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BEFORE THE ARIZONA CORPORATION COMMISSION

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BOB STUMP - COMMISSIONER
SANDRA D. KENNEDY - COMMISSIONER
PAUL NEWMAN - COMMISSIONER
BRENDA BURNS - COMMISSIONER

AT CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
QWEST CORPORATION D/B/A
CENTURYLINK-QC ("CENTURYLINK") TO
CLASSIFY AND REGULATE RETAIL LOCAL
EXCHANGE TELECOMMUNICATIONS
SERVICES AS COMPETITIVE, AND TO
CLASSIFY AND DEREGULATE CERTAIN
SERVICES AS NON-ESSENTIAL

DOCKET NO. T-01051B-11-0378

NOTICE OF FILING REBUTTAL TESTIMONY

CenturyLink hereby files the attached Rebuttal Testimony of Jerry Fenn and Rebuttal Testimony and Exhibits of Robert H. Brigham, pursuant to the April 12, 2012 Procedural Order in the above captioned proceeding.

SUBMITTED, this 23rd day of April, 2012.

QWEST CORPORATION d/b/a CENTURYLINK-QC

Arizona Corporation Commission

DOCKETED

APR 23 2012

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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE

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BOB STUMP

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SANDRA D. KENNEDY

Commissioner

PAUL NEWMAN

Commissioner

BRENDA BURNS

Commissioner

**IN THE MATTER OF THE APPLICATION OF
QWEST CORPORATION D/B/A CENTURYLINK-
QC ("CENTURYLINK") TO CLASSIFY AND
REGULATE RETAIL LOCAL EXCHANGE
TELECOMMUNICATIONS SERVICES AS
COMPETITIVE, AND TO CLASSIFY AND
DEREGULATE CERTAIN SERVICES AS NON-
ESSENTIAL**

DOCKET NO. T-01051B-11-0378

REBUTTAL TESTIMONY

OF

ROBERT H. BRIGHAM

ON BEHALF OF

CENTURYLINK

APRIL 23, 2012

PUBLIC VERSION

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1 **I. IDENTIFICATION OF WITNESS**

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

4 A. My name is Robert H. Brigham. My business address is 1801 California Street, Denver,
5 Colorado, and I am currently employed by CenturyLink as a Regulatory Operations
6 Director. I am testifying on behalf of CenturyLink QC.

7
8 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

9 A. Yes. I filed direct testimony in this proceeding on January 25, 2012.

10
11 **II. PURPOSE OF TESTIMONY**

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

14 A. The purpose of my rebuttal testimony is to respond to the Direct testimonies Mr. Elijah
15 Abinah and Armando Fimbres filed on behalf of the Commission Staff, and the testimony
16 of Mr. Patrick Quinn filed on behalf of the Residential Utility Consumer Office ("RUCO").
17 I will also briefly address the testimony of Mr. Lyndall Nipps filed on behalf of tw telecom.
18 While Staff has recommended that retail services for Residential, Small Business and
19 Medium Business should be classified as "emerging competitive" in this proceeding, the
20 evidence clearly warrants the full "competitive" classification of services for these
21 customer segments pursuant to A.A.C R14-2-1108. My testimony provides significant
22 evidence demonstrating that competition is robust in these market segments and that these
23 customers have multiple alternatives to CenturyLink voice services in Arizona.
24 CenturyLink agrees with Staff's assignment of "competitive" classification for Enterprise
25 business services. RUCO agrees with CenturyLink that the Arizona consumer voice

1 market is “competitive” and should be classified as such, subject to the resolution of
2 several issues and the implementation of certain “safeguards.” My testimony will address
3 these issues, and demonstrate that the pervasive competition throughout Arizona renders
4 most of these safeguards unnecessary.

5
6 **III. RESPONSE TO STAFF**

7
8 **A. ANALYSIS OF STAFF’S “2012 CENTURYLINK REGULATORY PLAN”**

9
10 **Q. PLEASE SUMMARIZE STAFF’S RECOMMENDATIONS IN THIS**
11 **PROCEEDING.**

12 **A.** Staff’s recommendations regarding the classification of services are described on pages 13
13 and 14 of Mr. Abinah’s testimony. Staff has devised a new “2012 CenturyLink Regulatory
14 Plan” that applies only to CenturyLink. Under this plan, Staff proposes that:

- 15
16 • CenturyLink’s services provided to Residential, Small Business and Medium
17 Business should be classified as “Emerging Competitive” with pricing caps as
18 described below, and the services provided to Large Business should be classified
19 as “Competitive,” subject to setting maximum rates pursuant to A.A.C R14-2-
20 1110.
21
22 • CenturyLink should be authorized to establish (1) maximum rates for Residential
23 services that are 125% of the current actual rates and (2) maximum rates for Small
24 and Medium Business that are 130% of the current actual rates. These changes
25 shall occur over a three year period from the date of the Commission’s Decision
26 in this case.
27
28 • The rates that are actually charged to Residential or Consumer customers shall
29 increase by no more than 10 percent annually.
30

- 1 • The rates that are actually charged to Small and Medium Business customers shall
2 increase by no more than 15 percent annually.
- 3
- 4 • After the Commission issues its Decision in this matter, CenturyLink shall be
5 required to give its customers notice of any subsequent filing to set maximum
6 rates, and shall inform customers that they have an opportunity to provide
7 comment or request a hearing on the proposed maximum rates.
- 8
- 9 • CenturyLink may not file a request to increase maximum rates established by the
10 Commission until the expiration of a 30 month period from the date of the
11 Commission's Decision approving maximum rates for services provided to
12 Residential and Small and Medium Business customers.
- 13
- 14 • Any telecommunications service classified by the Commission as emerging
15 competitive may subsequently be reclassified as noncompetitive if the
16 Commission determines after due process that reclassification would protect the
17 public interest.
- 18
- 19 • CenturyLink shall file annually, beginning September 1, 2013, a report that
20 describes how and whether the 2012 CenturyLink Emerging Competitive and
21 Competitive Classification is functioning as expected and if CenturyLink believes
22 such classification is in the public interest.
- 23
- 24 • Classification of CenturyLink's services as "emerging competitive" and
25 "competitive" shall relieve the Company of the obligation to file an application
26 pursuant to A.A.C. R14-2-103 with the request to increase rates for services
27 provided to Residential, Small, Medium and Large Business customers unless the
28 Commission reclassifies these services as non-competitive.
- 29
- 30 • At the end of the three year period of rate caps described above, CenturyLink
31 would be allowed to make a new filing for competitive classification under Rule
32 1108. Alternatively, at the end of the three years CenturyLink would be allowed
33 to make a rate increase request. (No process is identified by Staff for that option).

34 Regarding CenturyLink's proposal to deregulate services, Staff recommends that the
35 services listed in Staff Witness Armando Fimbres' Exhibits 3 and 4 should be found to be

1 neither essential nor integral to the public service, and that only these services should be
2 deregulated.

3
4 **Q. WHAT IS THE BASIS FOR THE STAFF'S DETERMINATION THAT**
5 **RESIDENTIAL, SMALL BUSINESS AND MEDIUM BUSINESS SERVICES**
6 **SHOULD BE CLASSIFIED AS "EMERGING COMPETITIVE?"**

7 A. According to Mr. Abinah, Staff cannot support statewide competitive classification for
8 services provided to Residential or Small and Medium Business customers because "Staff
9 does not believe that the alternatives available to these customers are robust enough to
10 justify competitive services classification."¹ Thus, they propose a new "emerging
11 competitive" classification for these services.

12
13 **Q. DO YOU AGREE WITH STAFF'S CLASSIFICATION OF THESE SERVICES AS**
14 **"EMERGING COMPETITIVE?"**

15 A. No. Sufficient evidence *has* been provided in this proceeding to demonstrate that
16 competition is robust in the market for services provided to Residential, Small and Medium
17 Business customers. The evidence clearly warrants the "competitive" classification of
18 residential (consumer), small business and medium business services, pursuant to A.A.C
19 R14-2-1108. I will address Staff's testimony regarding each of these customer segments
20 below. CenturyLink agrees with Staff's assignment of "competitive" classification for
21 Enterprise business services.

22

¹ Abinah Direct, page 8.

1 **Q. HOW DOES CENTURYLINK REACT TO STAFF'S MAXIMUM RATE**
2 **PROPOSALS FOR "EMERGING COMPETITIVE" SERVICES?**

3 A. It is perplexing that Staff has proposed a new "emerging competitive" classification with
4 new increased maximum rates in response to CenturyLink's Application. In its
5 Application, CenturyLink sought competitive classification under Rule 1108, which is not
6 a rate-setting process. CenturyLink believes that its services should be classified as
7 "competitive" in this proceeding and that *after* competitive classification is granted, those
8 services should *then* be subject to the pricing treatment afforded in A.A.C R14-2-1109 and
9 R14-2-1110, as I described in my Direct testimony. These are the rules followed by the
10 Commission to set rates for wireline competitors such as Cox.

11
12 In contrast, Staff presents an approach that is simultaneously unorthodox and conservative,
13 and very conflicted. Staff proposes to give CenturyLink a primary benefit of being
14 classified as competitive—the ability to increase or decrease rates under an approved
15 maximum—but withholds the declaration that the company's services *are* competitive.
16 Staff's maximum pricing scheme would allow CenturyLink to raise some below-market
17 prices to the proper competitive levels, which CenturyLink views as a positive. However,
18 the company is troubled by Staff's conclusion that there is no basis for "competitive"
19 classification despite overwhelming evidence to the contrary. The maximum rate increase
20 proposed by Staff is not the result of a ratemaking process that has been established by
21 rule, and turns the Rule 1108 and 1110 process upside down, by setting maximum rates
22 *first*. Staff's streamlined grant of maximum rates completely undercuts Staff's conclusion
23 that CenturyLink's services are not competitive enough to justify streamlined rate setting
24 under Rules 1109 and 1110. Essentially, the Staff proposal places the Company in the

1 same box it has been in for years, and does not represent any real progress towards
2 competitive parity.

3
4 **Q. WHY DO YOU THINK STAFF IS RELUCTANT TO DECLARE THAT**
5 **CENTURYLINK'S RETAIL SERVICES ARE "COMPETITIVE?"**

6 A. I believe the Staff's reluctance to declare the obvious—that CenturyLink's services face
7 effective competition and that customers have competitive voice options—may be based on
8 a fear that if the services are declared competitive, the Commission has no recourse if the
9 market were to somehow become less competitive in the future. However, this approach is
10 unnecessarily cautious. In fact, Rule 1108(H) specifically acknowledges that a finding of
11 competitive status does not preclude the Commission from reversing that status at a later
12 time if conditions warrant:

13
14 Any telecommunications service classified by the Commission as competitive may
15 subsequently be reclassified as noncompetitive if the Commission determines that
16 reclassification would protect the public interest.

17 **Q. ARE YOU CONCERNED ABOUT STAFF'S PROPOSAL TO REQUIRE**
18 **CENTURYLINK TO RETURN TO THE COMMISSION AGAIN IN THREE**
19 **YEARS IF IT WANTS TO SEEK COMPETITIVE CLASSIFICATION FOR**
20 **THESE RETAIL SERVICES?**

21 A. Yes. Mr. Abinah states: "Staff recommends that 30 months from the date of a Commission
22 Decision in this matter, CenturyLink be authorized file a request to increase rates for
23 services provided to Residential and Small and Medium Business Customers, *or to seek*
24 *competitive classification.*"² This represents "kicking the can down the road" and

² Abinah Direct, page 13. (Emphasis added).

1 unnecessarily and wrongfully delays a competitive classification that should be granted
2 today. It would require CenturyLink to make another filing like this one, with all the
3 associated costs for CenturyLink and intervenors. Based on the high level of competition
4 in the Arizona market *today*, and the fact that CenturyLink has met the criteria in A.A.C
5 R14-2-1108, the Commission should grant competitive classification for these services
6 *now*.

7
8 **Q. DOES STAFF PROPOSE TO CLASSIFY ALL RETAIL SERVICES PROVIDED**
9 **TO RESIDENTIAL, SMALL BUSINESS AND MEDIUM BUSINESS**
10 **CUSTOMERS AS “EMERGING COMPETITIVE—EVEN THOSE THAT HAVE**
11 **BEEN TREATED AS “COMPETITIVE” PREVIOUSLY?”**

12 A. Yes. Inexplicably, the Staff proposal denies competitive classification for all services
13 provided to the residential, small and medium business markets, including (1) services that
14 have already been specifically accorded competitive treatment pursuant to Rule 1108 and
15 (2) services that are provided pricing flexibility and streamlined rate setting in the
16 CenturyLink Original Price Cap Plan and/or the Renewed Price Cap Plan. Thus, the Staff
17 proposal represents a giant step backwards.

18
19 **Q. WHAT SERVICES HAVE ALREADY BEEN CLASSIFIED AS COMPETITIVE**
20 **PURSUANT TO A.A.C. R14-2-1108?**

21 A. As I described on pages 9-10 of my Direct Testimony, MTS, Private Line, WATS, 800
22 Service, and Optional Calling Plans, Directory Assistance, Centrex Prime, ATM Cell Relay
23 Service and National Directory Assistance have already been declared “competitive”
24 pursuant to Rule 1108, and are subject to pricing under Rules 1109 and 1110. In effect,
25 Staff proposes to remove that classification and declare these services, which are included

1 in Basket 3, to be “Emerging Competitive.” However, there has been no showing by Staff
2 or any other party under A.A.C. R14-2-1108(H) that would permit these services to be
3 reclassified as anything but “competitive.”
4

5 **Q. WHAT SERVICES ARE TREATED AS COMPETITIVE PURSUANT TO THE**
6 **CENTURYLINK RENEWED PRICE CAP PLAN?**

7 A. All of the services listed in Revised Attachment B (Exhibit RHB-11) are included in either
8 Basket 2 or Basket 3 under the Renewed Price Cap Plan. Although some of these services
9 were not explicitly found to be competitive under Rule 1108, it is clear in both the original
10 Price Cap Plan as well as the Renewed Price Cap Plan that these services were viewed as
11 competitive by the Commission.
12

13 **Q. PLEASE DESCRIBE HOW THE COMMISSION TREATED COMPETITIVE**
14 **SERVICES IN THE ORIGINAL PRICE CAP PLAN.**

15 A. Under the Original Price Cap Plan, services in Basket 3 were defined as “Flexibly-Priced
16 Competitive Services.”³ According to the Commission’s Order, “This Basket includes
17 only those services that have been accorded pricing flexibility or have been determined by
18 the Commission to be competitive under A.A.C. R14-2-1108, and new services and new
19 service packages offered by Qwest.”⁴ The Commission found that “Price changes to
20 flexibly priced and competitive services contained in Basket 3 shall comply with the
21 requirements of A.A.C. R14-2-1109,”⁵ which governs price changes for competitive

³ Decision 63487, Attachment A, page 4

⁴ Decision 63487, Attachment A, page 4. Basket 3 services included many, but not all, of the services that are classified as Basket 3 in the Renewed Price Cap Plan.

⁵ Decision 63487, Attachment A, page 5

1 services. Thus, it is clear that the Commission intended all Basket 3 services in the
2 Original Price Cap Plan to be treated as “competitive,” whether they had specifically been
3 declared “competitive” under Rule 1108 or not. There was no distinction made among the
4 treatment of services in Basket 3, whether they had at one time been classified competitive
5 under A.A.C. R14.2.1108, whether they had been placed in Basket 3 as part of the
6 establishment of the Price Cap Plan, or whether they had originally been a Basket 1 service
7 that had subsequently satisfied the requirements of Rule 1108. The Original Price Cap
8 Plan order makes it clear that these services were considered to be fully competitive; these
9 services were in fact called “Flexibly-Priced *Competitive* Services.” (emphasis added)

10
11 There are other aspects of the Original Price Cap Plan that demonstrate a recognition that
12 the Basket 3 services were considered to be fully competitive. For example, in the Original
13 Price Cap Plan, Basket 1 Services (non-competitive) could be moved to Basket 3 only by
14 establishing that the criteria of R14-2-1108 had been met.⁶ It would not make sense for
15 services reclassified to Basket 3 to be somehow “more competitive” than services that had
16 previously been classified as competitive (but without explicit 1108 treatment), especially
17 since they would be subject to the same pricing treatment pursuant to Rules 1109 and 1110.

18
19 Even though the Original Price Cap Plan clearly stated, in 2001, that Basket 3 services are
20 “competitive” subject to pricing flexibility per Rules 1109 and 1110, the Staff now—more
21 than ten years later—would like to remove this classification, rendering these services as
22 “emerging competitive” services that are *not* subject to Rules 1109 and 1110.

23

⁶ Decision No. 63487, Attachment A, page 5.

1 **Q. PLEASE DESCRIBE HOW THE COMMISSION TREATED COMPETITIVE**
2 **SERVICES IN THE RENEWED PRICE CAP PLAN.**

3 A. In the Renewed Price Cap Plan,⁷ the services that are currently listed in Basket 2 are
4 classified as services with “limited pricing flexibility” and the services in Basket 3 are
5 labeled as “Flexibly Priced Competitive Services” per the AFOR. While the Commission
6 has not made an *explicit* Rule 1108 determination for many of these services that were
7 given price flexibility under the Renewed Price Cap Plan order, it is abundantly clear that
8 the Commission considered them to be competitive, as demonstrated by the language of the
9 Plan.

10
11 Regarding Basket 2 services, Attachment A to the Stipulation (Exhibit A) in Docket T-
12 01051B-03-0454 et al, approved by the Commission in Decision 68604, provides that
13 “increases in individual service prices for Basket 2 services shall not exceed 25% within
14 any 12 month period.”⁸ In addition, the approved agreement states: “Price changes to
15 Limited Pricing Flexibility Retail Services contained in Basket 2 shall comply with the
16 requirements of A.C.C. R14-2-1109 and 1110.”⁹ Even though the Price Plan clearly states
17 that these services are subject to pricing flexibility per Rules 1109 and 1110, the Staff
18 would like to remove this classification, rendering these services as “emerging
19 competitive” services that are *not* subject to Rules 1109 and 1110.

⁷ *Id.*, page 5, which states: “Price changes to flexibly priced and competitive services contained in Basket 3 shall comply with the requirements of A.A.C. R14-2-1109.”

⁸ Decision 68604, Docket T-01051B-03-0454 et al, Exhibit A, Attachment A, page 1. An aggregate revenue cap was established for all of the services in Basket 2.

⁹ *Id.*, page 2.

1 Basket 3 "Flexibly-Priced Competitive Services" are provided with full pricing flexibility,
2 with the total basket subject to an aggregate revenue cap. While the Commission has not
3 made an explicit Rule 1108 determination for some services in this category, it is
4 abundantly clear that the Commission considered them to be competitive. Attachment A to
5 the Stipulation (Exhibit A) in Docket T-01051B-03-0454 et al, approved by the
6 Commission in Decision 68604, states: "This basket includes only those services that have
7 been accorded pricing flexibility or have been determined by the Commission to be
8 competitive under A.A.C. R14-2-1108, and new services and new service packages offered
9 by Qwest."¹⁰ The Price Plan clearly states that these services are "competitive" and subject
10 to pricing flexibility per Rules 1109 and 1110. Yet the Staff would like to retract this
11 finding, classifying these services as "emerging competitive" services that are *not* subject
12 to Rules 1109 and 1110. What is even more egregious is that Basket 3 contains services, as
13 noted above, that have *already* been declared competitive pursuant to Section 1108.

14
15 **Q. HAS THE COMMISSION PREVIOUSLY ADDRESSED WHETHER ALL**
16 **SERVICES MUST GO THROUGH THE RULE 1108 PROCESS BEFORE BEING**
17 **COMPETITIVELY CLASSIFIED?**

18 A. Yes. In response to concerns raised by AT&T and Cox in the Original Price Cap Plan
19 proceeding, Decision No. 63487 contains the following language which approved Section
20 4(e) of the Settlement Agreement:

21
22 Thus, we approve this section of the Settlement Agreement that allows new
23 services and service packages to be included in Basket 3 without having to
24 meet all of the requirements of R14.2.1108, only after modification. We
25 approve this section with the express understanding that in reviewing new

¹⁰ *Id.*, page 2.

1 service and service package filings, Staff will specifically look at market
2 conditions and whether the service or package is truly competitive, and with
3 the understanding that under A.R.S. § 40-250, Staff may request additional
4 time for its review.¹¹

5 Therefore, any new services included in Basket 3 have already been reviewed by Staff and
6 found to be “truly competitive”, based on market conditions and are not required to go
7 through the Rule 1108 process in order to be classified as competitive. It is significant to
8 note that Staff supported this language and even stated that “subjecting new product
9 offerings to the criteria and procedures of A.A.C. 14-2-1108 *is counter to consumers’*
10 *interests.*”¹² (emphasis added)

11
12 **Q. WHAT DO YOU CONCLUDE BASED ON THE ABOVE DISCUSSION OF**
13 **BASKET 2 AND 3 SERVICES?**

14 A. It is absolutely clear that these services were determined by the Commission to be
15 competitive. To suggest that we now reclassify them as “Emerging Competitive” would be
16 a huge step backwards, and would not reflect the realities of the current
17 telecommunications market. If competitive treatment was appropriate in 2001, it is
18 certainly appropriate now. It is not even open to question that the telecommunications
19 market is substantially more competitive now than it was then. It is time to move forward,
20 not backwards. There is no basis for Staff to declare that Basket 2 and 3 services for
21 residential, small business and medium business customers are no longer subject to price
22 setting based on Rules 1108 and 1109.

23

¹¹ Decision 63487, page 15.

¹² *Id.*, page 14.

1 **Q. WOULD THE STAFF PROPOSAL TREAT THE SAME SERVICES**
2 **DIFFERENTLY WHEN PROVIDED TO DIFFERENT CUSTOMER GROUPS?**

3 A. Yes. The Staff proposal cuts along lines determined solely by customer segments--
4 consumer, small and medium business, and large business--but does not address any of
5 those services individually. Thus any service provided to a large business customer,
6 whether included in Baskets 1, 2 or 3, would be classified as competitive. However, when
7 the same service is provided to a small or medium business customer it would be classified
8 as "emerging competitive." This is unduly complicated, and ignores the history of many
9 services already having been treated as competitive.

10
11 **Q. DOES CENTURYLINK AGREE WITH STAFF'S PROPOSAL REGARDING THE**
12 **FUTURE APPLICATION OF A.A.C. R14-2-103?**

13 A. Yes. Staff states that "classification of CenturyLink's services as "emerging competitive"
14 and "competitive" shall relieve the Company of the obligation to file an application
15 pursuant to A.A.C. R14-2-103 with the request to increase rates for services provided to
16 Residential, Small, Medium and Large Business customers unless the Commission
17 reclassifies these services as non-competitive"¹³ CenturyLink agrees that A.A.C. R14-2-
18 103 should have no place in the setting of current or future rates. There is no basis for a
19 "rate case proceeding" in today's competitive telecommunications environment.

20

¹³ Abinah Direct, page 14.

1 **Q. DOES CENTURYLINK OBJECT TO FILING ANNUAL REPORTS TO**
2 **DESCRIBE THE IMPACT OF THE COMMISSION'S DECISION IN THIS CASE**
3 **ON THE PUBLIC INTEREST?**

4 A. Yes. As demonstrated in this case, CenturyLink's services are fully competitive and
5 should be classified as such. Singling out one carrier for additional regulatory burdens that
6 are not shared by all other similarly classified carriers does not result in competitive parity.

7
8 **Q. ACCORDING TO MR. FIMBRES, HAS CENTURYLINK COMPILED THE**
9 **INFORMATION NECESSARY TO COMPLY WITH THE CONDITIONS OF**
10 **RULE 1108(B)?**

11 A. Yes. Mr. Fimbres states that CenturyLink has complied with the data requirements of Rule
12 1108.B, subsections 1, 2, 4, 5 and 6. Mr. Fimbres concludes that CenturyLink did not meet
13 the requirements of subsection 3 in my direct testimony, arguing that I did not "provide the
14 estimated market share held by each alternative provider of the service." However, he
15 notes that in response to a Staff data request, "CenturyLink provided information that Staff
16 believes complies with subsection 3."¹⁴ Thus, I conclude that in Mr. Fimbres' opinion,
17 CenturyLink has provided the data needed to comply with Rule 1108(B).

18
19 Additionally, as discussed above with regard to the services now listed under the Renewed
20 Price Cap Plan Baskets 2 and 3, CenturyLink has provided the Commission with citations
21 to the Commission decisions that have already classified those services as competitive.

22

¹⁴ Fimbres Direct, page 6.

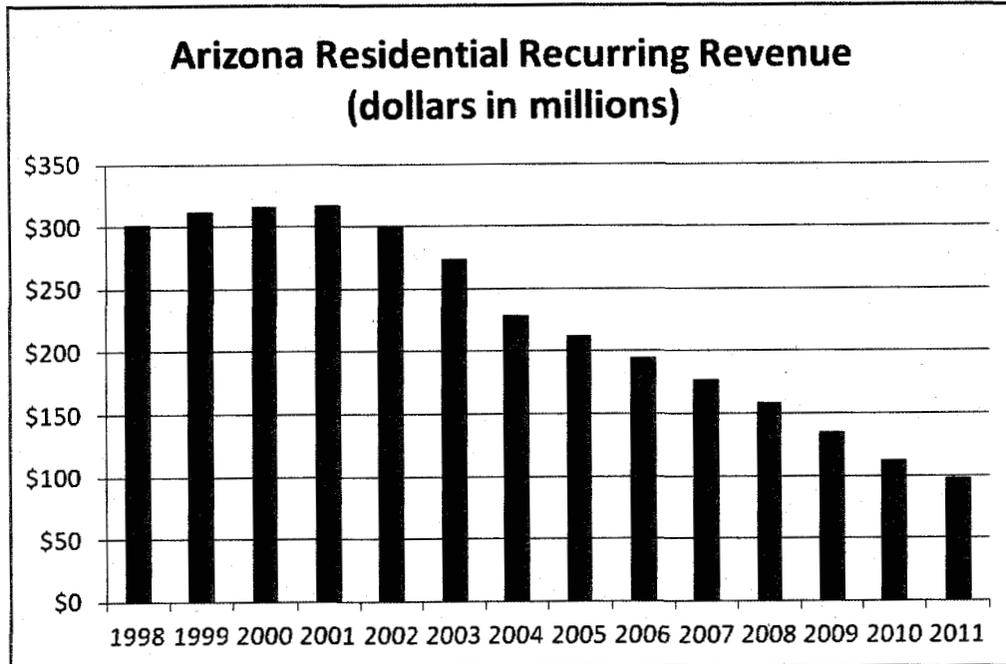
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B. COMPETITIVE ANALYSIS

1. Consumer Market Analysis

Q. MR. FIMBRES NOTES THAT A CONSIDERABLE AMOUNT OF THE ACCESS LINE LOSS EXPERIENCED BY CENTURYLINK IS ATTRIBUTABLE TO THE CONSUMER SEGMENT. DO YOU AGREE?

A. Yes. In my direct testimony I noted that total access lines declined 54% between 2001 and 2010. During this same timeframe, residential access lines declined 61%, while business lines (including public) declined 37%. In 2011, CenturyLink lost *another* 10% of its access lines in Arizona (12% for residence and 7% for business). Not only have access lines declined, but total residential revenues have declined significantly—by about two thirds since 2001—as shown in the following graph:



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These continued losses, occurring even as population and telecommunications spending are increasing,¹⁵ demonstrate how competitive the telecommunications market is in Arizona.¹⁶ As I demonstrated in my Direct testimony, access line losses do not represent customers doing without voice telephone service, they represent customers shifting from CenturyLink to cable, wireless or VoIP services offered by other providers.¹⁷

¹⁵ Brigham Direct, pages 13-14.
¹⁶ I will describe access line trends by wire center in my rebuttal to RUCO below.
¹⁷ As described on pages 16-17 of my Direct testimony, in the past decade the telephone subscriber penetration rates in Arizona have remained relatively steady even as CenturyLink has been consistently losing access lines.

1 **Q. HAVE REVENUES FOR BASKET 1 SERVICES DECLINED AS ACCESS LINES**
2 **HAVE DECLINED?**

3 A. Yes. The following is a graph that shows the decrease in CenturyLink's Basket 1 revenues
4 between August 2003 (the earliest date basket specific data is available) and December
5 2011. [begin confidential]



6
7
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12

[end confidential]

The data shows that in a span of seven and a quarter years, CenturyLink's Basket 1 revenue decreased [begin confidential] [redacted] [end confidential]. This demonstrates the competitiveness of Basket 1 services.

1 **Q. DOES MR. FIMBRES ACKNOWLEDGE THESE COMPETITIVE TRENDS?**

2 A. Yes. He states that “End-users, particularly consumers, have several alternative technology
3 options for communications – wireline, voice, VoIP, Wireless voice, Wireless texting and
4 broadband emailing.”¹⁸ However, after recognizing these options and the competitiveness
5 of the market, he inexplicably determines that there is “not sufficient competition in the
6 Consumer services market to warrant competitive classification under rule 1108.”¹⁹ I
7 believe Mr. Fimbres has made several errors in reaching this conclusion, which I describe
8 below.

9

10 **Q. WHAT IS THE MAJOR ERROR IN MR. FIMBRES’ ANALYSIS?**

11 A. In reaching his conclusions, Mr. Fimbres has relied heavily on his calculation of a
12 Herfindahl-Hirschman Index (“HHI”) for the consumer market in Arizona. However, as
13 described below, while the HHI provides a measure of market concentration, the HHI is not
14 a measure that is relevant to determining whether CenturyLink’s services are competitive
15 based on the criteria in Rule 1108. HHI measures also do not provide an indicator of
16 CenturyLink’s market power, and do not provide any indication of the competitive options
17 available to Arizona consumers.

18

19 **Q. WHAT IS THE HHI AND WHAT IS IT USED FOR?**

20 A. The HHI is a measure of market concentration that is often used by the Department of
21 Justice and Federal Trade Commission when it evaluates the *impact of mergers and*

¹⁸ Fimbres Direct, page 12.

¹⁹ Fimbres Direct, page 16.

1 **acquisitions.** The agencies describe the proper use of the HHI in their *Horizontal Merger*

2 *Guidelines:*

3
4 The Agencies often calculate the Herfindahl-Hirschman Index (“HHI”) of
5 market concentration. The HHI is calculated by summing the squares of the
6 individual firms’ market shares, and thus gives proportionately greater weight to
7 the larger market shares. When using the HHI, the Agencies **consider both the**
8 **post-merger level of the HHI and the increase in the HHI resulting from**
9 **the merger.** The increase in the HHI is equal to twice the product of the market
10 shares of the **merging firm** greater weight to the larger market shares.

11
12 Based on their experience, the Agencies generally classify markets into three
13 types:

14
15 Unconcentrated Markets: HHI below 1500

16 Moderately Concentrated Markets: HHI between 1500 and 2500

17 Highly Concentrated Markets: HHI above 2500

18
19 The Agencies employ the following general standards for the relevant markets
20 they have defined:

21
22 *Small Change in Concentration:* **Mergers** involving an increase in the
23 HHI of less than 100 points are unlikely to have adverse competitive
24 effects and ordinarily require no further analysis.

25
26 *Unconcentrated Markets:* **Mergers** resulting in unconcentrated markets
27 are unlikely to have adverse competitive effects and ordinarily require no
28 further analysis.

29
30 *Moderately Concentrated Markets:* **Mergers** resulting in moderately
31 concentrated markets that involve an increase in the HHI of more than 100
32 points potentially raise significant competitive concerns and often warrant
33 scrutiny.

34
35 *Highly Concentrated Markets:* **Mergers** resulting in highly concentrated
36 markets that involve an increase in the HHI of between 100 points and 200
37 points potentially raise significant competitive concerns and often warrant
38 scrutiny. **Mergers** resulting in highly concentrated markets that involve an
39 increase in the HHI of more than 200 points will be presumed to be likely
40 to enhance market power. The presumption may be rebutted by persuasive
41 evidence showing that the **merger** is unlikely to enhance market power.
42

1 The higher the **post-merger HHI** and the increase in the HHI, the greater are
2 the Agencies' potential competitive concerns and the greater is the likelihood
3 that the Agencies will request additional information to conduct their analysis.²⁰
4 (emphasis added)
5

6 Thus, the DOJ/FTC utilizes the HHI to gauge the *impact of mergers, not to determine the*
7 *type of regulation that applies to setting prices* that are established in a proceeding like
8 this one where no merger is proposed.
9

10 **Q. HOW HAS MR. FIMBRES USED THE HHI IN THIS PROCEEDING?**

11 A. Mr. Fimbres has estimated the HHI for the consumer (and business) markets, and has
12 compared these measures with the merger concentration levels identified by the DOJ/FTC
13 (as listed above). He estimated that the HHI for the consumer market is 2,520, which he
14 says is "still outside the range used by the DOJ to indicate a Moderately Concentrated
15 Market (1,000 to 1,800)"²¹ He concludes that "Staff's HHI estimates suggest that
16 CenturyLink is still the dominant provider within the Consumer voice market."²²
17

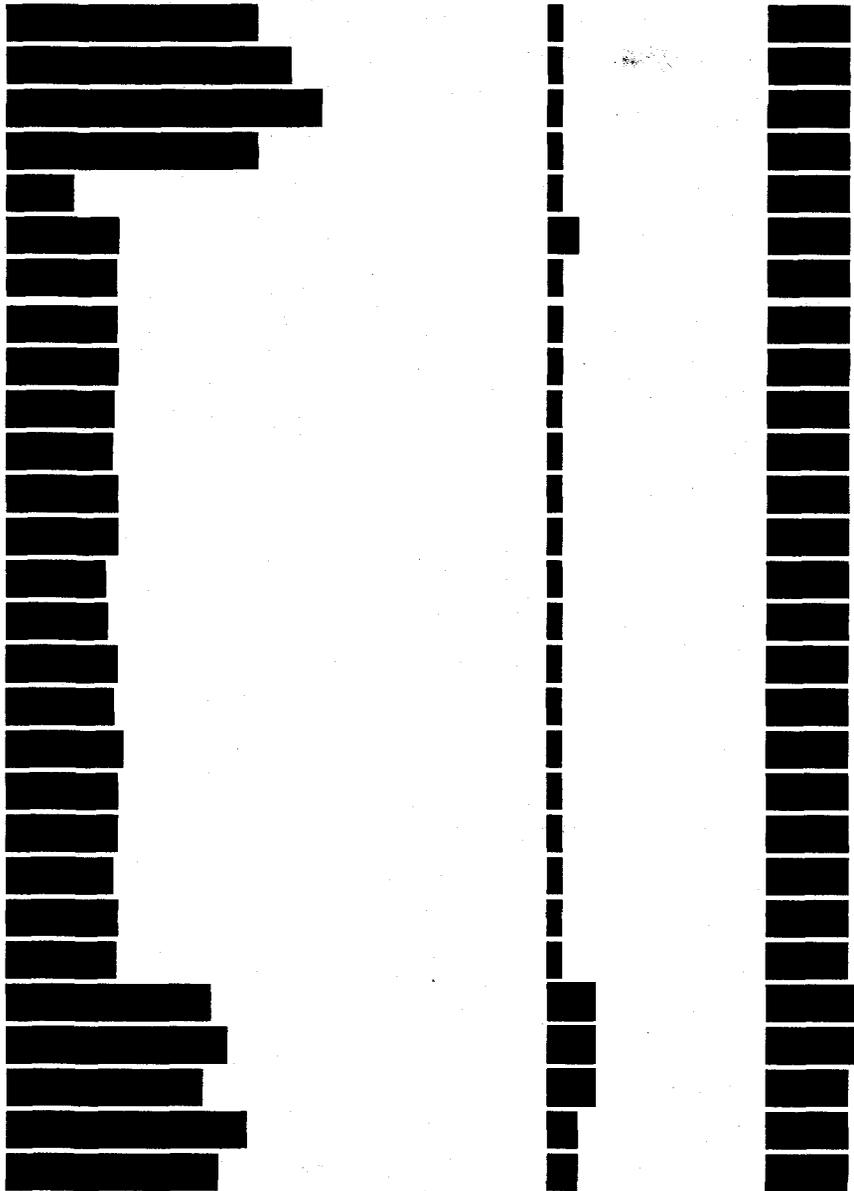
18 **Q. DOES MR. FIMBRES' HHI CALCULATION DEMONSTRATE THAT**
19 **CENTURYLINK IS DOMINANT IN THE CONSUMER VOICE MARKET?**

20 A. No. As described above, the HHI is used to determine the impact of a merger on
21 competition, and to determine if a merger will result in a more concentrated market that
22 could harm competition. However, there is no merger proposed here—CenturyLink is
23 merely seeking competitive classification per Rule 1108, which says nothing about market

²⁰ *Horizontal Merger Guidelines*, U.S. Department of Justice and the Federal Trade Commission, Issues August 19, 2010, pages 18-19.

²¹ Fimbres Direct, page 13.

²² *Id.*



1 This data shows that there are 35 identified active participants in the market, with several
2 participants having greater than a 10% share; CenturyLink has a 35% share and Cox a 28%
3 share. [end confidential] Based on the sum of the squares of each market share, Mr.
4 Fimbres calculated a 2,520 HHI for the consumer market. However, while the HHI shows
5 a moderately concentrated market, it does not show that CenturyLink or any other single
6 provider is dominant in this market, or that any participant has undue market power. The

1 folly of using the HHI to draw conclusions regarding any one market participant can be
2 demonstrated simply be reversing the share numbers for CenturyLink and any other
3 participant in the market. While the position of CenturyLink in the market would clearly
4 be different if their shares were reversed, the HHI market concentration level would remain
5 be exactly the same,
6

7 **Q. MR. FIMBRES SAYS THAT “HHI IS ONLY ONE FACTOR CONSIDERED IN ITS**
8 **[STAFF’S] ANALYSIS.”²³ DID HE ALSO CONSIDER MARKET SHARE?**

9 A. Yes; a major consideration for Mr. Fimbres, in addition to the HHI, is market share. He
10 criticizes Confidential Exhibits RHB-3 and RHB-4 because, while they show market
11 participants by wire center, they do not provide a measure of *market share* by wire center.
12 Therefore, even if CenturyLink has demonstrated that there are several competitive options
13 available in a wire center, Mr. Fimbres apparently believes CenturyLink must show the
14 actual share of each competitor in each wire center. Of course, it is not possible for
15 CenturyLink to perform such a detailed analysis, as it does not have information that
16 specifies the exact number of access lines or wireless connections for each competitor in
17 each wire center. That sort of information is held by competitors as confidential
18 information, and CenturyLink has no way to obtain that sort of data.²⁴ Thus, Mr. Fimbres
19 has set a market share standard that cannot be met by CenturyLink, because CenturyLink
20 does not have, and cannot have, complete knowledge of its competitors.
21

²³ Fimbres Direct, page 13.

²⁴ For example, Cox Communications does not release its voice lines for each wire center (or for that matter, for the whole state).

1 **Q. IS IT NECESSARY TO HAVE DETAILED MARKET SHARE DATA BY WIRE**
2 **CENTER FOR CENTURYLINK TO MEET THE CONDITIONS OUTLINED IN**
3 **RULE 1108(B)?**

4 A. No. As with his use of HHI, his insistence on using market share information at a wire
5 center level is totally without basis in Rule 1108. Rule 1108(B) lists six pieces of
6 information that must be provided in a petition for competitive classification, including
7 “(3) the estimated market share held by each alternative provider of the service.”
8 CenturyLink is seeking competitive classification for its entire serving area in Arizona, and
9 has provided statewide market share estimates. There is no basis to conclude that Rule
10 1108(B) requires CenturyLink to provide market share by wire center. That level of data
11 does not exist. I might add that no other provider granted competitive classification under
12 Rule 1108 has been asked to provide such data.

13
14 **Q. WHILE RULE 1108 REQUIRES MARKET SHARE DATA TO BE PROVIDED,**
15 **SHOULD MARKET SHARE ALONE BE USED TO DETERMINE IF**
16 **CENTURYLINK POSSESSES MARKET POWER OR IF THE MARKET IS**
17 **COMPETITIVE?**

18 A. No. Rule 1108 does *not* say that market share is the sole determinant of whether a service
19 is competitive. Market share is only one out of six elements of “information” that must be
20 provided in a petition according to the rule. It is important for the Commission to
21 understand that a market share analysis alone cannot provide an indicator of CenturyLink’s
22 market power or the level of competition, at a statewide or micro level. It also cannot be
23 used to determine the competitive alternatives available to customers.

24

1 First, any calculation of market share is a static measure, based on some historical time
2 period. In that sense, it does not provide an indicator of where the market is headed, or
3 what competitive alternatives are available to customers. The use of these inherently
4 backward looking measures to determine the appropriate degree of pricing flexibility is
5 particularly misguided in the telecommunications industry where technological changes are
6 occurring rapidly and are impacting the market for traditional telephone service, and where
7 cable, wireless, VoIP and cable TV providers have positioned themselves as competitive
8 alternatives. The use of historical market share measures to gauge market power is also
9 problematic when one provider, such as CenturyLink, starts out with 100% of the market,
10 but is now subject to competition from many directions, and is experiencing declining
11 market share. I should point out that this is far different than the scenario where the DOJ is
12 using HHIs to determine if a merger would result in increased market power. In the case of
13 a merger, the firm's market share would be *increasing*.

14
15 Second, it is important to understand that competitive *capacity* is a better indicator of
16 market power than market share. The important consideration is the *capacity* of
17 competitors to provide services that compete with CenturyLink. For example, if a firm
18 with a small market share can offer services in the CenturyLink service area, this
19 availability, not its historical market share, is the important factor to be considered. It is
20 the availability of competitive services, not a measure of static market share, that the
21 Commission should evaluate to determine if a market is competitive. If competitive
22 capacity exists, a high market share is not indicative of market power.

23
24 Third, in a regulated environment where prices are set by regulators rather than market
25 forces, a high market share may be the result of regulatory decisions, rather than an

1 exercise of market power. For example, if a regulatory body keeps a rate at an artificially
2 low level, for universal service or other public interest reasons, this may discourage
3 competitive entry for stand-alone service, and artificially inflate incumbent market share.
4 In reality, the fact that CenturyLink has been required to offer stand-alone service at
5 artificially low levels is actually an indicator of the *absence of market power* by
6 CenturyLink, since it cannot change rates without regulatory approval. Competitive entry
7 in this market could be discouraged not by CenturyLink's market power, but because rates
8 are artificially low.

9
10 For these reasons, neither market share nor its market concentration cousin HHI, should be
11 used as a measure of CenturyLink market power, and neither should be considered in the
12 determination as to whether services are "competitive." The Commission should instead
13 be focused on the competitive alternatives available to CenturyLink's customers in
14 Arizona. Even though Rule 1108 requires the provision of several different indicators of
15 market power, such as the number of alternative providers and the ability of alternative
16 providers to offer equivalent services (all of which was clearly documented in my direct
17 testimony), it is clear that Staff largely ignores these factors and places an inordinate
18 amount of weight on static market share and HHI measures. And even with respect to
19 market share, Staff disregards the negative trend and the magnitude of CenturyLink's
20 market share losses.

21

1 **Q. DO THE COMMISSION'S OWN RULES INDICATE THAT THE FOCUS IN THIS**
2 **CASE SHOULD BE TO DETERMINE WHETHER THERE ARE COMPETITIVE**
3 **ALTERNATIVES?**

4 A. Yes. Whether a customer has alternatives is the ultimate standard that must be met to
5 demonstrate that a service is "competitive." In fact, in R14-2-1102, the Commission's
6 rules define "Competitive Telecommunications Service" as follows:

7
8 "Competitive Telecommunications Service" - Any telecommunication service
9 where customers of the service within the relevant market have or are likely to
10 have reasonably available alternatives.

11
12 The Commission's standard, therefore, is not whether the various providers have garnered
13 nearly as many customers as CenturyLink, or what CenturyLink's historical market share
14 is. Rather, the standard is whether customers will have realistic competitive choices now
15 and in the future. The focus on competitive alternatives is not only defined in the current
16 rule—it is also the most rational approach from an economic and public policy viewpoint.

17
18 From an economic perspective, it is the availability of alternative services at competitive
19 prices from other providers that constrains CenturyLink's market power and constrains its
20 ability to raise prices to "supracompetitive" levels. This price-constraining competition is
21 based on the presence and potential presence of competitive alternatives, not some
22 historical market share number. In short, a market can be highly competitive whether
23 CenturyLink (or any other provider) has 60%, 40% 20% or 10% of the market.

24

1 **Q. HAS CENTURYLINK DEMONSTRATED THAT COMPETITIVE**
2 **ALTERNATIVES TO ITS VOICE SERVICES ARE AVAILABLE THROUGHOUT**
3 **ARIZONA?**

4 A. Yes. In my direct testimony, I demonstrated that competitive voice options from cable
5 providers, wireless carriers, CLECs and VoIP providers are available to nearly all
6 customers in CenturyLink's Arizona serving area.

7
8 **Q. DO CONSUMER ALTERNATIVES TO CENTURYLINK VOICE SERVICE EXIST**
9 **IN NEARLY EVERY WIRE CENTER IN ARIZONA?**

10 A. Yes. First, residential services are available via resale from CLECs, whether through the
11 purchase of Platform Services (CLSP, QLSP, QPP)²⁵ or the purchase of retail services at
12 the resale discount. Confidential Exhibit RHB-R1 shows the residential quantities of these
13 services by wire center. It may be observed that CLECs are serving end user residential
14 customers via the resale provisions of the FCC's interconnection rules or platform services
15 in 106 of the 132 wire centers in Arizona. Second, in my Direct testimony, I provided data
16 showing the coverage of cable providers by wire center (Confidential Exhibit RHB-3) and
17 a map showing wireless carrier coverage throughout the state (Exhibits RHB-5 and RHB-
18 7). I am now providing Confidential Exhibit RHB-R2, which provides the cable data from
19 Confidential Exhibit RHB-3 plus a more detailed view of the wireless presence in each
20 Arizona wire center.²⁶ It may be observed that there is a cable and/or wireless voice

²⁵ Qwest Local Services Platform ("QLSP") has been replaced by CenturyLink Local Services Platform ("CLSP") "Qwest Platform Plus ("QPP") is an older version of the platform service. These services include a local loop and other usage elements (e.g., switching and transport) necessary to offer basic local service, and are offered via a commercial agreement.

²⁶ Confidential Exhibit RHB-R2 shows wire centers with total wireless coverage, plus wire centers that have partial wireless coverage. The wire centers without complete area coverage are noted in the exhibit.

1 presence in all Arizona wire centers with the exception of Dudleyville, Grand Canyon,
2 Hayden and Kearny. Confidential Exhibit RHB-R3 combines the data in the previously
3 described exhibits to show coverage for resale, cable and wireless voice services together.
4 This exhibit shows that residential voice customers in all wire centers except Grand
5 Canyon, Dudleyville and Kearny are served by these competitors.

6
7 **Q. IN ORDER FOR RESIDENTIAL VOICE SERVICES TO BE CLASSIFIED AS**
8 **COMPETITIVE, DOES EVERY CUSTOMER IN EVERY ARIZONA WIRE**
9 **CENTER NEED TO HAVE COMPETITIVE OPTIONS?**

10 A. No. Customers in some rural wire centers, including Dudleyville, Grand Canyon and
11 Kearny may not have significant competitive alternatives to CenturyLink for voice
12 services, at least that CenturyLink can verify. However, there are clearly competitive
13 alternatives in every other wire center, and this competition limits CenturyLink's market
14 power and constrains its residential prices throughout the state, including in these rural
15 communities. Quite simply, CenturyLink must price its services to be competitive
16 throughout the state, from Phoenix to Dudleyville. While CenturyLink believes that in a
17 competitive market it should have the ability to deaverage rates to some degree, there is no
18 basis to assume that CenturyLink would use such flexibility to raise rates significantly in
19 these rural wire centers. It is noteworthy that in all states where legacy Qwest has been
20 granted pricing freedom, it has sought no further deaveraging of local residential rates.
21 Thus, the pervasive competition throughout the state provides protection, even for
22 customers who have few or no competitive voice options. It makes little sense to hold

1 CenturyLink hostage—as Staff would do—based on a few rural areas²⁷ with less robust
2 competition.

3
4 **Q. DOES MR. FIMBRES ARGUE THAT THE COMPETITIVE ANALYSIS MUST BE**
5 **DONE AT A MORE GRANULAR LEVEL THAN ON A WIRE CENTER BASIS?**

6 A. Yes. Mr. Fimbres argues that the CenturyLink competitive analysis—even though it
7 includes a wealth of data at the wire center level—is not performed at the necessary level
8 of granularity. He argues that CLECs may operate in only part of a wire center, and claims
9 that CenturyLink has not provided information to show where in each wire center
10 competitors are operating. He also argues that CenturyLink should have provided data by
11 zip code, stating that Cox maintains data at this level, and that it should have provided
12 “some indication of CLEC coverage such as homes passed.”²⁸

13
14 **Q. DO YOU AGREE?**

15 A. No. First, CenturyLink has provided a significant level of competitive data at the wire
16 center level, for cable companies, CLECs and wireless carriers. Mr. Fimbres argues that
17 competition may vary within a wire center, and that more granular data, such as zip code
18 data, is needed. Certainly the level of competition may vary within a wire center, but it
19 also varies within a zip code. There is no question that some providers, such as cable
20 companies, may serve some parts of a wire center but not offer service in other parts, since
21 they have no carrier of last resort responsibility. Cox and others are more than happy to
22 serve the denser areas of a wire center, while leaving CenturyLink to serve the more remote

²⁷ The Commission may consider that the population of all areas served by CenturyLink in Arizona totals 5.9 million. The populations of Dudleyville, Grand Canyon, Hayden, and Kearny total 7,433. This represents one tenth of one percent of the population in CenturyLink’s serving area.

²⁸ Fimbres Direct, page 15.

1 high cost areas. Wireless coverage may also vary somewhat by specific location.
2 However, this does not provide a justification for rejecting CenturyLink's wire center-
3 based data.

4
5 First, and most importantly, a competitor does not need to serve all of a wire center to have
6 a price-constraining impact on CenturyLink. If a cable company serves the most populated
7 areas of a wire center, CenturyLink must compete for customers in those areas, and this
8 constrains CenturyLink's prices throughout the wire center. Quite simply, it is not
9 practical or efficient for CenturyLink to set one price for areas where cable offers service
10 and another price in areas that cable does not serve.

11
12 Second, it is not reasonable to expect CenturyLink to have to provide sub-wire center
13 competitive data, since (1) CenturyLink's internal data is generally categorized by wire
14 center and (2) CenturyLink has no means to obtain data on its competitors at such a
15 granular level. Cable companies, CLECs and wireless companies do not report their
16 competitive presence at this level, and CenturyLink has no way to obtain such confidential
17 data from its competitors. Mr. Fimbres argues that CenturyLink should have looked at zip
18 codes because Cox assembles data at that level. Mr. Fimbres, however, fails to
19 acknowledge that even if that is true, CenturyLink has no method to obtain this data from
20 Cox. Staff may be able to obtain such information at this level of detail, but CenturyLink
21 cannot. Mr. Fimbres also argues that CenturyLink should have provided "some indication
22 of CLEC coverage such as homes passed, a common indicator in the cable industry."²⁹ I
23 don't know where Mr. Fimbres thinks such data can be obtained, but I have no knowledge

²⁹ Fimbres Direct, page 15.

1 of any source for such data for CLECs, and cable companies do not even report such data
2 at this level of granularity.

3
4 Mr. Fimbres states that "If CenturyLink can provide more meaningful data that supports
5 competitive classification, in the residential local exchange segment, Staff will consider
6 it."³⁰ However, CenturyLink has provided the data necessary for a determination of
7 competitive classification for residential voice services. Despite the obvious
8 competitiveness of the market, Staff argues "more data" is needed to prove this. I can only
9 conclude that no matter what data CenturyLink were to provide, Staff would argue it is not
10 enough. The Commission should reject this line of thinking, and recognize the obvious
11 competitiveness of the residential voice market, as demonstrated in my testimony.

12
13 Further, if the intent of the rules had been to look at this level of detail, then they would
14 have been written to require the data as part of the application. CenturyLink has provided
15 the data required by the rules to accomplish the intent of the rule, which is to demonstrate
16 that customers have reasonably available alternatives and that it does not have market
17 power to raise rates above competitive levels.

18
19 **Q. REGARDING THE CONSUMER MARKET, WHAT DOES MR. FIMBRES**
20 **CONCLUDE?**

21 A. Mr. Fimbres concludes that CenturyLink "has not shown sufficient competition in the
22 Consumer services market to warrant competitive classification under Rule 1108."³¹ He

³⁰ Fimbres Direct, page 15.

³¹ Fimbres Direct, page 16.

1 recommends the classification of Basket 1 services as “emerging competitive” and states
2 that CenturyLink “should have greater pricing flexibility with respect to these services, but
3 not the degree of flexibility were these services found to be fully competitive pursuant to
4 Rule 1108.”³²

5
6 **Q. DO YOU AGREE THAT THE CONSUMER VOICE MARKET IN ARIZONA IS**
7 **ONLY “EMERGING COMPETITIVE?”**

8 A. No. As described earlier in my testimony, there is no basis for an “emerging competitive”
9 classification. The evidence does not show that this market is in a “transition” stage; the
10 evidence shows that the Consumer Market has completed the transition to a fully
11 competitive market.

12
13 **Q. DOES STAFF DESCRIBE THE CONSUMER MARKET IN A MANNER THAT**
14 **INDICATES THAT IT IS FULLY COMPETITIVE?**

15 A. Yes. While arguing that the market should be classified as “emerging competitive,” Staff
16 makes statements that in fact describe a fully competitive market. Mr. Abinah states:

17
18 Between the time that the Commission approved the Renewed Price Cap Plan
19 and today, customers have continued to take advantage of the telecom services
20 provided by carriers other than CenturyLink. Cox Arizona Telcom, L.L.C.’s
21 (“Cox’s”) share of the local exchange market where it operates has grown. Even
22 though Cox’s share has grown, the growth in wireline access lines has declined
23 dramatically, which suggest that the substitution of wireline service with
24 wireless service, cable company and internet-based services is growing.³³

25

³² *Id.*

³³ Abinah Direct, page 6.

1 In similar fashion, Mr. Fimbres admits that “Consumers are increasingly using Wireless as
2 a substitute for CenturyLink’s landline service. CenturyLink has a formidable land-line
3 competitor in this market, Cox.”³⁴ Yet despite these admissions, Staff still claims that the
4 voice market is not yet competitive. This is unjustified when one considers the fact that
5 30% of landline customers have already cut the cord, there are almost twice as many
6 wireless connections as wirelines in Arizona, and that Cox and other cable providers
7 compete vigorously with CenturyLink in nearly all of its serving area. It is hard to see how
8 CenturyLink could have lost over 67%³⁵ of its access lines in a market that is only
9 “emerging competitive.”

10
11 Mr. Fimbres admits Cox is a major competitor to CenturyLink, and that “Cox, as a CLEC,
12 has pricing flexibility for its services,”³⁶ Yet Mr. Fimbres has determined that CenturyLink
13 should not be given the same flexibility as one of its primary rivals. The Commission
14 should reject the Staff’s unjustified conclusion, and determine that CenturyLink’s
15 consumer services are “competitive” pursuant to Rule 1108.

16 17 **2. Business Market Analysis**

18
19 **Q. PLEASE DESCRIBE MR. FIMBRES’ CONCLUSIONS REGARDING THE**
20 **SMALL AND MEDIUM BUSINESS MARKETS.**

21 **A.** Mr. Fimbres calculates an HHI for the small business market of 4,183, which he
22 characterizes as “well above the 1,800 HHI threshold used to describe High Market

³⁴ Fimbres Direct, page 16.

³⁵ CenturyLink QC residential access lines declined from 1,999,570 in 2001 to 679,523 in 2011.

³⁶ Fimbres Direct, page 16.

1 Concentration.”³⁷ According to Mr. Fimbres, this “strongly suggests that the market is not
2 competitive under rule 1108.”³⁸ Mr. Fimbres calculates an HHI of 3,484 for the Medium
3 Business Market, which he claims is also not competitive.³⁹
4

5 **Q. ARE THESE VALID CONCLUSIONS?**

6 A. No. As I described above, the HHI is used to determine the impact of a merger on
7 competition, and to determine if a merger will result in a more concentrated market that
8 could harm competition. As demonstrated above, the HHI cannot be used to determine
9 whether CenturyLink’s services are competitive based on the criteria in Rule 1108, since
10 the HHI measure does not provide any indication of the competitive options available to
11 Arizona customers. The Commission should reject Mr. Fimbres’ HHI testimony because it
12 is not relevant to determining if services should be classified as competitive pursuant to
13 Rule 1108.
14

15 **Q. HOW DOES MR. FIMBRES VIEW THE SMALL AND MEDIUM BUSINESS**
16 **MARKETS?**

17 A. Mr. Fimbres claims that the small and medium business markets are not competitive and
18 that a “steady-state” has been reached in both markets. He maintains that “Since local
19 exchange competition was initiated in 1996 with changes to the 1934 Communications Act,
20 the Small Business voice market competitive situation has not evolved significantly in the
21 last 15 years.”⁴⁰

³⁷ Fimbres Direct, page 17.

³⁸ *Id.*

³⁹ Fimbres Direct, page 19.

⁴⁰ *Id.*, page 18

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Q. DO YOU AGREE?

A. No. I do not know how Mr. Fimbres has concluded that small business competition “has not evolved” since the passage of the telecommunications Act, but this conclusion is clearly wrong based on the evidence. Upon passage of the Act, CenturyLink (at the time U S WEST) had a monopoly on local telephone service, for all customer segments including small and medium business voice services. Today there are numerous competitors offering services to small and medium business customers, and CenturyLink has already lost a significant share of these market segments. Confidential Exhibit RHB-2 identifies 12 CLECs that have gained a share of the *wireline portion* of the small business market, including Cox, who is the major competitor to CenturyLink in the small and medium business markets. Exhibit RHB-2 shows that CenturyLink holds just over [begin confidential] [redacted] [end confidential] of the small business voice *wireline* market and over [begin confidential] [redacted] [end confidential] of the medium business *wireline* market in Arizona. However, while Mr. Fimbres would declare that CenturyLink is “dominant” in both markets simply based on these shares, the share levels do not demonstrate that the market is “not competitive” as suggested by Staff. As I demonstrated earlier, the competitiveness of a market is not based solely on market share; a complete competitive analysis pursuant to Rule 1108 must consider the competitive alternatives that are available to customers, as it is these options that limit CenturyLink’s market power and constrain prices. Business customers have competitive options throughout Arizona, from Cox, Integra, XO, tw telecom, PAETEC, Verizon, AT&T, Cbeyond and other CLECs and cable companies. Many of these CLECS, such as Integra, XO, PAETEC, tw telecom and Cbeyond are focused solely on providing services to business customers, and serve businesses of all sizes.

1

2 **Q. ARE MANY CLECS PURCHASING CENTURYLINK WHOLESALE SERVICES**
3 **TO SERVE RETAIL BUSINESS CUSTOMERS?**

4 A. Yes. While in some cases CLECs offer service to end users using their own facilities, in
5 other instances they provide services using CenturyLink facilities purchased on a wholesale
6 basis. As Confidential Exhibit RHB-R4, I have attached the response to Staff Data Request
7 4.2, which shows the number of CLECs purchasing wholesale services in each
8 CenturyLink Arizona wire center. In addition, I am providing Confidential Exhibit RHB-
9 R5 which shows (1) the *total* number of CLECs purchasing services from CenturyLink in
10 each wire center and (2) the *total* number of unbundled loops, CLSP/QLSP lines and resale
11 lines purchased by CLECs for each wire center in Arizona.⁴¹ Confidential Exhibit RHB-
12 R6 provides the quantities of unbundled loops, CLSP and resale provided to CLECs by
13 CenturyLink to serve *business* customers in Arizona, for each wire center.⁴² These data
14 demonstrate that the CLECs purchasing these wholesale elements are serving customers in
15 each CenturyLink wire center in Arizona except Whitlow. (Importantly, customers do have
16 cable and wireless alternatives throughout much of the Whitlow wire center).

17

18 **Q. ARE THESE WHOLESALE ELEMENTS PROVIDED AT COST-BASED RATES**
19 **THAT ARE REGULATED BY THIS COMMISSION?**

20 A. Yes. It is important to note that while these CLECs are utilizing CenturyLink facilities,
21 these elements are provided at cost-based prices that are set by the Commission, as

⁴¹ This exhibit includes the residential resale and platform services described earlier, plus the business resale and platform services and unbundled loops included in Exhibit RHB-R6

⁴² It is assumed that all unbundled loops are used to serve business customers. While CenturyLink cannot know the use of each unbundled loop, the CLECs that purchase these loops are focused on serving business customers.

1 required by the FCC's interconnection rules. Unbundled network elements are available at
2 Total Element Long Run Incremental Cost ("TELRIC")-based prices, as set by this
3 Commission, pursuant to 47 U.S.C. §§ 251(c) and 271(c)(2)(B)(ii), and the rules in 47
4 C.F.R. § 51.319(a), (b), (e). Retail services are available at a wholesale discount, as set by
5 this Commission, pursuant to 47 U.S.C. §§ 251(c) and 271(c)(2)(B)(xiv) and the rules in
6 C.F.R. § 51.607 through 610. CenturyLink has no ability to change any cost-based UNE
7 prices or resale discounts without Commission approval or CLEC agreement. Therefore,
8 CenturyLink possesses no market power over these elements.

9
10 **Q. WHILE IN SOME CASES CLECS OFFER SERVICES TO SMALL AND MEDIUM**
11 **BUSINESSES USING WHOLESALE ELEMENTS FROM CENTURYLINK, DO**
12 **CLECS AND CABLE COMPANIES ALSO SERVE THESE CUSTOMERS USING**
13 **THEIR OWN FACILITIES?**

14 A. Yes. Many cable companies and CLECs also serve customers through the provision of
15 their own facilities, and in these cases they would not purchase network elements or resold
16 services from CenturyLink. For example, Cox serves business customers via its own
17 facilities and does not purchase UNEs or resale items from CenturyLink. I described Cox's
18 major push into the small, medium and large business segments in my direct testimony.
19 Other CLECs also utilize their own facilities in many locations, although they tend to build
20 these facilities in high density areas where it is economical, and utilize UNEs and/or
21 CLSP/resale in other locations. While CenturyLink does not know the size of businesses
22 that may be served by the non-cable CLECs using these elements, it is likely that many
23 small and medium-sized customers are served in this manner, while some large businesses
24 may be served via the self-provisioning of facilities.

1 **Q. HAVE CENTURYLINK'S BUSINESS LINES DECLINED SIGNIFICANTLY**
2 **OVER THE PAST TEN YEARS?**

3 A. Yes. While Mr. Fimbres argues that the market is in a "steady state", that is certainly not
4 reflected in the trends of CenturyLink business access lines. CenturyLink business access
5 lines have declined 41% over the past ten years, from 812,997 in 2001 to 482,367 in 2011.
6 And the losses have not abated recently, as CenturyLink business lines declined 7.5% in
7 the last year alone. It is clearly not a "steady state" for CenturyLink.
8

9 **Q. HAS MR. FIMBRES CONSIDERED THE IMPACT OF WIRELESS ON THE**
10 **SMALL AND MEDIUM BUSINESS MARKETS?**

11 A. No, and this is a major omission. While CenturyLink does not possess market share data
12 for the business market that includes wireless services, there is little doubt that wireless is
13 competing with wireline, especially for smaller businesses. For example, many business
14 persons who are "on the go" rely predominantly on wireless phones to transact business.
15 Plumbers, landscapers, roofers and others transact business over wireless phones. While in
16 some cases the business may still have a wireline main office number, the majority of calls
17 are made and taken by sales or technical people in the field. And many of these small
18 business people have simply disconnected their business landline, and rely solely on
19 wireless (such as the painter who painted my house last year). While this impact is hard to
20 quantify, it clearly exists.
21

22 **Q. HOW SHOULD THE COMMISSION CONSIDER MR. FIMBRES' TESTIMONY**
23 **REGARDING THE SMALL AND MEDIUM BUSINESS MARKETS?**

24 A. Mr. Fimbres has performed an analysis of market share and market concentration, and has
25 concluded that these markets are not competitive. However, in his fixation with the HHI

1 and share calculations, he has ignored all other aspects of the market that are important in
2 assessing its competitiveness. Rule 1108(B) states that CenturyLink's petition should
3 consider the estimated market share held by each alternative provider of the service.
4 However, Rule 1108(B) also lists five other considerations, including other indicators of
5 market power, the number of competitive alternatives, the overall economic conditions in
6 the market, growth and shifts in market share, and "the ability of alternative providers to
7 make functionally equivalent or substitute services readily available at competitive rates,
8 terms and conditions." Mr. Fimbres appears to ignore each of these additional items, and
9 focuses only on static market share numbers (even ignoring the "shifts in market share" in
10 Rule 1108(B)(6)). It is significant that Rule 1108(B) does not specify a market share level
11 that must be achieved to prove competition; the rules are clearly crafted so that the
12 conditions would be considered as a whole, with market share as one component. In
13 addition, the rules say nothing about considering a market concentration measure such as
14 the HHI; yet Mr. Fimbres appears to base his conclusions almost entirely on his HHI
15 calculations. The result is that Staff has concluded that the small and medium business
16 markets (as well as the consumer market) are not competitive, when the overwhelming
17 evidence, as provided in my direct testimony and this rebuttal testimony, demonstrate that
18 these markets are extremely and increasingly competitive, and that the conditions in Rule
19 1108(B) have been met.

20
21 Finally, while Mr. Fimbres declares that the Medium Business Market is non-competitive,
22 he admits that "The presence of these competitors [CLECs] should act to constrain
23 CenturyLink's ability to raise prices to any significant degree."⁴³ If the market is

⁴³ Fimbres Direct, page 20.

1 competitive enough to constrain prices, then CenturyLink does not have market power, and
2 the market should be subject to relaxed regulation. There is no basis for tight price
3 regulation when the market is able to constrain prices.
4

5 **Q. DOES CENTURYLINK AGREE WITH MR. FIMBRES' CONCLUSIONS**
6 **REGARDING THE ENTERPRISE BUSINESS MARKET?**

7 A. Yes. CenturyLink agrees with Staff that large business or Enterprise services should be
8 declared competitive pursuant to Rule 1108. Clearly, as I demonstrated in my direct
9 testimony, the Enterprise market is extremely competitive, with CenturyLink competing in
10 this space with major national companies such as AT&T and Verizon, as well as other
11 CLECs like tw telecom and Level 3. However, CenturyLink does not believe that the HHI
12 calculations performed by Staff are meaningful, for the reasons stated above. In fact, Mr.
13 Fimbres notes, after calculating an HHI of 4,029, that this measure is not useful here
14 because CenturyLink is not one of the major providers. Of course this is one of the
15 problems I discussed earlier regarding the use of HHIs—they can only be used to measure
16 market concentration, and they cannot be meaningfully applied to any one provider.
17

18 **C. OTHER COMPETITIVE CLASSIFICATION ISSUES**
19

20 **Q. DOES STAFF POSSESS DATA SUCH AS ACCESS LINE COUNTS FOR**
21 **CENTURYLINK'S WIRELINE COMPETITORS?**

22 A. Yes. Each carrier certified by the Commission must file an annual report pursuant to
23 A.A.C. R14-2-510.G.4. In the annual report, each ILEC and CLEC (including Cox and
24 cable voice providers) must provide, on a confidential basis, operating data such as
25 residence access lines and customers, business access lines and customers and revenues.

1 Thus, the Staff has a wealth of competitive data that is not available to CenturyLink, such
2 as access line counts for each regulated provider in the state.

3
4 **Q. HAS MR. FIMBRES UTILIZED ANY OF THIS DATA IN DEVELOPING HIS**
5 **TESTIMONY IN THIS CASE?**

6 A. I do not know. Mr. Fimbres does not refer to this data anywhere in his testimony, but it is
7 not clear whether any of this data was considered by Staff in the development of it
8 advocacy in this case.

9
10 **Q. WOULD THIS DATA BE HELPFUL IN DETERMINING THE LEVEL OF**
11 **COMPETITION THAT EXISTS TODAY IN ARIZONA?**

12 A. Yes, it would. While this information would not include wireless data and would not
13 identify all competitive alternatives available to customers, it would be helpful at least for
14 defining the level of current wireline competition, which is one input into a meaningful
15 competitive analysis. For this reason, CenturyLink served a discovery request to Staff
16 requesting that Staff provide information for CLECs:

17
18 3.1. Please provide the following information for each competitive
19 telecommunications company certified by the commission in Arizona, as
20 reported in their most recent annual report. For purposes of this question, the
21 term "competitive telecommunications company" means a carrier that is
22 classified by the commission as a Facilities Based Competitive Local Exchange
23 Carrier (CLEC), a Resold Local Exchange Carrier (RLEC), an Interexchange
24 Carrier, (IXC), or a Resold Long Distance Company (RLD).

- 25
26 a. Total Number of Residence Local Exchange Access Lines
27 b. Total Number of Residence Local Exchange Customers
28 c. Total Number of Business Local Exchange Access Lines
29 d. Total Number of Business Local Exchange Customers
30 e. Total Number of Residence Long Distance Customers

- 1 f. Total Number of Business Long Distance Customers
2 g. Total Local Exchange Revenue from Arizona Operations
3 h. Total Intrastate interexchange revenue from Arizona Operations
4 i. The counties in which the carrier is certificated to serve
5

6 **Q. HOW DID STAFF RESPOND TO THIS REQUEST?**

7 A. Staff provided the following response:

8
9 Staff objects to this request as being overly burdensome. To summarize and
10 provide the information requested by CenturyLink would take considerable
11 time. In addition, Staff objects to this request because the information
12 contained in the reports is confidential.

13 Thus, Staff would not make this data available for use in this case. I have provided this
14 response as Exhibit RHB-R7.
15

16 **Q. DOES THE ABSENCE OF THIS DATA IN THIS CASE MEAN THAT**
17 **CENTURYLINK CANNOT DEMONSTRATE THAT ITS RETAIL SERVICES IN**
18 **ARIZONA ARE "COMPETITIVE"**

19 A. No. Even without this data, CenturyLink has provided significant data which clearly
20 demonstrate that the Arizona local exchange market is competitive, and that the
21 requirements of Rule 1108 have been met. However, this response illustrates the dilemma
22 faced by CenturyLink in proceedings such as this one. As noted above, Staff argues that
23 CenturyLink should provide "more meaningful data that supports competitive
24 classification." Yet Staff withholds information that could help CenturyLink make its
25 case—data that CenturyLink cannot obtain on its own. CenturyLink has the burden of
26 proof, but Staff withholds data that could help CenturyLink meet that burden—an unfair
27 situation to say the least.
28

1 **Q. IS STAFF'S WITHOLDING OF THIS INFORMATION IN THE PUBLIC**
2 **INTEREST?**

3 A. No. Staff has an obligation to look at all the information that is available as it makes
4 recommendations in this case, in order for it to help the Commission make the most
5 informed decision possible. It does not advance the public interest for Staff to keep this
6 information from being utilized in this proceeding.

7
8 **Q. MR. FIMBRES STATES THAT THE DICUSSION OF COX IN YOUR DIRECT**
9 **TESTIMONY SHOWED SOME INCONSISTENCIES. PLEASE RESPOND.**

10 A. Mr. Fimbres questions how Cox can hold "almost half the Consumer voice market in
11 Arizona" while "roughly two-thirds of the Consumer households in the CenturyLink
12 serving area are not utilizing CenturyLink for voice services."⁴⁴ Let me clarify. On page
13 28 of my direct testimony, I stated: "There is no basis to regulate CenturyLink more
14 heavily than Cox, when Cox now holds almost half of the consumer voice market in
15 Arizona." This statement should have said Cox holds almost half of the *wireline* consumer
16 voice market. I will correct that testimony. In fact, the *Centris* data referenced in
17 Confidential Attachment RHB-2 shows that there were [begin confidential] [redacted] [end
18 confidential] CenturyLink consumer lines, [begin confidential] [redacted] [end confidential]
19 Cox consumer lines and a total of [begin confidential] [redacted] [end confidential]
20 consumer wirelines as of 3Q11. Thus, Cox served [begin confidential] [redacted] [end
21 confidential] of wirelines and CenturyLink served [begin confidential] [redacted] [end
22 confidential] of wirelines. However, the *Centris* data also includes wireless-only
23 households and households without phone service in the CenturyLink serving area. With

⁴⁴ Fimbres Direct, page 22.

1 the inclusion of this data, there are [begin confidential] [REDACTED] [end confidential]
2 occupied households in the CenturyLink serving area as of 3Q11. Cox serves [begin
3 confidential] [REDACTED] [end confidential] of these households and CenturyLink serves [begin
4 confidential] [REDACTED] [end confidential] of these households. This is consistent with the data
5 that is included in Confidential Exhibit RHB-1.
6

7 **Q. DOES STAFF CLAIM THAT THE VOICE MARKET IN ARIZONA IS A**
8 **WIRELINE DUOPOLY BETWEEN CENTURYLINK AND COX?**

9 A. Yes. Mr. Abinah states that “the market for residential or small and medium business wire
10 line services is essentially a duopoly.”⁴⁵ Mr. Fimbres claims that even CenturyLink’s
11 testimony suggests that the market is a duopoly. He notes that my direct testimony devoted
12 more attention to Cox than other competitors, and that I mentioned Cox 123 times in 18
13 pages. Then he states that “if one looks solely at wireline competitors in the residential
14 Consumer local exchange market, the data suggests only one meaningful competitor, Cox.
15 This is suggestive of a duopoly, not a fully competitive environment.”⁴⁶
16

17 **Q. DO YOU AGREE WITH THIS CHARACTERIZATION?**

18 A. No. First, Cox is a major competitor, and I *did* provide significant testimony on Cox in my
19 direct testimony. However, that certainly does not represent an admission that
20 CenturyLink and Cox constitute a duopoly. Cox is clearly the major *wireline* competitor to
21 CenturyLink, but wireless services cannot be ignored in any meaningful analysis of the
22 voice market—as Mr. Abinah and Mr. Fimbres both admit elsewhere in their testimonies.⁴⁷

⁴⁵ Abinah Direct, page 11.

⁴⁶ Fimbres Direct, page 23.

⁴⁷ For example, Mr. Fimbres’ HHI analysis of the consumer market includes wireless.

1 The local voice market is clearly not a duopoly, as demonstrated in Confidential Exhibits
2 RHB-1 and RHB-2.

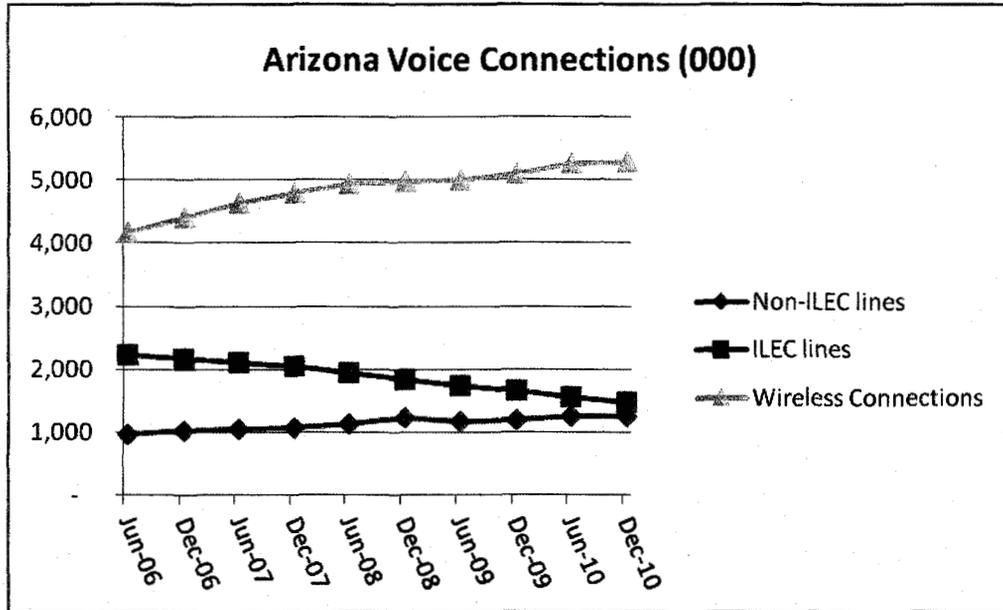
3
4 **Q. MR. FIMBRES SHOWS THE NUMBER OF CC&N'S GRANTED OVER TIME IN**
5 **ARIZONA AND CONCLUDES THAT THIS DATA REGARDING MARKET**
6 **ENTRY AND EXIT "ILLUMINATES A DISTURBING TREND."⁴⁸ PLEASE**
7 **COMMENT.**

8 A. Mr. Fimbres notes that before 2001, there were 720 CC&Ns granted in Arizona, with no
9 cancellations, while since then there have been far fewer CC&Ns granted and more
10 CC&Ns cancelled. He then concludes that this data indicates that the Arizona
11 telecommunications environment "has reached a steady state and may actually be in a state
12 of decline." He states that "CLEC competition appears to be declining rather than
13 increasing."⁴⁹

14
15 Mr. Fimbres clearly ignores the major trends of the past decade—in particular the
16 emergence of wireless services as a replacement for wireline. In reality, it is not
17 competition that is declining, it is the wireline providers' (both ILECs and CLECs) share of
18 the voice market that is declining. This trend is clearly demonstrated in the Chart on page
19 44 of my Direct testimony, which shows, based on FCC data, how wireless has grown at
20 the expense of wireline for the last decade. The chart below, based on FCC data, shows the
21 trend of ILEC lines, non-ILEC lines and wireless connections for the past five years:
22

⁴⁸ Fimbres Direct, page 24.

⁴⁹ Fimbres Direct, page 24.



1
2
3 It may be observed that non-ILEC lines have increased slowly, but not nearly at the rate of
4 wireless connections, while ILEC lines have declined. Thus, while non-ILEC wirelines are
5 still increasing, they represent a lower percentage of total connections than they did in the
6 past. Clearly, non-ILEC line growth is being slowed by wireless substitution. As noted in
7 my direct testimony, 30% of Arizona households do not have wireline service—from an
8 ILEC or a CLEC.

9
10 In addition, it means little to look at the granting and cancelling of CC&Ns as some
11 measure of competitive trends that are relevant to this case. It is no secret that when the
12 1996 Telecommunications Act passed, many CLECs entered the market; in many cases
13 joining the telecommunications/internet bubble of the late 1990s. Many CC&Ns were
14 issued. Many of these new entrants never actually offered services, and others did not
15 survive the crashing of this bubble at the turn of the century. In the first decade of the new
16 century, many of the survivors merged with other CLECs. For example, Mountain
17 Telecom, Eschelon Telecom and Electric Lightwave, all with significant operations in

1 Arizona, merged with Integra. In reality the declining number of CLECs does not provide
2 an indication of a decline in competition; the fewer remaining CLECs are much stronger
3 than the large number of CLECs that existed before the inevitable “shakeout.” Mr.
4 Fimbres is wrong to argue that somehow voice competition is in a state of decline. What is
5 occurring is that both CLECs and ILECs are facing the challenge of wireless competition.
6

7 **Q. MR. FIMBRES STATES: “WHILE THE COMPANY’S WITNESS STATES THAT**
8 **WIRELESS SERVICE PLACES STRONG COMPETITIVE PRESSURE ON**
9 **WIRELINE SERVICES, THERE IS NO STUDY OR SURVEY WHICH**
10 **ACTUALLY DEMONSTRATES THE DEGREE TO WHICH THIS STATEMENT**
11 **IS ACCURATE. WITHOUT THIS, PLACING THE INFORMATION IN THE**
12 **APPROPRIATE CONTEXT FOR USE IN A DETERMINATION THAT MAY**
13 **RESULT IN APPROVAL PURSUANT TO RULE 1108 IS DIFFICULT.”⁵⁰ DO YOU**
14 **AGREE?**

15 **A.** No. I am not sure what type of study Mr. Fimbres believes is required, but one does not
16 need some sort of econometric study or detailed survey to demonstrate that wireless is
17 placing competitive pressure on wireline services. Even casual observers of this market
18 understand that customers are increasingly moving to wireless service, and many are
19 disconnecting their wireline service completely—a demonstrated fact on which there can
20 be no debate. Perhaps Mr. Fimbres is arguing that CenturyLink should provide an
21 elasticity study, proving that movement to wireless is specifically linked to an increase in
22 wireline prices. However, one does not need a comprehensive elasticity study to prove the
23 obvious—that wireless represents a competitive alternative to wireline service, and that it

⁵⁰ Fimbres Direct, pages 25-26.

1 constrains CenturyLink's prices. Even Mr. Fimbres, as noted above, admits that wireless
2 services constrain CenturyLink prices.

3
4 **Q. REGARDING MR. FIMBRES' STATEMENT ABOUT PRICES IN A**
5 **COMPETITIVE MARKET, IS IT TRUE THAT PRICES WILL ALWAYS GO**
6 **DOWN IN A COMPETITIVE MARKET?**

7 A. No. Prices may go up or down in a competitive market. For example, the 1FR rate in
8 Arizona has been held at the \$13.18 rate per month since 1995 based on a regulatory
9 decision to keep rates low to help consumers and encourage universal service. However,
10 there is no evidence that this is a market-based rate—in fact this is one of the lowest
11 residential basic exchange rates in the United States. When the regulated rate is held below
12 the market rate, the implementation of regulatory freedom may lead to an increase in rates,
13 as the rate moves towards the appropriate market level. In fact, Mr. Abinah seems to
14 acknowledge that CenturyLink's local exchange rates are below the market rate today. In
15 describing the reasons for the proposed increased maximum rate, Mr. Abinah states:
16 "Compared to the rates charged by its competitors, CenturyLink's Consumer rates, even
17 with a 25% increase, are reasonable and comparable to other service providers. The same
18 is true for Small and Medium Business rates."⁵¹

19

⁵¹ Abinah Direct, page 12

1 **Q. MR. FIMBRES STATES THAT TWO ASPECTS OF THE VOIP SUBSCRIPTIONS**
2 **INFORMATION DO NOT MAKE SENSE TO STAFF. PLEASE ADDRESS THIS**
3 **ISSUE.**

4 A. Mr. Fimbres notes that the FCC's Local Competition Report identifies 484,000 non-ILEC
5 VoIP lines in Arizona, but that Confidential Exhibit RHB-1 provides a much different
6 (lower) number. The difference is that the FCC data includes all VoIP based lines, whether
7 fixed or "over the top," while the *Centris* data used in Confidential Exhibit RHB-1 includes
8 only over the top VoIP (e.g., Vonage). However, VoIP data for over the top providers is
9 hard to acquire, and it is likely that the *Centris* data understates the quantity of over the top
10 VoIP lines.

11

12

13

D. DEREGULATION PROPOSAL

14 **Q. WHAT IS STAFF'S RECOMMENDATION CONCERNING CENTURYLINK'S**
15 **REQUEST TO DEREGULATE THE SERVICES LISTED ON REVISED**
16 **ATTACHMENT B OF THE COMPANY'S APPLICATION?**

17 A. Staff witness Fimbres recommends deregulation of the 40 services listed in Exhibits 3 and
18 4 of his Direct Testimony, but argues that the remaining services the Company requested to
19 be deregulated are still essential and integral to the public service and should not be
20 deregulated.

21

22 **Q. DO YOU AGREE WITH STAFF'S RECOMMENDATION?**

23 A. No. Although we appreciate Staff's recognition that the services included in Fimbres'
24 Exhibit 3 and 4 are no longer integral or essential to the public interest and should be
25 deregulated, we don't believe that the remaining services listed on Revised Attachment B

1 are either essential or integral to the public interest for all of the reasons stated in my direct
2 testimony. For instance, we do not believe that there is a public interest in regulating the
3 price of a package of services when the underlying services contained in the package
4 continue to be regulated – especially given that the package price must logically be less
5 than the ala carte prices of the underlying features. Otherwise, there would be no point in
6 offering the package. The commission would continue to regulate the stand alone access
7 line component of a package, which affords protection to those very few customers in the
8 state who may lack competitive alternatives. The non-access line services in a package are
9 generally features and other discretionary services. If something is discretionary, then it
10 cannot also be essential. To use an analogy, healthy food is essential to sustain life, but a
11 healthy meal can be provided with something fairly basic and does not have to consist of a
12 five course meal with numerous options for appetizers, entrees, salads, desserts and other
13 discretionary items.

14
15 All of the services that CenturyLink has requested to be deregulated have been offered as
16 competitive services, either under the price cap plan or under rule 1108 for as long as 16
17 years in some cases. The next logical step is for these services to be deregulated and freed
18 from their unnecessary regulatory constraints.

19
20 Thus, CenturyLink agrees with the deregulation of the services in Exhibits 3 and 4 of Mr.
21 Fimbres' testimony, but believes the Commission should consider the deregulation of all
22 the services in Exhibit RHB-11 (Revised Attachment B of the company's application).
23

1 **Q. WHAT IS STAFF'S RECOMMENDATION WITH RESPECT TO THE**
2 **REMAINING SERVICES LISTED IN EXHIBIT RHB-11 (REVISED**
3 **ATTACHMENT B) THAT WOULD NOT BE DEREGULATED?I**

4 A. Although Mr. Fimbres articulates the reasons why Staff does not support the Company's
5 request for deregulation of many services, there is not a clear or consistent statement of
6 what should happen to those services. For the services categorized by CenturyLink as
7 "Obsolete", Mr. Fimbres recommends that "Obsolete services be classified as competitive
8 services to the extent they are not already classified as competitive."⁵² However, with
9 respect to the Ancillary, Value Added, Pricing, Supplemental, and Toll categories, he
10 simply states his disagreement with the rationale provided by CenturyLink for
11 deregulation. For the service in these categories, I must assume Staff would recommend
12 that they would be classified as fully "competitive" if provided to an enterprise customer or
13 as "emerging competitive" if provided to customers in the consumer, small business, or
14 medium business markets.

15
16 **Q. HOW SHOULD THE COMMISSION TREAT THE SERVICES IN EXHIBIT RHB-**
17 **11 (REVISED ATTACHMENT B) THAT ARE NOT DEREGULATED IN THIS**
18 **PROCEEDING?**

19 A. To the extent that they are not deregulated, CenturyLink believes that these services should
20 be treated as fully competitive services. As described earlier in my testimony, Staff has
21 demonstrated no failure in the market or other reasons why we should take a step
22 backwards and declare that services treated as competitive for the past 11 years under the

⁵² Fimbres Direct, page 32.

1 Original and Renewed price cap plans are now only eligible to be treated as an “emerging”
2 competitive services.

3
4 **IV. RESPONSE TO RUCO**

5
6 **A. RUCO’S PROPOSAL**

7
8 **Q. WHAT IS MR. QUINN’S RECOMMENDATION TO THE COMMISSION?**

9 A. Mr. Quinn recommends that the Commission should approve CenturyLink’s Application as
10 it applies to residential services, i.e., CenturyLink should be allowed to reclassify the
11 residential services as shown in Revised Attachment B as deregulated and classify the other
12 residential services listed in Revised Attachment A as “competitive,” if the five issues he
13 raises on page 20 of his testimony are satisfactorily addressed.⁵³ He does not provide a
14 recommendation regarding business services.

15
16 **Q. WHAT ARE THE FIVE ISSUES THAT MR. QUINN BELIEVES MUST BE**
17 **ADDRESSED BEFORE APPROVAL OF CENTURYLINK’S APPLICATION?**

18 A. Mr. Quinn lists the following five issues that he believes must be addressed before the
19 CenturyLink Application is approved:

- 20
21 1. Include in the final order CenturyLink’s commitments in testimony to:
22 a. maintain current service quality measurement and reporting requirements;
23 b. not make changes to Basket 4 which includes wholesale services; and

⁵³ Quinn Direct, page 20-21.

1 c. "wrap up the Price Cap Plan"

- 2 2. Resolve issue on rate deaveraging
- 3 3. Require filing to "wrap up the Price Cap Plan" within one year
- 4 4. Require filing under R14-2-1110 within one year
- 5 5. Implement safeguards

6

7 **Q. PLEASE ADDRESS THE FIRST AND THIRD ISSUE.**

8 A. Regarding Issue 1(a), CenturyLink has proposed the classification of certain services as
9 competitive pursuant to Rule 1108. For these services, there will be no change in the
10 service quality measurements or reporting requirements; the existing Service Quality Tariff
11 will remain in effect. For services deregulated in this proceeding, there should be no
12 service quality or reporting requirements. CenturyLink agrees with Mr. Quinn's proposal
13 to "wrap up the Price Cap Plan" in Issue 1(c) and believes it would be appropriate, if the
14 Commission adopts CenturyLink's proposals, to have such a filing within one year (Issue
15 3). CenturyLink's recommendation as to how that should be accomplished is stated below.
16 With regard to the wholesale services that are currently listed in Basket 4 (Issue 1(b)),
17 CenturyLink agrees that there should be no changes in regulatory treatment. These
18 services were not actually governed by the pricing mechanisms in the Renewed Price Cap
19 Plan. The termination of the Renewed Price Cap Plan does not require a new mechanism
20 to preserve the current treatment of these services, since pricing levels have been set by the
21 Commission in the Arizona Cost Docket. Those rates remain in effect until further order of
22 the Commission, and to the extent pricing is included in agreements between CenturyLink
23 and wholesale providers, those agreements remain in effect. For the wholesale services
24 that are subject to tariff, the transition should simply be to file tariff pages with the same

1 terms, conditions, and rates, but without the Price Cap Plan header. Those tariffs remain in
2 effect until further order of the Commission.

3
4 **Q. WILL YOU ADDRESS MR. QUINN'S SECOND AND FIFTH ISSUE IN YOUR**
5 **TESTIMONY?**

6 A. Yes. I will address the issues of rate deaveraging (Issue 2) and the implementation of
7 safeguards (Issue 5) below.

8
9 **Q. PLEASE ADDRESS MR. QUINN'S FOURTH ISSUE.**

10 A. Mr. Quinn recommends that the Commission require CenturyLink to make a filing under
11 R14-2-1110 within one year. While CenturyLink does not believe that such a requirement
12 is necessary, if CenturyLink is granted pricing flexibility pursuant to Rule 1108 for its
13 residential basic exchange services, it does plan to file for maximum rates under Rule 1110.
14 However, CenturyLink asks that it not be ordered to request maximum rates right away.
15 CenturyLink would like to have the flexibility to consider its portfolio of services carefully,
16 and make judgments about rate filings one at a time. Applying that judgment, maximum
17 rate requests might be made one at a time or in groups.

18
19 In the meantime, upon an order granting competitive classification, CenturyLink would file
20 for an order rescinding the Renewed Price Cap Plan. In the transition period between this
21 filing and the approval of maximum rates under Rule 1110, CenturyLink proposes that the
22 Commission authorize CenturyLink to continue to operate under the terms, conditions, and
23 rates contained in its Renewed Price Cap Plan tariffs. CenturyLink proposes that the
24 Commission authorize this process simultaneously with the order rescinding the Renewed
25 Price Cap Plan. This will assure an orderly transition to competitive rate setting.

1

2 **Q. DO YOU AGREE WITH MR. QUINN'S CHARACTERIZATION OF**
3 **CENTURYLINK'S PROPOSAL FOR COMPETITIVE CLASSIFICATION IN**
4 **THIS PROCEEDING?**

5 A. For the most part, yes. However, Mr. Quinn characterizes CenturyLink's request for
6 competitive classification of services pursuant to Rule 1108 as if it is a request to move
7 services from Basket 1 and 2 to Basket 3 (Flexibly-Priced Competitive Services) under the
8 Current Price Plan. As I have stated, once services are classified as competitive,
9 CenturyLink will ask that the Renewed Price Cap Plan be vacated, under the transition
10 process described above. Thus, CenturyLink is seeking competitive classification and
11 pricing treatment via Rules 1109 and 1110 without the constraints of the Price Plan. Mr.
12 Quinn himself acknowledges that it is anticipated that if the Commission adopts
13 CenturyLink's proposal in this case, CenturyLink will seek a withdrawal of the Price Plan.
14 Therefore his comments about moving competitive services to Basket 3 may not have been
15 meant literally.

16

17 **B. COMPETITION IN THE ARIZONA CONSUMER MARKET**

18

19 **Q. DO YOU AGREE WITH RUCO'S DESCRIPTION OF THE OVERALL**
20 **TELECOMMUNICATIONS MARKET IN ARIZONA?**

21 A. In general, yes. Mr. Quinn describes the "very competitive environment that exists today"
22 and states: "Many competitors, including wireless, cable, competitive local exchange
23 companies (CLECs) and other VOIP providers have entered the consumer voice market
24 through different means. The vast majority of the loss of access lines and related services

1 for CenturyLink can be attributed to the increase in wireless and cable competition.”⁵⁴ I
2 agree with this characterization; Mr. Quinn acknowledges the obvious fact that cellular
3 phones are a substitute for wireline services.⁵⁵
4

5 **Q. WHILE MR. QUINN AGREES THAT THE OVERALL VOICE MARKET IN**
6 **ARIZONA IS COMPETITIVE, DOES HE BELIEVE THAT “THERE REMAINS A**
7 **SIGNIFICANT PORTION OF THE CONSUMER MARKET THAT NEEDS**
8 **FURTHER EXAMINATION?”⁵⁶**

9 A. Yes. Mr. Quinn states that CenturyLink has relied on a “broad brush high level evaluation
10 of statewide competition to justify the competitive reclassification on many of its
11 services.”⁵⁷ He continues: “CenturyLink has provided little evidence of competition for
12 basic residential service by wire center that contains an analysis of what competitors are
13 actually offering in the way of services to residential consumers.”⁵⁸
14

15 **Q. DO YOU AGREE?**

16 A. No. I disagree with two aspects of Mr. Quinn’s advocacy on this issue. First, I do not
17 agree with Mr. Quinn that CenturyLink has provided little evidence regarding competition
18 on a wire center level. Second, I do not agree that a complete competitive analysis of the
19 consumer market requires an analysis of each service offered by competitors.
20

⁵⁴ Quinn Direct, page 6.

⁵⁵ Quinn Direct, page 7.

⁵⁶ Quinn Direct, page 8.

⁵⁷ Quinn Direct, page 9.

⁵⁸ *Id.*

1 **Q. PLEASE ADDRESS THE EVIDENCE OF COMPETITION IN THE CONSUMER**
2 **MARKET AT THE WIRE CENTER LEVEL.**

3 A. Mr. Quinn notes that CenturyLink has lost 61% of its wirelines over the past 10 years, but
4 claims that “there is little information to show how overall competition numbers relate to
5 residential services provided in smaller communities or wire centers.”⁵⁹ I disagree with
6 this characterization. In fact, as I pointed out in my rebuttal to Staff, my Direct testimony
7 provided data showing the coverage of cable providers by wire center (Confidential Exhibit
8 RHB-3) and a map of wireless carrier coverage (Exhibits RHB-5 and RHB-7). As
9 described earlier, I have also provided (1) Confidential Exhibit RHB-R1, which shows by
10 wire center where CLECs are serving consumers via Platform Services (CLSP, QLSP,
11 QPP) or the purchase of resale services at a discount, (2) Confidential Exhibit RHB-R2,
12 which provides the cable data from Confidential Exhibit RHB-3 plus a more detailed view
13 of the wireless presence in each Arizona wire center,⁶⁰ and (3) Confidential Exhibit RHB-
14 R3, which combines the data in the previously described exhibits to show coverage for
15 resale, cable and wireless voice services for each wire center. This exhibit shows that
16 residential customers in all wire centers except Grand Canyon, Dudleyville and Kearny are
17 served by CLEC, cable and/or wireless competitors.

18

⁵⁹ Quinn Direct, page 10.

⁶⁰ Confidential Exhibit RHB-R2 shows wire centers with total wireless coverage, plus wire centers that have partial wireless coverage. The wire centers without complete area coverage are noted in the exhibit.

1 **Q. HAVE YOU ALSO PREPARED AN EXHIBIT THAT DELINEATES THE LOSSES**
2 **OF RESIDENTIAL CENTURYLINK ACCESS LINES BY WIRE CENTER SINCE**
3 **2001?**

4 A. Yes. Confidential Exhibit RHB-R8 provides the residential access line losses that
5 CenturyLink has experienced since 2001 in each Arizona wire center, along with the
6 estimated population changes for each wire center. It may be observed that while the
7 losses vary by wire center, only four wire centers in the state experienced a growth in
8 access lines over the decade—Laveen, Maricopa, Queen Creek and Vail South. Three of
9 these wire centers had a population growth of over 500% and one had growth over 100%.
10 In each case, the population growth far exceeded CenturyLink residential access line
11 increases. It should be noted that in some of the rural wire centers where there may be
12 fewer competitive options, CenturyLink still lost a significant number of residential lines.
13 In many rural wire centers, significant line loss occurred even as the population increased
14 (e.g., Ashfork, Black Canyon, Elgin, Gila Bend, Grand Canyon, Joseph City, Page,
15 Patagonia, Pima, Stanfield, Whitlow, Wintersberg and Yarnell). It must be assumed that in
16 these areas, consumers were moving to competitive alternatives, not simply doing without
17 voice phone service. In some rural wire centers, there was a loss in residential access lines
18 and a loss in population (e.g., Dudleyville, Hayden, Kearny, Mammoth, Miami, San
19 Manuel, St. David and Superior). However, in each case, the percentage loss in access
20 lines was greater than the percentage loss in population. For example, even in Dudleyville
21 and Kearny—two wire centers with few documented voice options—the percentage access
22 line loss exceeded the percentage population loss. This indicates that at least some
23 customers are finding a competitive alternative even in these wire centers.

1 **Q. DO YOU BELIEVE THAT THERE ARE ANY CUSTOMERS IN**
2 **CENTURYLINK'S SERVING AREA THAT MAY NOT HAVE A COMPETITIVE**
3 **ALTERNATIVE?**

4 A. There may be some isolated pockets of CenturyLink's serving area in Arizona where
5 customers do not have a wireless, cable or VoIP voice alternative, but it appears that this is
6 limited to a very small subset of customers, primarily in a few rural exchanges such as
7 Dudleyville. However, service from resellers and purchasers of platform-based services
8 should be *available* in all locations served by CenturyLink—even Dudleyville. In addition,
9 there may be satellite phone options for many of these customers.

10

11 **Q. IN ORDER FOR RESIDENTIAL VOICE SERVICES TO BE CLASSIFIED AS**
12 **COMPETITIVE, DOES EVERY CUSTOMER IN EVERY ARIZONA WIRE**
13 **CENTER NEED TO HAVE COMPETITIVE OPTIONS?**

14 A. No. Mr. Quinn states that "If competitive alternatives do not exist, CenturyLink should not
15 be granted competitive classification for those locations, unless safeguards are put into
16 place to protect consumers from unwarranted prices."⁶¹ However, as I described earlier in
17 my response to Staff, the pervasive competition throughout the state provides protection,
18 even for customers that do have few competitive voice options.

19

20 Customers in some rural wire centers, including Dudleyville, Grand Canyon and Kearny
21 may not have significant competitive alternatives to CenturyLink for voice services, at least
22 that CenturyLink can verify. However, there are clearly competitive alternatives in every
23 other wire center, and this competition limits CenturyLink's market power and constrains

⁶¹ Quinn Direct, page 11.

1 its residential prices throughout the state, including in these rural communities. Quite
2 simply, CenturyLink must price its services to be competitive throughout the state, from
3 Phoenix to Dudleyville. While CenturyLink believes that in a competitive market it should
4 have the ability to deaverage rates to some degree, there is no basis to assume that
5 CenturyLink would use such flexibility to raise rates significantly in these rural wire
6 centers. It is noteworthy that in all states where legacy Qwest has been granted pricing
7 freedom, it has sought no further deaveraging of local residential rates.

8
9 **Q. MR. QUINN STATES THAT IN YOUR DIRECT TESTIMONY, YOU ADMIT**
10 **THAT NOT ALL CUSTOMERS HAVE COMPETITIVE OPTIONS. PLEASE**
11 **COMMENT.**

12 A. I would agree, as noted above, that there may be isolated pockets of customers without
13 cable, wireless or VoIP options. However, I disagree with Mr. Quinn's statement that "Mr.
14 Brigham testifies that 3.9% of residential customers have no voice option."⁶² That is not
15 what my testimony says. In reality, the 3.9% represents the percentage of consumer
16 households that do not currently *subscribe* to voice service. Nearly all of these households
17 do have the option to purchase voice service—from CenturyLink or another provider—but
18 for some reason they have chosen not to at the present time.

19

⁶² Quinn Direct, page 10.

1 **Q. MR. QUINN STATES THAT “CENTURYLINK RELIES ON THE NUMBER AND**
2 **PRESENCE OF COMPETITIVE SERVICE PROVIDERS BY WIRE CENTERS**
3 **AND NOT ACTUAL COMPETITION OR MARKET SHARE STATISTICS.”⁶³**
4 **PLEASE COMMENT.**

5 A. First, I disagree with Mr. Quinn’s statement that the CenturyLink analysis does not look at
6 “actual competition.” In fact, each of the competitive options discussed in my Direct and
7 Rebuttal testimony are “actual” competitive options, Cable, wireless, CLEC and VoIP
8 competition are not theoretical constructs, but provide real options for consumers. Second,
9 I disagree with Mr. Quinn’s statement that CenturyLink has not provided market share
10 statistics, as I have done so in my Direct testimony for the consumer market, consistent
11 with the requirement in Rule 1108.B(3). However, as I described in my response to Staff,
12 market share measures alone should never be used to determine if a market is competitive
13 or if a firm possesses market power. It is the availability of competitive options that is
14 important, not a measure of historical share. If Mr. Quinn means that a market share must
15 be developed on a very disaggregated basis, such as by wire center, I disagree.
16 CenturyLink does not have and cannot have complete knowledge of its competitors on a
17 wire center basis. For example, no cable or wireless provider shares its access line or
18 connection data with CenturyLink on a wire center basis. Fortunately, no such analysis is
19 necessary to determine if competitive alternatives are available in a wire center.

20

⁶³ Quinn Direct, page 10.

1 **Q. MR. QUINN ARGUES THAT CENTURYLINK HAS NOT PROVIDED**
2 **INFORMATION ON WHAT SERVICES ARE PROVIDED BY COMPETITORS.**
3 **PLEASE RESPOND.**

4 A. Mr. Quinn argues that the CenturyLink analysis is deficient because “CenturyLink [did
5 not] provide any information on what services are actually being provided to residential
6 customers.”⁶⁴ However, this criticism is a red herring. Each of the cable, wireless, CLEC
7 and VoIP providers competing with CenturyLink in the Arizona consumer market offer
8 voice services, or the equivalent of basic exchange service, with local and long distance
9 calling and additional features and functionality. I described these competitive services in
10 my direct testimony. In fact, many competitive options provide greater functionality; e.g.,
11 wireless services provide mobility. As Mr. Quinn states, “Cell phones in my opinion are
12 not only a substitute for wire line but they offer many advantages over wire line service.
13 Besides the obvious benefit of added mobility, they have popular custom calling features,
14 can be used to connect to the internet and offer an exponentially increasing number of
15 custom applications that are not available to the basic wire line provider.”⁶⁵

16
17 **Q. MR. QUINN STATES: “IT IS NOT CLEAR HOWEVER, WHETHER THE**
18 **COMPETITORS FOR ANY GIVEN RURAL OR LOW DENSITY AREA ARE**
19 **PROVIDING SERVICES FOR BUSINESS, RESIDENTIAL OR BOTH.”⁶⁶ DO YOU**
20 **AGREE?**

21 A. No. I think it is abundantly clear that cable, wireless and VoIP providers serve the
22 residential market wherever they provide service, including in rural areas. In addition,

⁶⁴ Quinn Direct, page 10.

⁶⁵ Quinn Direct, page 7.

⁶⁶ Quinn Direct, page 13.

1 some resellers and Platform-based providers serve residential customers, as described
2 earlier in my testimony. Other CLECs, who may self-provision or purchase UNEs and
3 resale/platform services, focus on the business market.
4

5 **C. RATE DEEVERAGING**
6

7 **Q. DOES MR QUINN SUPPORT RATE DEEVERAGING?**

8 A. Yes. Mr. Quinn believes that “rate deeveraging enhances the benefits for residential
9 customers for services moved to the competitive basket.”⁶⁷ He advises the Commission to
10 make a determination in this docket as to whether CenturyLink will have the ability to
11 deeverage its prices.
12

13 **Q. WHAT IS CENTURYLINK’S POSITION ON THIS ISSUE?**

14 A. As stated in response to RUCO data request 2-1 (contained in RUCO Exhibit 2),
15 CenturyLink does not believe that the competitive rules require statewide rates. While
16 CenturyLink does not have current plans to deeverage rates if granted competitive
17 treatment, CenturyLink does not object to a Commission finding that CenturyLink *may*
18 deeverage rates in the future. CenturyLink would object to a finding that it *must* deeverage
19 rates in the future.
20

⁶⁷ Quinn Direct, page 15.

1
2
3 **D. SAFEGUARDS**

4 **Q. ACCORDING TO MR. QUINN, WHAT SAFEGUARDS SHOULD BE**
5 **ESTABLISHED TO PROTECT CONSUMERS IN “NON-COMPETITIVE**
6 **AREAS?”**

7 A. Mr. Quinn suggests three types of safeguards that could be used to protect consumers in
8 what he calls “non-competitive areas:” (1) limit rate increases for basic residential voice
9 service in non-competitive areas to no more than a certain percentage of the statewide
10 weighted average rate; (2) limit price increases in non-competitive areas to a certain
11 percentage per year for so many years, placing a cap on the maximum increase allowed
12 during that time frame, or (3) provide a partial subsidy to customers who have no
13 competitive alternative (the subsidy could be derived from current funds, like TAP for the
14 medically needy).⁶⁸

15 **Q. DO YOU BELIEVE THE COMMISSION SHOULD IMPLEMENT THESE**
16 **SAFEGUARDS?**

17 A. I do not believe that any of these safeguards are necessary. First, I do not agree that there
18 are areas that are “non-competitive” although as I acknowledged above, there are certainly
19 areas where consumers have fewer competitive options than in others. I understand Mr.
20 Quinn’s desire to limit any rate increases for residential services in these areas, but I do not
21 believe that a limit on residential price increases is necessary, since (1) the competitive
22 market will suppress any unreasonable increases and (2) CenturyLink must still seek
23 approval of a price cap when it makes a filing pursuant to Rule 1110. As described above

⁶⁸ Quinn Direct, page 17.

1 in my response to Staff, residential basic exchange rates have not changed since 1995, and
2 the \$13.18 rate is one of the lowest in the nation. These rates should be allowed to rise to
3 the market rate, so that competition is encouraged, and the rates can be properly disciplined
4 by the competitive market. However, if the Commission grants CenturyLink's
5 Application, it will still be able to establish a price ceiling in the Rule 1110 proceeding.
6 There is no basis for establishing a limit in this proceeding.

7
8 Further, it would not be appropriate to provide, in this proceeding, a partial subsidy to
9 certain customers in less competitive areas. The implementation of such a mechanism,
10 even if appealing, would not be appropriate in a proceeding like this one, where
11 CenturyLink is simply seeking competitive classification of services.

12
13 **V. RESPONSE TO TW TELECOM**

14
15 **Q. WHAT IS THE PURPOSE OF MR. NIPPS' TESTIMONY?**

16 A. It appears that Mr. Nipps wants assurance that the provision of wholesale services by
17 CenturyLink is not impacted by any relaxed regulation that would result from this
18 proceeding and that tw telecom and other CLECs will retain the ability to obtain wholesale
19 elements as they do today.

20
21 **Q. WILL THE COMMISSIONS' ACTIONS IN THIS PROCEEDING IMPACT THE**
22 **PROVISION OF WHOLESALE ELEMENTS TO CLECS?**

23 A. No. As I described earlier, CenturyLink is proposing no changes to the treatment of
24 wholesale services in this proceeding. UNEs will continue to be offered to CLECs at
25 TELRIC-based prices that are regulated by this Commission, and resale services will

1 continue to be available at a Commission-mandated avoided cost discount, pursuant to 47
2 U.S.C. §§ 251 and 47 U.S.C. §§ 271. As I described in my response to Mr. Quinn,
3 CenturyLink proposes no changes in the treatment of wholesale services that are currently
4 provided in “Basket 4” of the Renewed Price Plan. In addition, as pointed out by Mr.
5 Nipps, CenturyLink is bound by its recent merger case settlement agreement to maintain
6 certain wholesale pricing for tw telecom at existing rates until May 31, 2013.⁶⁹ Thus, the
7 classification of retail services as “competitive” will have no adverse impact on tw telecom
8 or other CLECs.

9
10 **VI. CONCLUSION**

11
12 **Q. WHAT ACTION SHOULD THE COMMISSION TAKE IN THIS PROCEEDING?**

13 A. The Commission should find that: (1) all CenturyLink’s regulated retail services are
14 “competitive” pursuant to A.C.C. R14-2-1108 and (2) the competitive services listed in
15 Exhibit RHB-11 shall be deregulated pursuant to pursuant to A.R.S. §40-281(E). Given
16 the extremely competitive telecommunications market that exists in Arizona today—which
17 I have described in my Direct and Rebuttal testimonies—there is no basis for any retail
18 service to be classified as “non-competitive” or “emerging competitive.” And the
19 competitive services listed in Exhibit RHB-11, which have been treated as competitive
20 services for years, should be deregulated because they are not essential or integral to the
21 public service. Should the Commission deregulate some, but not all of the services listed
22 in Exhibit RHB-11, it should declare that each of these remaining non-deregulated services
23 is “competitive” pursuant to Rule 1108.

⁶⁹ Nipps Direct, page 4.

1

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

3 A. Yes, it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE

Chairman

BOB STUMP

Commissioner

SANDRA D. KENNEDY

Commissioner

PAUL NEWMAN

Commissioner

BRENDA BURNS

Commissioner

**IN THE MATTER OF THE APPLICATION OF
QWEST CORPORATION D/B/A CENTURYLINK-
QC ("CENTURYLINK") TO CLASSIFY AND
REGULATE RETAIL LOCAL EXCHANGE
TELECOMMUNICATIONS SERVICES AS
COMPETITIVE, AND TO CLASSIFY AND
DEREGULATE CERTAIN SERVICES AS NON-
ESSENTIAL**

DOCKET NO. T-01051B-11-0378

REBUTTAL EXHIBITS

OF

ROBERT H. BRIGHAM

ON BEHALF OF

CENTURYLINK

APRIL 23, 2012

Residential Platform and Resale Services

Sum of 12/2011 In-Svc		Product Name				Grand Total
Wire Center	Clii8	QLSP RES	QPP RES	RESALE RES ADL	RESALE RES PRIMARY	
BEARDSLEY	BRDSAZMA					
BETHANY WEST	PHNXAZBW					
BISBEE	BISBAZMA					
BUCKEYE	BCKYAZMA					
CACTUS	PHNXAZCA					
CAMP VERDE	CMVRAZMA					
CASA GRANDE	CSGRAZMA					
CATALINA	TCSNAZCA					
CAVE CREEK	CVCKAZMA					
CHANDLER MAIN	CHNDAZMA					
CHANDLER SOUTH	CHNDAZSO					
CHANDLER WEST	CHNDAZWE					
CHINO VALLEY	CHVYAZMA					
CIRCLE CITY	CRCYAZNM					
COLDWATER	GDYRAZCW					
COOLIDGE	CLDGAZMA					
CORONADO	CRNDAZMA					
CORTARO	TCSNAZCO					
COTTONWOOD MAIN	CTWDAZMA					
COTTONWOOD SOUTH	CTWDAZSO					
CRAYCROFT	TCSNAZCR					
DEER VALLEY NORTH	DRVYAZNO					
DOUGLAS	DGLSAZMA					
ELGIN	PTGNAZEL					
ELOY	ELOYAZO1					
FLAGSTAFF EAST	FLGSAZEA					
FLAGSTAFF MAIN	FLGSAZMA					
FLOWING WELLS	TCSNAZFW					
FOOTHILLS	PHNXAZ81					
FORTUNA	YUMAAZFT					
FT MCDOWELL	FTMDAZMA					
GILBERT	MESAAZGI					
GLENDALE	GDLIAZMA					
GLOBE	GLOBAZMA					
GREEN VALLEY	GNVYAZMA					
GREENWAY	PHNXAZGR					
HAYDEN	HYDNAZMA					
HIGLEY	HGLYAZMA					
HUMBOLDT	HMBLAZMA					
LAVEEN	PHNXAZLV					
LITCHFIELD PARK	LTPKAZMA					
MARANA	MARNAZMA					
MARICOPA	MRCPAZMA					
MARYVALE	PHNXAZMY					
MCCLINTOCK	TEMPAZMC					
MESA	MESAAZMA					
MIAMI	MIAMAZMA					
MID RIVERS	PHNXAZMR					
NEW RIVER	NWRVAZMA					
NOGALES MAIN	NGLSAZMA					
NOGALES MIDWAY	NGLSAZMW					
PAGE	PAGEAZMA					

REDACTED

PALOMINAS	PLMNAZMA
PAYSON	PYSNAZMA
PECOS	PHNXAZPP
PEORIA	PHNXAZPR
PHOENIX EAST	PHNXAZEA
PHOENIX MAIN	PHNXAZMA
PHOENIX NORTH	PHNXAZNO
PHOENIX NORTHEAST	PHNXAZNE
PHOENIX NORTHWEST	PHNXAZNW
PHOENIX SOUTH	PHNXAZSO
PHOENIX SOUTHEAST	PHNXAZSE
PHOENIX WEST	PHNXAZWE
PINNACLE PEAK	PRVYAZPP
PRESCOTT EAST	PRSCAZEA
PRESCOTT MAIN	PRSCAZMA
QUEEN CREEK	HGLYAZQC
RINCON	TCSNAZRN
RIO VERDE	FTMDAZNO
SAFFORD	SFFRAZMA
SAN MANUEL	SNMNAZMA
SCOTTSDALE MAIN	SCDLAZMA
SEDONA MAIN	SEDNAZMA
SEDONA SOUTH	SEDNAZSO
SHEA	SCDLAZSH
SIERRA VISTA MAIN	SRVSAZMA
SIERRA VISTA NORTH	SRVSAZNO
SIERRA VISTA SOUTH	SRVSAZSO
SOMERTON	SMTNAZMA
SUNNYSLOPE	PHNXAZSY
SUNRISE	AGFIAZSR
SUPER EAST	SPRSAZEA
SUPER MAIN	SPRSAZMA
SUPER WEST	SPRSAZWE
TANQUE VERDE	TCSNAZTV
TEMPE	TEMPAZMA
THUNDERBIRD	SCDLAZTH
TOLLESON	TLSNAZMA
TONTO CREEK	TNCKAZMA
TUBAC	TUBCAZMA
TUCSON EAST	TCSNAZEA
TUCSON MAIN	TCSNAZMA
TUCSON NORTH	TCSNAZNO
TUCSON SOUTH	TCSNAZSO
TUCSON SOUTHEAST	TCSNAZSE
TUCSON SOUTHWEST	TCSNAZSW
TUCSON WEST	TCSNAZWE
VAIL NORTH	VAILAZNO
VAIL SOUTH	VAILAZSO
WHITE TANKS	WHTKAZMA
WICKENBURG	WCBGAZMA
WILLCOX	WLCXAZMA
WINSLOW	WNSLAZMA
YUMA MAIN	YUMAAZMA
YUMA SOUTHEAST	YUMAAZSE
Grand Total	

REDACTED

Arizona Cable and Wireless Coverage

Wire Center	CIIB	Cable 1	Cable 2	Wireless
ASHFORK	ASFKAZMA			
BEARDSLEY	BRDSAZMA			
BENSON	BNSNAZMA			
BETHANY WEST	PHNXAZBW			
BISBEE	BISBAZMA			
BLACK CANYON	BLCNAZMA			
BUCKEYE	BCKYAZMA			
CACTUS	PHNXAZCA			
CAMP VERDE	CMVRAZMA			
CASA GRANDE	CSGRAZMA			
CATALINA	TCSNAZCA			
CAVE CREEK	CVCKAZMA			
CHANDLER MAIN	CHNDAZMA			
CHANDLER SOUTH	CHNDAZSO			
CHANDLER WEST	CHNDAZWE			
CHINO VALLEY	CHVYAZMA			
CIRCLE CITY	CRCYAZNM			
COLDWATER	GDYRAZCW			
COOLIDGE	CLDGAZMA			
CORONADO	CRNDAZMA			
CORTARO	TCSNAZCO			
COTTONWOOD MAIN	CTWDAZMA			
COTTONWOOD SOUTH	CTWDAZSO			
CRAYCROFT	TCSNAZCR			
DEER VALLEY NORTH	DRVYAZNO			
DOUGLAS	DGLSAZMA			
DUDLEYVILLE	DDVLAZNM			
ELGIN	PTGNAZEL			
ELOY	ELOYAZ01			
FLAGSTAFF EAST	FLGSAZEA			
FLAGSTAFF MAIN	FLGSAZMA			
FLAGSTAFF SOUTH	FLGSAZSO			
FLORENCE	FLRNAZMA			
FLOWING WELLS	TCSNAZFW			
FOOTHILLS	PHNXAZ81			
FORTUNA	YUMAAZFT			
FT MCDOWELL	FTMDAZMA			
GILA BEND	GLBNAZMA			
GILBERT	MESAAZGI			
GLENDALE	GLDLAZMA			
GLOBE	GLOBAZMA			
GRAND CANYON	GRCNAZMA			
GREEN VALLEY	GNVYAZMA			
GREENWAY	PHNXAZGR			
HAYDEN	HYDNAZMA			
HIGLEY	HGLYAZMA			
HUMBOLDT	HMBLAZMA			

REDACTED

Wire Center	CI#	Cable 1	Cable 2	Wireless
JOSEPH CITY	JSCYAZMA			
KEARNY	KRNYAZMA			
LAVEEN	PHNXAZLV			
LITCHFIELD PARK	LTPKAZMA			
MAMMOTH	MMTHAZMA			
MARANA	MARNAZMA			
MARICOPA	MRCPAZMA			
MARYVALE	PHNXAZMY			
MCCLINTOCK	TEMPAZMC			
MESA	MESAAZMA			
MIAMI	MIAMAZMA			
MID RIVERS	PHNXAZMR			
MT LEMMON	TCSNAZML			
MUNDS PARK	MSPKAZMA			
NEW RIVER	NWRVAZMA			
NOGALES MAIN	NGLSAZMA			
NOGALES MIDWAY	NGLSAZMW			
ORACLE	ORCLAZMA			
PAGE	PAGEAZMA			
PALOMINAS	PLMNAZMA			
PATAGONIA	PTGNAZMA			
PAYSON	PYSNAZMA			
PECOS	PHNXAZPP			
PEORIA	PHNXAZPR			
PHOENIX EAST	PHNXAZEA			
PHOENIX MAIN	PHNXAZMA			
PHOENIX NORTH	PHNXAZNO			
PHOENIX NORTHEAST	PHNXAZNE			
PHOENIX NORTHWEST	PHNXAZNW			
PHOENIX SOUTH	PHNXAZSO			
PHOENIX SOUTHEAST	PHNXAZSE			
PHOENIX WEST	PHNXAZWE			
PIMA	PIMAAZMA			
PINE	PINEAZMA			
PINNACLE PEAK	PRVYAZPP			
PRESCOTT EAST	PRSCAZEA			
PRESCOTT MAIN	PRSCAZMA			
QUEEN CREEK	HGLYAZQC			
RINCON	TCSNAZRN			
RIO VERDE	FTMDAZNO			
SAFFORD	SFFRAZMA			
SAN MANUEL	SNMNAZMA			
SCOTTSDALE MAIN	SCDLAZMA			
SEDONA MAIN	SEDNAZMA			
SEDONA SOUTH	SEDNAZSO			
SHEA	SCDLAZSH			
SIERRA VISTA MAIN	SRVSAZMA			
SIERRA VISTA NORTH	SRVSAZNO			
SIERRA VISTA SOUTH	SRVSAZSO			
SOMERTON	SMTNAZMA			

REDACTED

Wire Center	CI#8	Cable 1	Cable 2	Wireless
ST DAVID	BNSNAZSD			
STANFIELD	STFDAZMA			
SUNNYSLOPE	PHNXAZSY			
SUNRISE	AGFIAZSR			
SUPER EAST	SPRSAZEA			
SUPER MAIN	SPRSAZMA			
SUPER WEST	SPRSAZWE			
SUPERIOR	SPRAZMA			
TANQUE VERDE	TCSNAZTV			
TEMPE	TEMPAZMA			
THUNDERBIRD	SCDLAZTH			
TOLLESON	TLSNAZMA			
TOMBSTONE	TMBSAZMA			
TONTO CREEK	TNCKAZMA			
TUBAC	TUBCAZMA			
TUCSON EAST	TCSNAZEA			
TUCSON MAIN	TCSNAZMA			
TUCSON NORTH	TCSNAZNO			
TUCSON SOUTH	TCSNAZSO			
TUCSON SOUTHEAST	TCSNAZSE			
TUCSON SOUTHWEST	TCSNAZSW			
TUCSON WEST	TCSNAZWE			
VAIL NORTH	VAILAZNO			
VAIL SOUTH	VAILAZSO			
WELLTON	WLTNAZMA			
WHITE TANKS	WHTKAZMA			
WHITFLOW	WHTLAZMA			
WICKENBURG	WCBGAZMA			
WILLCOX	WLCXAZMA			
WILLIAMS	WLMSAZMA			
WINSLOW	WNSLAZMA			
WINTERSBURG	WNBGAZ01			
YARNELL	YRNLAZMA			
YUMA MAIN	YUMAAZMA			
YUMA SOUTHEAST	YUMAAZSE			

REDACTED

Y = Wireless available throughout wire center
Y* = Wireless available throughout most, but not all of wire center
N = No wireless coverage in wire center

Arizona Cable, Wireless, Resale & Platform Coverage

Wire Center	CLI#	Cable 1	Cable 2	Wireless	Resale & Platform
ASHFORK	ASFKAZMA				
BEARDSLEY	BRDSAZMA				
BENSON	BNSNAZMA				
BETHANY WEST	PHNXAZBW				
BISBEE	BISBAZMA				
BLACK CANYON	BLCNAZMA				
BUCKEYE	BCKYAZMA				
CACTUS	PHNXAZCA				
CAMP VERDE	CMVRAZMA				
CASA GRANDE	CSGRAZMA				
CATALINA	TCSNAZCA				
CAVE CREEK	CVCKAZMA				
CHANDLER MAIN	CHNDAZMA				
CHANDLER SOUTH	CHNDAZSO				
CHANDLER WEST	CHNDAZWE				
CHINO VALLEY	CHVYAZMA				
CIRCLE CITY	CRCYAZNM				
COLDWATER	GDYRAZCW				
COOLIDGE	CLDGAZMA				
CORONADO	CRNDAZMA				
CORTARO	TCSNAZCO				
COTTONWOOD MAIN	CTWDAZMA				
COTTONWOOD SOUTH	CTWDAZSO				
CRAYCROFT	TCSNAZCR				
DEER VALLEY NORTH	DRVYAZNO				
DOUGLAS	DGLSAZMA				
DUDLEYVILLE	DDVLAZNM				
ELGIN	PTGNAZEL				
ELOY	ELOYAZ01				
FLAGSTAFF EAST	FLGSAZEA				
FLAGSTAFF MAIN	FLGSAZMA				
FLAGSTAFF SOUTH	FLGSAZSO				
FLORENCE	FLRNAZMA				
FLOWING WELLS	TCSNAZFW				
FOOTHILLS	PHNXAZ81				
FORTUNA	YUMAAZFT				
FT MCDOWELL	FTMDAZMA				
GILA BEND	GLBNAZMA				
GILBERT	MESAAZGI				
GLENDALE	GLDLAZMA				
GLOBE	GLOBAZMA				
GRAND CANYON	GRCNAZMA				

REDACTED

Wire Center	CLI#	Cable 1	Cable 2	Wireless	Resale & Platform
GREEN VALLEY	GNVYAZMA				
GREENWAY	PHNXAZGR				
HAYDEN	HYDNAZMA				
HIGLEY	HGLYAZMA				
HUMBOLDT	HMBLAZMA				
JOSEPH CITY	JSCYAZMA				
KEARNY	KRNYAZMA				
LAVEEN	PHNXAZLV				
LITCHFIELD PARK	LTPKAZMA				
MAMMOTH	MMTHAZMA				
MARANA	MARNAZMA				
MARICOPA	MRCPAZMA				
MARYVALE	PHNXAZMY				
MCCLINTOCK	TEMPAZMC				
MESA	MESAAZMA				
MIAMI	MIAMAZMA				
MID RIVERS	PHNXAZMR				
MT LEMMON	TCSNAZML				
MUNDS PARK	MSPKAZMA				
NEW RIVER	NWRVAZMA				
NOGALES MAIN	NGLSAZMA				
NOGALES MIDWAY	NGLSAZMW				
ORACLE	ORCLAZMA				
PAGE	PAGEAZMA				
PALOMINAS	PLMNAZMA				
PATAGONIA	PTGNAZMA				
PAYSON	PYSNAZMA				
PECOS	PHNXAZPP				
PEORIA	PHNXAZPR				
PHOENIX EAST	PHNXAZE				
PHOENIX MAIN	PHNXAZMA				
PHOENIX NORTH	PHNXAZNO				
PHOENIX NORTHEAST	PHNXAZNE				
PHOENIX NORTHWEST	PHNXAZNW				
PHOENIX SOUTH	PHNXAZSO				
PHOENIX SOUTHEAST	PHNXAZSE				
PHOENIX WEST	PHNXAZWE				
PIMA	PIMAAZMA				
PINE	PINEAZMA				
PINNACLE PEAK	PRVYAZPP				
PRESCOTT EAST	PRSCAZEA				
PRESCOTT MAIN	PRSCAZMA				
QUEEN CREEK	HGLYAZQC				
RINCON	TCSNAZRN				

REDACTED

Wire Center	CLI#	Cable 1	Cable 2	Wireless	Resale & Platform
RIO VERDE	FTMDAZNO				
SAFFORD	SFFRAZMA				
SAN MANUEL	SNMNAZMA				
SCOTTSDALE MAIN	SCDLAZMA				
SEDONA MAIN	SEDNAZMA				
SEDONA SOUTH	SEDNAZSO				
SHEA	SCDLAZSH				
SIERRA VISTA MAIN	SRVSAZMA				
SIERRA VISTA NORTH	SRVSAZNO				
SIERRA VISTA SOUTH	SRVSAZSO				
SOMERTON	SMTNAZMA				
ST DAVID	BNSNAZSD				
STANFIELD	STFDAZMA				
SUNNYSLOPE	PHNXAZSY				
SUNRISE	AGFIAZSR				
SUPER EAST	SPRSAZEA				
SUPER MAIN	SPRSAZMA				
SUPER WEST	SPRSAZWE				
SUPERIOR	SPRRAZMA				
TANQUE VERDE	TCSNAZTV				
TEMPE	TEMPAZMA				
THUNDERBIRD	SCDLAZTH				
TOLLESON	TLSNAZMA				
TOMBSTONE	TMBSAZMA				
TONTO CREEK	TNCKAZMA				
TUBAC	TUBCAZMA				
TUCSON EAST	TCSNAZEA				
TUCSON MAIN	TCSNAZMA				
TUCSON NORTH	TCSNAZNO				
TUCSON SOUTH	TCSNAZSO				
TUCSON SOUTHEAST	TCSNAZSE				
TUCSON SOUTHWEST	TCSNAZSW				
TUCSON WEST	TCSNAZWE				
VAIL NORTH	VAILAZNO				
VAIL SOUTH	VAILAZSO				
WELLTON	WLTNAZMA				
WHITE TANKS	WHTKAZMA				
WHITLOW	WHTLAZMA				
WICKENBURG	WCBGAZMA				
WILLCOX	WLCXAZMA				
WILLIAMS	WLMSAZMA				
WINSLOW	WNSLAZMA				
WINTERSBURG	WNBGAZ01				
YARNELL	YRNLAZMA				

REDACTED

Wire Center	CLI#	Cable 1	Cable 2	Wireless	Resale & Platform
YUMA MAIN	YUMAAZMA				
YUMA SOUTHEAST	YUMAAZSE				

REDACTED

Y = Wireless available throughout wire center
Y* = Wireless available throughout most, but not all of wire center
N = No wireless coverage in wire center

Wire Center	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH	AI	TOTAL			
GILBERT																																							
LENDALE																																							
GLOBE																																							
GRAND CANYON																																							
GREEN VALLEY																																							
GREENWAY																																							
HAYDEN																																							
HIGLEY																																							
HUMBOLDT																																							
JOSEPH CITY																																							
KEARNY																																							
LAVEEN																																							
LITCHFIELD PARK																																							
MAMMOTH																																							
MARANA																																							
MARICOPA																																							
MARYVALE																																							
MCCLINTOCK																																							
MESA																																							
MIAMI																																							
MID RIVERS																																							
MT LEMMON																																							
MUNDS PARK																																							
NEW RIVER																																							
NOGALES MAIN																																							
NOGALES MIDWAY																																							
ORACLE																																							
PAGE																																							
PALOMINAS																																							
PATAGONIA																																							
PAYSON																																							
PECOS																																							
PEORIA																																							
PHOENIX EAST																																							
PHOENIX MAIN																																							
PHOENIX NORTH																																							
PHOENIX NORTHEAST																																							
PHOENIX NORTHWEST																																							
PHOENIX SOUTH																																							
PHOENIX SOUTHEAST																																							

REDACTED

*Note: Does not include cable providers and other full facilities-based providers

Wholesale Services Provided by CenturyLink in Arizona - December 2011

Wire Center	CIi8	QPP	RETAIL RESALE	UNBUNDLED LOOP	UNE-P	WHOLESALE RESALE	Grand Total	Number of CLECs
ASHFORK	ASFKAZMA							
BEARDSLEY	BRDSAZMA							
BENSON	BNSNAZMA							
BETHANY WEST	PHNXAZBW							
BISBEE	BISBAZMA							
BLACK CANYON	BLCNAZMA							
BUCKEYE	BCKYAZMA							
CACTUS	PHNXAZCA							
CAMP VERDE	CMVRAZMA							
CASA GRANDE	CSGRAZMA							
CATALINA	TCSNAZCA							
CAVE CREEK	CVCKAZMA							
CHANDLER MAIN	CHNDAZMA							
CHANDLER SOUTH	CHNDAZSO							
CHANDLER WEST	CHNDAZWE							
CHINO VALLEY	CHVYAZMA							
CIRCLE CITY	CRCYAZNM							
COLDWATER	GDYRAZCW							
COOLIDGE	CLDGAZMA							
CORONADO	CRNDAZMA							
CORTARO	TCSNAZCO							
COTTONWOOD MAIN	CTWDAZMA							
COTTONWOOD SOUTH	CTWDAZSO							
CRAYCROFT	TCSNAZCR							
DEER VALLEY NORTH	DRVYAZNO							
DOUGLAS	DGLSAZMA							
DUDLEYVILLE	DDVLAZNM							
ELGIN	PTGNAZEL							
ELOY	ELOYAZ01							
FLAGSTAFF EAST	FLGSAZEA							
FLAGSTAFF MAIN	FLGSAZMA							
FLAGSTAFF SOUTH	FLGSAZSO							
FLORENCE	FLRNAZMA							
FLOWING WELLS	TCSNAZFW							
FOOTHILLS	PHNXAZB1							
FORTUNA	YUMAAZFT							
FT MCDOWELL	FTMDAZMA							
GILA BEND	GLBNAZMA							
GILBERT	MESAAZGI							
GLENDALE	GLDLAZMA							
GLOBE	GLOBAZMA							
GRAND CANYON	GRCNAZMA							
GREEN VALLEY	GNVYAZMA							
GREENWAY	PHNXAZGR							
HAYDEN	HYDNAZMA							
HIGLEY	HGLYAZMA							
HUMBOLDT	HMBLAZMA							
JOSEPH CITY	JSCYAZMA							
KEARNY	KRNYAZMA							
LAVEEN	PHNXAZLV							
LITCHFIELD PARK	LTPKAZMA							
MAMMOTH	MMTHAZMA							
MARANA	MARNAZMA							
MARICOPA	MRCPAZMA							
MARYVALE	PHNXAZMY							
MCCLINTOCK	TEMPAZMC							
MESA	MESAAZMA							
MIAMI	MIAMAZMA							
MID RIVERS	PHNXAZMR							
MT LEMMON	TCSNAZML							
MUNDS PARK	MSPKAZMA							

REDACTED

Wire Center	Class	QPP	RETAIL RESALE	UNBUNDLED LOOP	UNE-P	WHOLESALE RESALE	Grand Total	Number of CLECs
NEW RIVER	NWRVAZMA							
NOGALES MAIN	NGLSAZMA							
NOGALES MIDWAY	NGLSAZMW							
ORACLE	ORCLAZMA							
PAGE	PAGEAZMA							
PALOMINAS	PLMNAZMA							
PATAGONIA	PTGNAZMA							
PAYSON	PYSNAZMA							
PECOS	PHNXAZPP							
PEORIA	PHNXAZPR							
PHOENIX EAST	PHNXAZEA							
PHOENIX MAIN	PHNXAZMA							
PHOENIX NORTH	PHNXAZNO							
PHOENIX NORTHEAST	PHNXAZNE							
PHOENIX NORTHWEST	PHNXAZNW							
PHOENIX SOUTH	PHNXAZSO							
PHOENIX SOUTHEAST	PHNXAZSE							
PHOENIX WEST	PHNXAZWE							
PIMA	PIMAAZMA							
PINE	PINEAZMA							
PINNACLE PEAK	PRVYAZPP							
PRESCOTT EAST	PRSCAZEA							
PRESCOTT MAIN	PRSCAZMA							
QUEEN CREEK	HGLYAZQC							
RINCON	TCSNAZRN							
RIO VERDE	FTMDAZNO							
SAFFORD	SFFRAZMA							
SAN MANUEL	SNMNAZMA							
SCOTTSDALE MAIN	SCDLAZMA							
SEDONA MAIN	SEDNAZMA							
SEDONA SOUTH	SEDNAZSO							
SHEA	SCDLAZSH							
SIERRA VISTA MAIN	SRVSAZMA							
SIERRA VISTA NORTH	SRVSAZNO							
SIERRA VISTA SOUTH	SRVSAZSO							
SOMERTON	SMTNAZMA							
ST DAVID	BNSNAZSD							
STANFIELD	STFDAZMA							
SUNNYSLOPE	PHNXAZSY							
SUNRISE	AGFIAZSR							
SUPER EAST	SPRSAZEA							
SUPER MAIN	SPRSAZMA							
SUPER WEST	SPRSAZWE							
SUPERIOR	SPRRAZMA							
TANQUE VERDE	TCSNAZTV							
TEMPE	TEMPAZMA							
THUNDERBIRD	SCDLAZTH							
TOLLESON	TLSNAZMA							
TOMBSTONE	TMBSAZMA							
TONTO CREEK	TNCKAZMA							
TUBAC	TUBCAZMA							
TUCSON EAST	TCSNAZEA							
TUCSON MAIN	TCSNAZMA							
TUCSON NORTH	TCSNAZNO							
TUCSON SOUTH	TCSNAZSO							
TUCSON SOUTHEAST	TCSNAZSE							
TUCSON SOUTHWEST	TCSNAZSW							
TUCSON WEST	TCSNAZWE							
VAIL NORTH	VAILAZNO							
VAIL SOUTH	VAILAZSO							
WELLTON	WLTNAZMA							
WHITE TANKS	WHTKAZMA							
WICKENBURG	WCBGAZMA							
WILLCOX	WLCXAZMA							

REDACTED

Wire Center	CIIB	QPP	RETAIL RESALE	UNBUNDLED LOOP	UNE-P	WHOLESALE RESALE	Grand Total	Number of CLECs
WILLIAMS	WLMSAZMA							
WINSLOW	WNSLAZMA							
WINTERSBURG	WNBGAZ01							
YARNELL	YRNLAZMA							
YUMA MAIN	YUMAAZMA							
YUMA SOUTHEAST	YUMAAZSE							
Grand Total								

REDACTED

Business Resale, CLSP/QLSP and Unbundled Loops - Arizona - December, 2011

Sum of 12/2011 In-Svc		Channel						
Wire Center	CIIB	OPP	RETAIL RESALE	UNBUNDLED LOOP	UNE-P	WHOLESALE RESALE	QLSP	Grand Total
ASHFORK	ASFKAZMA							
BEARDSLEY	BRDSAZMA							
BENSON	BNSNAZMA							
BETHANY WEST	PHNXAZBW							
BISBEE	BISBAZMA							
BLACK CANYON	BLCNAZMA							
BUCKEYE	BCKVAZMA							
CACTUS	PHNXAZCA							
CAMP VERDE	CMVRAZMA							
CASA GRANDE	CSGRAZMA							
CATALINA	TCSNAZCA							
CAVE CREEK	CVCKAZMA							
CHANDLER MAIN	CHNDAZMA							
CHANDLER SOUTH	CHNDAZSO							
CHANDLER WEST	CHNDAZWE							
CHINO VALLEY	CHVVAZMA							
CIRCLE CITY	CRCYAZNM							
COLDWATER	GDYRAZCW							
COOLIDGE	CLDGAZMA							
CORONADO	CRNDAZMA							
CORTARO	TCSNAZCO							
COTTONWOOD MAIN	CTWDAZMA							
COTTONWOOD SOUTH	CTWDAZSO							
CRAYCROFT	TCSNAZCR							
DEER VALLEY NORTH	DRVVAZNO							
DOUGLAS	DGLSAZMA							
DUDLEYVILLE	DDVLAZNM							
ELGIN	PTGNAZEL							
ELOY	ELOYAZ01							
FLAGSTAFF EAST	FLGSAZEA							
FLAGSTAFF MAIN	FLGSAZMA							
FLAGSTAFF SOUTH	FLGSAZSO							
FLORENCE	FLRNAZMA							
FLOWING WELLS	TCSNAZFW							
FOOTHILLS	PHNXAZB1							
FORTUNA	YUMAAZFT							
FT MCDOWELL	FTMDAZMA							
GILA BEND	GLBNAZMA							
GILBERT	MESAAZGI							
GLENDALE	GLDLAZMA							
GLOBE	GLOBAZMA							
GRAND CANYON	GRCNAZMA							
GREEN VALLEY	GNVVAZMA							
GREENWAY	PHNXAZGR							
HAYDEN	HYDNAZMA							
HIGLEY	HGLVAZMA							
HUMBOLDT	HMBLAZMA							
JOSEPH CITY	JSCYAZMA							
KEARNY	KRNAZMA							
LAVEEN	PHNXAZLV							
LITCHFIELD PARK	LTPKAZMA							
MAMMOTH	MNTHAZMA							
MARANA	MARNAZMA							
MARICOPA	MRCPAZMA							
MARYVALE	PHNXAZMY							
MCCLINTOCK	TEMPAZMC							
MESA	MESAAZMA							
MIAMI	MIAMAZMA							
MID RIVERS	PHNXAZMR							
MT LEMMON	TCSNAZML							
MUNDS PARK	MSPKAZMA							
NEW RIVER	NWRVAZMA							
NOGALES MAIN	NGLSAZMA							
NOGALES MIDWAY	NGLSAZMW							
ORACLE	ORCLAZMA							
PAGE	PAGEAZMA							
PALOMINAS	PLMNAZMA							
PATAGONIA	PTGNAZMA							
PAYSON	PYSNAZMA							
PECOS	PHNXAZPP							
PEORIA	PHNXAZPR							
PHOENIX EAST	PHNXAZEA							
PHOENIX MAIN	PHNXAZMA							
PHOENIX NORTH	PHNXAZNO							

REDACTED

Wire Center	CHB	QPP	RETAIL RESALE	UNBUNDLED LOOP	UNE-P	WHOLESALE RESALE	QLSP	Grand Total
PHOENIX NORTHEAST	PHNXAZNE							
PHOENIX NORTHWEST	PHNXAZNW							
PHOENIX SOUTH	PHNXAZSO							
PHOENIX SOUTHEAST	PHNXAZSE							
PHOENIX WEST	PHNXAZWE							
PIMA	PIMAAZMA							
PINE	PINEAZMA							
PINNACLE PEAK	PRVYAZPP							
PRESCOTT EAST	PRSCAZEA							
PRESCOTT MAIN	PRSCAZMA							
QUEEN CREEK	HGLYAZQC							
RINCON	TCSNAZRN							
RIO VERDE	FTMDAZNO							
SAFFORD	SFFRAZMA							
SAN MANUEL	SNMNAZMA							
SCOTTSDALE MAIN	SCDLAZMA							
SEDONA MAIN	SEDNAZMA							
SEDONA SOUTH	SEDNAZSO							
SHEA	SCDLAZSH							
SIERRA VISTA MAIN	SRVSAZMA							
SIERRA VISTA NORTH	SRVSAZNO							
SIERRA VISTA SOUTH	SRVSAZSO							
SOMERTON	SMTNAZMA							
ST DAVID	BNSNAZSD							
STANFIELD	STFDNAZMA							
SUNNYSLOPE	PHNXAZSY							
SUNRISE	AGFIAZSR							
SUPER EAST	SPRSAZEA							
SUPER MAIN	SPRSNAZMA							
SUPER WEST	SPRSNAZWE							
SUPERIOR	SPRRAZMA							
TANQUE VERDE	TCSNAZTV							
TEMPE	TEMPAZMA							
THUNDERBIRD	SCDLAZTH							
TOLLESON	TLNAZMA							
TOMBSTONE	TMBSAZMA							
TONTO CREEK	TNCKAZMA							
TUBAC	TUBCAZMA							
TUCSON EAST	TCSNAZEA							
TUCSON MAIN	TCSNAZMA							
TUCSON NORTH	TCSNAZNO							
TUCSON SOUTH	TCSNAZSO							
TUCSON SOUTHEAST	TCSNAZSE							
TUCSON SOUTHWEST	TCSNAZSW							
TUCSON WEST	TCSNAZWE							
VAIL NORTH	VAILAZNO							
VAIL SOUTH	VAILAZSO							
WELLTON	WLTNAZMA							
WHITE TANKS	WHTKAZMA							
WICKENBURG	WCBGAZMA							
WILCOX	WLCKAZMA							
WILLIAMS	WLMNAZMA							
WINSLOW	WNSLAZMA							
WINTERSBURG	WNBGAZ01							
YARNELL	YRNLAZMA							
YUMA MAIN	YUMAAZMA							
YUMA SOUTHEAST	YUMAAZSE							
Grand Total								

REDACTED

COMMISSIONERS
GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS



**ARIZONA CORPORATION
COMMISSION**

April 18, 2012

Via E-mail and United States Mail

Norman G. Curtright
CenturyLink
20 East Thomas Road, First Floor
Phoenix, Arizona 85012

Reed Peterson
CenturyLink
20 East Thomas Road, First Floor
Phoenix, Arizona 85012

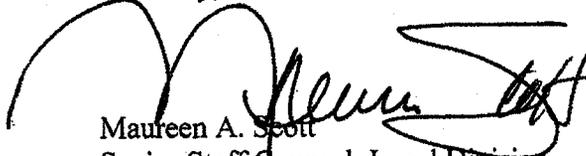
Re: Staff's Responses to CenturyLink's Third Set of Data Requests - Docket No. T-01051B-11-0378

Dear Messrs. Curtright and Peterson:

Enclosed are Staff's responses to CenturyLink's Third Set of Data Requests to the Arizona Corporation Commission Staff in the above-referenced matter.

Please do not hesitate to contact me if you have any questions regarding the attached.

Sincerely,


Maureen A. Scott
Senior Staff Counsel, Legal Division
(602) 542-3402

MAS:klc

Enclosure

**ARIZONA CORPORATION COMMISSION STAFF'S
RESPONSES TO CENTURYLINK'S
THIRD SET OF DATA REQUESTS
DOCKET NO. T-01051B-11-0378
APRIL 18, 2012**

CTL 3.1 Please provide the following information for each competitive telecommunications company certified by the commission in Arizona, as reported in their most recent annual report. For purposes of this question, the term "competitive telecommunications company" means a carrier that is classified by the commission as a Facilities Based Competitive Local Exchange Carrier (CLEC), a Resold Local Exchange Carrier (RLEC), and Interexchange Carrier (IXC) or a Resold Long Distance Company (RLD).

- a. Total Number of Residence Local Exchange Access Lines
- b. Total Number of Residence Local Exchange Carriers
- c. Total Number of Business Local Exchange Access Lines
- d. Total Number of Business Local Exchange Customers
- e. Total Number of Residence Long Distance Customers
- f. Total Number of Business Long Distance Customers
- g. Total Local Exchange Revenue from Arizona Operations
- h. Total Intrastate interexchange revenue from Arizona Operations
- i. The counties in which the carrier is certificated to serve

Response: Staff objects to this request as being overly burdensome. To summarize and provide the information requested by CenturyLink would take considerable time. In addition, Staff objects to this request because the information contained in the annual reports is confidential.

Respondent: Maureen Scott, Legal Division, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007

Changes in CenturyLink Access Lines and Population by Wire Center

Wire Center	CLI#	Residential Access Lines Dec. 2001	Residential Access Lines Dec. 2011	Access Line Gain/loss	% Change	2000 Population	2010 Population	% Population Growth
ASHFORK	ASFKAZMA							
BEARDSLEY	BRDSAZMA							
BENSON	BNSNAZMA							
BETHANY WEST	PHNAZBW							
BISBEE	BISBAZMA							
BLACK CANYON	BLCNAZMA							
BUCKEYE	BCKYAZMA							
CACTUS	PHNAZCA							
CAMP VERDE	CMVRAZMA							
CASA GRANDE	CSGRAZMA							
CATALINA	TCSNAZCA							
CAVE CREEK	CVCKAZMA							
CHANDLER MAIN	CHNDAZMA							
CHANDLER SOUTH	CHNDAZSO							
CHANDLER WEST	CHNDAZWE							
CHINO VALLEY	CHVYAZMA							
CIRCLE CITY	CRCYAZNM							
COLDWATER	GDYRAZCW							
COOLIDGE	CLDGAZMA							
CORONADO	CRNDAZMA							
CORTARO	TCSNAZCO							
COTTONWOOD MAIN	CTWDAZMA							
COTTONWOOD SOUTH	CTWDAZSO							
CRAYCROFT	TCSNAZCR							

REDACTED

Wire Center	CI18	Residential Access Lines Dec. 2001	Residential Access Lines Dec. 2011	Access Line Gain/Loss	% Change	2000 Population	2010 Population	% Population Growth
DEER VALLEY NORTH	DRVYAZNO							
DOUGLAS	DGLSAZMA							
DUDLEYVILLE	DDVLAZNM							
ELGIN	PTGNAZEL							
ELOY	ELOYAZ01							
FLAGSTAFF EAST	FLGSAZEA							
FLAGSTAFF MAIN	FLGSAZMA							
FLAGSTAFF SOUTH	FLGSAZSO							
FLORENCE	FLRNAZMA							
FLOWING WELLS	TCSNAZFW							
FOOTHILLS	PHNXAZ81							
FORTUNA	YUMAAZFT							
FT MCDOWELL	FTMDAZMA							
GILA BEND	GLBNAZMA							
GILBERT	MESAAZGI							
GLENDALE	GLDLAZMA							
GLOBE	GLOBAZMA							
GRAND CANYON	GRCNAZMA							
GREEN VALLEY	GNVYAZMA							
GREENWAY	PHNXAZGR							
HAYDEN	HYDNAZMA							
HIGLEY	HGLYAZMA							
HUMBOLDT	HMBLAZMA							
JOSEPH CITY	JSCYAZMA							
KEARNY	KRNVAZMA							
LAVEN	PHNXAZLV							
LITCHFIELD PARK	LTPKAZMA							

REDACTED

Wire Center	CLI#	Residential Access Lines Dec. 2001	Residential Access Lines Dec. 2011	Access Line Gain/loss	% Change	2000 Population	2010 Population	% Population Growth
MAMMOTH								
MARANA	MMTHAZMA							
MARICOPA	MARNAZMA							
MARYVALE	MRCPAZMA							
MCCLINTOCK	PHNXAZMY							
MESA	TEMPAZMC							
MIAMI	MESAAZMA							
MID RIVERS	MIAMAZMA							
MT LEMMON	PHNXAZMR							
MUNDS PARK	TCSNAZML							
NEW RIVER	MSPKAZMA							
NOGALES MAIN	NWRVAZMA							
NOGALES MIDWAY	NGLSAZMA							
ORACLE	NGLSAZMW							
PAGE	ORCLAZMA							
PALOMINAS	PAGEAZMA							
PATAGONIA	PLMINAZMA							
PAYSON	PTGNAZMA							
PECOS	PYSNAZMA							
PEORIA	PHNXAZPP							
PHOENIX EAST	PHNXAZPR							
PHOENIX MAIN	PHNXAZEA							
PHOENIX NORTH	PHNXAZMA							
PHOENIX NORTHEAST	PHNXAZNO							
PHOENIX NORTHWEST	PHNXAZNE							
PHOENIX SOUTH	PHNXAZNW							
PHOENIX SOUTHEAST	PHNXAZSO							
	PHNXAZSE							

REDACTED

Wire Center	CLI#	Residential Access Lines Dec. 2001	Residential Access Lines Dec. 2011	Access Line Gain/loss	% Change	2000 Population	2010 Population	% Population Growth
TANQUE VERDE	TCSNAZTV							
TEMPE	TEMPAZMA							
THUNDERBIRD	SCDLAZTH							
TOLLESON	TLSNAZMA							
TOMBSTONE	TMBSAZMA							
TONTO CREEK	TNCKAZMA							
TUBAC	TUBCAZMA							
TUCSON EAST	TCSNAZEA							
TUCSON MAIN	TCSNAZMA							
TUCSON NORTH	TCSNAZNO							
TUCSON SOUTH	TCSNAZSO							
TUCSON SOUTHEAST	TCSNAZSE							
TUCSON SOUTHWEST	TCSNAZSW							
TUCSON WEST	TCSNAZWE							
VAIL NORTH	VAILAZNO							
VAIL SOUTH	VAILAZSO							
WELLTON	WLTNAZMA							
WHITE TANKS	WHTKAZMA							
WHITLOW	WHTLAZMA							
WICKENBURG	WCBGAZMA							
WILCOX	WLCXAZMA							
WILLIAMS	WILMSAZMA							
WINSLOW	WNSLAZMA							
WINTERSBURG	WNBGAZ01							
YARNELL	YRNLAZMA							
YUMA MAIN	YUMAAZMA							
YUMA SOUTHEAST	YUMAAZSE							

REDACTED

BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE

Chairman

BOB STUMP

Commissioner

SANDRA D. KENNEDY

Commissioner

PAUL NEWMAN

Commissioner

BRENDA BURNS

Commissioner

**IN THE MATTER OF THE APPLICATION OF
QWEST CORPORATION D/B/A CENTURYLINK-
QC ("CENTURYLINK") TO CLASSIFY AND
REGULATE RETAIL LOCAL EXCHANGE
TELECOMMUNICATIONS SERVICES AS
COMPETITIVE, AND TO CLASSIFY AND
DEREGULATE CERTAIN SERVICES AS NON-
ESSENTIAL**

DOCKET NO. T-01051B-11-0378

REBUTTAL TESTIMONY

OF

JERRY FENN

ON BEHALF OF

CENTURYLINK

APRIL 23, 2012

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1 **I. IDENTIFICATION OF WITNESS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

3 A. My name is Jerry Fenn. My business address is 250 Bell Plaza, Salt Lake City, Utah.

4 **Q. WHAT IS YOUR ROLE AT CENTURYLINK?**

5 A. I am the Regional VP of Public Policy, for eight western states. Those states are Arizona,
6 California, Idaho, Montana, New Mexico, Oregon, Utah, and Washington. In that role, I
7 am responsible, among other things, for compliance with Federal and state
8 telecommunications regulatory requirements.

9 **II. PURPOSE OF TESTIMONY**

10 **Q. WHY ARE YOU OFFERING REBUTTAL TESTIMONY IN ADDITION TO THAT**
11 **OF MR. BRIGHAM?**

12 A. Mr. Brigham's testimony is comprehensive, and he very clearly, capably, and convincingly
13 makes all of the points to show that the Staff Direct testimony filed in opposition to an
14 unqualified grant of our request for competitive classification is not well taken. His
15 testimony is detailed and absolutely correct. However, I want to respond as well. I want to
16 respond with the perspective that CenturyLink's management team has, which is a
17 business-driven, non-technical point of view.

18 As part of my job, I work with the operation team leaders who run the business. Because
19 of that, I have a unique perspective about how CenturyLink's business is affected by
20 competition and by state regulation. It is important for the Commission to hear that
21 perspective.

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III. REBUTTAL OF STAFF

Q. FROM THAT PERSPECTIVE, WHAT IS YOUR REACTION TO THE DIRECT TESTIMONY FILED BY THE COMMISSION STAFF?

A. The Staff's position is very disappointing to me and to the men and women who manage CenturyLink in Arizona. From the start of the discussions I have had about this case, even going back nearly a year ago when I met with the Staff for the first time, I have carried two messages: First, our local business is under extreme competitive pressure. And second, it's unfair that CenturyLink's rates are more onerously and stringently regulated than our competitors are regulated. The Staff position is not adequate on either score.

Q. THE STAFF DIRECT TESTIMONY USES CENTURYLINK-SUPPLIED DATA IN DIFFERENT ANALYTICAL VIEWS TO REACH A DETERMINATION UNDER RULE 1108. WHAT IS YOUR CRITICISM OF THAT?

A. Mr. Brigham has thoroughly addressed the points that the Staff has taken a too narrow view of how our Application for competitive classification should be analyzed under Rule 1108, and that the Staff has misapplied the rule. What I want to point out is that the Staff, by focusing on its selected data sets and analytical devices has missed the big picture. It's a classic case of not being able to see the forest because of the trees.

Q. WHAT WOULD YOU LIKE THE COMMISSION TO UNDERSTAND ABOUT COMPETITION FOR LOCAL TELECOM SERVICES?

A. As I mentioned, I work side-by-side with the people who manage the CenturyLink business in Arizona. I sit in on their strategy meetings, their planning meetings, their operational meetings, and their results reviews meetings. I would like for the Commission to

1 understand, and I am testifying here today, that the effect of competition from Cox and the
2 CLECs, and the effect of competition from new technologies such as voice over internet,
3 and the effect of competition from wireless, is a core consideration in every phase of the
4 business.

5 When I say that competition is at the core of management's daily concerns, that is
6 something which can't be shown on a chart or on a page of numbers on hearing exhibits.
7 You would naturally expect that marketing, pricing, and branding are of course strongly
8 shaped by the competitive forces, and I can promise you that they are indeed. The design
9 of product offers and the rates are constantly evaluated to compete, and you should be able
10 to confirm the intensity of the competition just by reflecting on all of the advertising you
11 see. We are not just talking about rates either. Our installation and service practices are
12 strongly shaped by competitive forces. And, our staffing decisions are very strongly
13 shaped by competitive forces. For the past ten years or so, we have literally lost nearly
14 two-thirds of our access line customers, and almost in direct proportion our workforce has
15 shrunk. All of this has happened while we do our utmost to keep up our proud tradition of
16 public service and good corporate citizenship.

17 While I appreciate Staff's efforts to try to find a solution to the onerous regulatory
18 environment which presently exists, they did not go far enough. I fail to understand how
19 the Staff could reach a conclusion that the market is only "emerging" competitive, given
20 the stark data which has been submitted by CenturyLink and given the other confidential
21 data regarding competition which I assume is available to Staff but not available to
22 CenturyLink.

1 A common sense and practical analysis of the data leads inescapably to the conclusion that
2 there is robust competition in the market for voice services in Arizona and that this market
3 is fully competitive, certainly enough to meet the standards of Rule 1108. As
4 demonstrated, CenturyLink total access lines declined 54% between 2001 and 2010 and, as
5 Mr. Brigham stated in his rebuttal testimony, this trend continues with CenturyLink losing
6 another 10% of its access lines in Arizona in 2011. (Brigham Rebuttal Testimony, p. 15).
7 CenturyLink's access lines are declining because people have competitive alternatives and,
8 unfortunately for our business, are exercising such alternatives. Even casual observers of
9 the Arizona voice market understand that customers are increasingly moving to wireless
10 service and disconnecting their wireline service completely and that cable competition is
11 fierce. Today 30% of former landline customers have cut the cord, there are almost twice
12 as many wireless connections as wireline in Arizona and Cox and other cable providers
13 compete vigorously with CenturyLink in nearly all of its serving area. It is the availability
14 of such competitive choice, where customers can freely move to a competitor, that
15 constrains CenturyLink's market power and prices. The decision makers at CenturyLink
16 make decisions everyday reflecting this fierce competitive marketplace.

17 Yet despite the uncontroverted evidence that CenturyLink's share of the market is
18 declining rapidly because of the success of competitors in taking customers, the Staff still
19 claims that the voice market is not yet competitive. It is incomprehensible to understand,
20 given the loss of nearly two-thirds of our access lines in Arizona, with no indication that
21 this trend might be reversed, how a market could be characterized as "emerging
22 competitive." It is disappointing that the Staff doesn't see that things have deteriorated
23 enough for us to be treated like our competitors. I have to ask the Commission: If you take
24 the Staff's analysis, at what point is decline of this company enough for you?

1 Any concern about consumers being harmed by a grant of our request is misplaced. I can
2 tell you that any fear that we are going to steeply jack up our rates is completely irrational.
3 If we did, more customers would simply walk. Market-based decisions at CenturyLink
4 must and do reflect the reality of a competitive marketplace.

5 **Q. THE STAFF TESTIMONY PROVIDES A NEW CATEGORY CALLED**
6 **“EMERGING COMPETITIVE” AND GIVES CENTURYLINK THREE YEARS OF**
7 **NEW MAXIMUM RATES. DOESN'T THAT GIVE YOU REGULATORY**
8 **TREATMENT EQUAL TO YOUR COMPETITORS?**

9 A. No, the Staff testimony clearly does not offer regulatory parity. First of all, the
10 Commission regulates the rates for wireline companies, and does not regulate the rates of
11 wireless providers or voice over internet providers. The Commission is regulating a
12 steadily decreasing part of the telecom industry. At some point the Commission must
13 come to grips with that fact. Now, however, the Commission can take a stand by deciding
14 that it won't continue to compound the problem by regulating some wireline companies
15 differently from others.

16 The Staff's approach perpetuates the disparate treatment between CenturyLink and Cox (to
17 use the most visible competitor as an example). By tagging CenturyLink as "emerging"
18 competitive, but making us come back after three years to essentially file this case all over
19 again, CenturyLink is being put on probation. The worst part is that if we compete
20 effectively and win more customers than we have now, and Staff conducts the same kind of
21 analysis in three years that it has in this case, the strong possibility exists that such
22 probation would be revoked.

1 It is simply unfair and inequitable to treat CenturyLink in such a manner when our
2 competitors have no such restrictions or constraints placed upon them. Our mantra has
3 been from the beginning that we should not be regulated more onerously than our
4 competitors. The regulatory framework in this State should not exacerbate inequalities in
5 the market place. A level playing field should be created where all competitors can freely
6 compete for customers. The time has come for the Commission to recognize that the
7 market has drastically changed, that competition is robust and that singling out
8 CenturyLink for more onerous regulatory treatment than any other competitor in the
9 marketplace is not justified. Since the Staff proposal does not result in regulatory parity, I
10 urge the Commission to reject it and to grant CenturyLink's Rule 1108 petition in its
11 entirety.

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

13 **A. Yes.**