,  
20 if those CLECs are happy with their plan when it expires, then they will also be able to  
21 extend it for another twelve months at that time.

1 **Q. DOES THE SETTLEMENT ADDRESS ANY CLEC CONCERNS BEYOND**  
2 **THOSE COVERED WITHIN THE SCOPE OF STAFF'S PROPOSED**  
3 **CONDITIONS?**

4 A. Yes, quite a few actually. The Joint Applicants believe they have made significant  
5 compromises to its positions of record in order to be comprehensive in terms of  
6 addressing all major issues of concern to CLECs.

7 **Q. CAN YOU PROVIDE AN OVERVIEW OF THE ADDITIONAL SETTLEMENT**  
8 **TERMS THAT ADDRESS OTHER SIGNIFICANT CLEC CONCERNS?**

9 A. Yes. I will briefly point out the additional settlement terms that address issues raised by  
10 CLECs in this proceeding:

11 a) The merged company will not seek to recover through wholesale service rates  
12 or other fees paid by CLECs the costs associated with the merger. This is  
13 condition 1 in the Settlement Agreement.

14 b) The merged company agrees to maintain service provisioning intervals in  
15 Qwest ILEC service territory. This is condition 28 in the Settlement  
16 Agreement.

17 c) All ILEC affiliates of the merged company will comply with the requirements  
18 of §§ 251 and 252 and in the legacy Qwest ILEC service territory, the merged  
19 company will not seek to avoid any obligations based on rural exemption  
20 provisions. This is condition 29 in the Settlement Agreement.

- 1           d) Qwest will continue to be classified as a BOC and subject to BOC  
2           requirements, including §§ 271 and 272. This is condition 4 in the Settlement  
3           Agreement.
- 4           e) Qwest will not seek to reclassify as “non-impaired” any Qwest wire centers  
5           for a period of time. This is condition 30 in the Settlement Agreement.
- 6           f) The merged company will engineer and maintain its network in compliance  
7           with federal and state law and terms of applicable ICAs. This is condition 31  
8           in the Settlement Agreement.

9   **Q.   HOW DOES THE SETTLEMENT COMPARE OVERALL TO THE**  
10 **CONDITIONS PROPOSED BY THE CLECS?**

11   A.   There are 29 conditions proposed by the Joint CLECs that are applicable to Arizona.  
12       Although the wording of the Joint CLEC’s conditions may differ from the wording of the  
13       Settlement’s wholesale conditions, I believe a fair side-by-side reading shows that the  
14       Settlement essentially meets or addresses in reasonable compromise over half of the 29  
15       CLEC conditions.  If the Settlement does not meet a proposed CLEC condition, the  
16       difference in many cases is the excessive timeframe demanded by the Joint CLECs in  
17       comparison to the reasonable and sufficient timeframe negotiated with Staff and Integra,  
18       accepted by Cox, and incorporated into the Settlement.  However, whether the  
19       Settlement’s wholesale conditions address some or most of the Joint CLECs’ conditions  
20       is not as important, in my opinion, as the fact that the Settlement essentially addresses all  
21       of the Staff’s proposed wholesale conditions.  The Staff is the party charged with  
22       protecting the public interest, and with taking a broad view of all the interests in the

1 competitive marketplace, including Qwest's interests as a service provider and as  
2 competitor. Viewed broadly from the perspective of all the wholesale benefits and  
3 commitments that are contained within the Settlement, the Joint Applicants believe that  
4 the Settlement's wholesale conditions represent major voluntary compromises by the  
5 post-merger company, are in the public interest, satisfy the three criteria in the Arizona  
6 Affiliated Interest Rule<sup>6</sup> and are comprehensive in terms of addressing all of the Staff's  
7 concerns and addressing the greatest issues of concern to a large number of CLECs.

8 **IV. CONCLUSION**

9  
10 **Q. DO YOU HAVE ANY FINAL THOUGHTS TO BRING TO THE**  
11 **COMMISSION'S ATTENTION?**

12 **A.** Yes. Despite the demonstrated sufficiency of the Settlement, the remaining Joint CLECs,  
13 as well as Level 3 and Pac-West, continue to press for all of their proposed conditions.  
14 Although the Joint CLECs in particular continue to claim that their proposed conditions  
15 are necessary to meet the standard for approval of this merger, the number of settlement  
16 agreements that the Joint Applicants have been able to achieve with major CLECs and  
17 with a succession of state commission staffs, among other parties, demonstrates  
18 otherwise. This succession of settlement agreements, including the Settlement  
19 Agreement with Staff and RUCO, demonstrates that the Joint Applicants have engaged in  
20 reasonable compromises that are in the public interest.

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<sup>6</sup> A.A.C R14-2-803(c)

1 The standard for approval of this indirect transfer of control does not require satisfaction  
2 of every CLEC concern and complaint. The Joint Applicants have offered significant  
3 compromises to the non-settling CLEC parties, but the Joint Applicants cannot agree to  
4 an unconditional surrender. The Joint Applicants' position is that the Settlement, in  
5 combination with existing regulations and laws, adequately protects all CLECs' interests,  
6 and therefore, the additional conditions proposed by the non-settling CLEC parties,  
7 which in many cases seek remedies or protections that are based on speculative harms or  
8 unrelated disputes, should be rejected. In conclusion, CenturyLink and Qwest have  
9 already made numerous commitments to CLECs in the Settlement, and no further  
10 conditions or commitments are appropriate, or should be adopted. For the foregoing  
11 reasons, and for the reasons stated in the Application, the Commission should promptly  
12 approve the Settlement and approve the proposed transfer of control without any further  
13 conditions.

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

15 **A. Yes.**