



# Oregon

John A. Kitzhaber, MD, Governor

## Public Utility Commission

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June 3, 2014

### *Via Electronic Filing and U.S. Mail*

OREGON PUBLIC UTILITY COMMISSION  
ATTENTION: FILING CENTER  
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**RE: Docket No. UM 1354 – In the Matter of QWEST CORPORATION  
Petition for Approval of Price Plan Pursuant to ORS 759.255.**

Enclosed for electronic filing in the above-captioned docket are Staff  
REDACTED Rebuttal Testimony.

*/s/ Kay Barnes*

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c: UM 1354 Service List (parties)

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**PUBLIC UTILITY COMMISSION  
OF OREGON**

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**UM 1354**

**REBUTTAL TESTIMONY OF**

**BRUCE HELLEBUYCK  
MALIA BROCK  
MITCH MOORE**

**In the Matter of  
QWEST CORPORATION  
Petition for Approval of Price Plan Pursuant to  
ORS 759.255.**

**REDACTED  
June 3, 2014**

CASE: UM 1354  
WITNESS: Bruce Hellebuyck

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 500**

**Rebuttal Testimony**

**REDACTED  
June 3, 2014**

**CERTAIN INFORMATION CONTAINED ON  
PAGES 12 AND 37 OF  
STAFF EXHIBIT 500  
ARE CONFIDENTIAL AND SUBJECT TO PROTECTIVE  
ORDER NO. 08-116 IN UM 1354.  
YOU MUST HAVE SIGNED  
APPENDIX B OF THE PROTECTIVE ORDER  
TO RECEIVE THE  
CONFIDENTIAL VERSION  
OF THIS EXHIBIT.**

1 **Q. PLEASE STATE YOUR NAME.**

2 A. My name is Bruce Hellebuyck.

3 **Q. ARE YOU THE SAME BRUCE HELLBUYCK WHO PREVIOUSLY**  
4 **SUBMITTED TESTIMONY IN THIS DOCKET?**

5 A. Yes.

6 **Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?**

7 A. Yes. I prepared Exhibit Staff/501, consisting of 18 pages.

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

9 A. My rebuttal testimony responds to the reply testimony of Mr. John Felz  
10 regarding the petition of Qwest Corporation, dba CenturyLink QC (the  
11 Company) for revision of its price plan in UM 1354. I will also introduce and  
12 summarize the testimony of the other Staff witnesses who are providing  
13 rebuttal testimony in this proceeding. Specifically my testimony is organized  
14 into the following sections:

15 I. Need for pricing safeguards and size of proposed caps

16 In this section of my testimony I will:

17 A. Discuss why Staff continues to believe pricing safeguards, including  
18 price caps, are currently necessary and address the Company's latest  
19 comments regarding the prevalence of competition within the industry;

20 B. Discuss why the Company's commitment to prevent further rate  
21 deaveraging is helpful but not sufficient to address Staff's concerns  
22 regarding potential rate increases;

- 1 C. Discuss the limitations of relying solely on the Commission's ability to  
2 open an investigation as a means of ensuring just and reasonable rates;
- 3 D. Reiterate the reasons for why there is not a downside to implementing  
4 price caps;
- 5 E. Address Mr. Felz's concerns regarding the limitations of the rate  
6 increases allowed under the Oregon Plan, and point to apparent  
7 inconsistencies between the Company's desire to raise rates further than  
8 are allowed under the Oregon Plan and the Company's assertion that  
9 competition will ensure just and reasonable rates, and
- 10 F. Discuss why the passages from the NRRI study referred to by Mr. Felz  
11 can be interpreted as being supportive of the measured and balanced  
12 approach in the Oregon Plan.

13 II. Declines in System Investment and Spending

14 In this section of my testimony I will:

- 15 A. Respond to Mr. Felz's comments regarding my previous graphs and  
16 analysis of the Company's spending trends in recent years;
- 17 B. Discuss Mr. Felz's assertion that the Company's spending should be  
18 analyzed on a per-line (rather than total) basis;
- 19 C. Discuss the extent to which the Company's spending depends on the  
20 number of access lines it serves and how this relationship relates to the  
21 recent decline in the Company's spending; and
- 22 D. Discuss the extent to which the Company's levels of spending on  
23 regulated services alone have changed in recent years.

1     **III. Summary**

2           In this section I will summarize my testimony regarding the Company's need  
3           for price caps as well as Staff's concerns regarding the Company's recent  
4           spending trends.

5     **IV. Staff Recommendations and Conclusions**

6           In this section, I will address why Staff continues to recommend the Oregon  
7           Plan be adopted by the Commission and discuss the conclusions supporting  
8           that recommendation.

9     **Q. PLEASE INTRODUCE THE OTHER STAFF WITNESSES WHO WILL BE**  
10    **PROVIDING REBUTTAL TESTIMONY.**

11    A. The following Staff members will also be providing rebuttal testimony:

12    **A. Ms. Malia Brock – Service Quality**

13           Ms. Brock will:

- 14                   1) Discuss why neither the leniency regarding Commission  
15                   imposition of Performance Plans nor the reporting changes  
16                   requested by the Company comply with the Oregon  
17                   Administrative Rules (OARs) and why adopting them would  
18                   not be good policy;
- 19                   2) Discuss why Qwest's legacy switches will continue to face  
20                   issues related to both software and hardware support and  
21                   discuss Staff's recommendation regarding that issue;

- 1                   3) Discuss why the Company's reply testimony does not lead  
2                   Staff to alter their position that Qwest failed to meet the  
3                   service quality standards during the Current Plan.

4       **B. Mr. Mitch Moore – status of Telecommunication Competition in Oregon**  
5       **and Waivers of Statutes and OARs**

6                   Mr. Moore will:

- 7                   1) Discuss the ways in which the Company has failed to  
8                   substantiate its claim of “ubiquitous” and “pervasive”  
9                   competition in its service territory and reiterate Staff's finding  
10                  that significant portions of Qwest's markets - particularly rural  
11                  residential, small business statewide, and the elderly  
12                  population - have either limited or no alternative to Qwest's  
13                  service; and  
14                  2) Discuss Staff's opposition to Qwest's request for waivers of  
15                  certain statutes and rules.

16  
17       **I. NEED FOR PRICING SAFEGUARDS & SIZE OF PROPOSED CAPS**

18       **Q. DOES STAFF AGREE WITH THE COMPANY'S ASSERTION THAT**  
19       **ADEQUATE CONTROLS EXIST TO ENSURE RATES THAT ARE “JUST**  
20       **AND REASONABLE” WITHOUT PRICE CAPS?**

- 21       A. No. In his testimony, Mr. Felz states that “[t]here are adequate controls in place  
22       to ensure rates remain just and reasonable without rate caps” (CTL/200,  
23       Felz/18, lines26-27). He provides two arguments to support this claim:



- 1           1. “CenturyLink QC faces significant competition to its regulated voice  
2           services from a variety of alternative providers across most of its Oregon  
3           service territory (emphasis supplied) and there is every expectation that  
4           the competition will continue to intensify” (CTL/200, Felz/18, lines 27-30),  
5           and that
- 6           2. “The Commission has the necessary mechanism to review CenturyLink  
7           QC’s rates to ensure they remain just and reasonable” (CTL/200, Felz/19,  
8           lines 7-8).

9           As discussed in further detail below, neither of these potential controls is  
10          sufficient to ensure “just and reasonable” rates.

11          **Q. DOES STAFF AGREE WITH MR. FELZ’S ASSERTION THAT COMPETITION**  
12          **IS SUFFICIENT TO ENSURE “JUST AND REASONABLE” RATES?**

13          A. No. For the reasons detailed by Mr. Moore in his opening testimony, there are  
14          “gaps” and unevenness regarding the availability and viability of  
15          telecommunication alternatives in Oregon. As Mr. Moore will detail in his  
16          testimony, the Company’s reply testimony presents no new information or  
17          arguments which impact Staff’s opinion on that point.

18          In light of those “gaps” and unevenness in competition in Oregon, some  
19          additional pricing constraints, not simply those resulting from competition, must  
20          be placed on the Company’s pricing flexibility.

21          As stated in Staff’s opening testimony, a price plan which simply allows the  
22          Company an unlimited ability to raise prices would not ensure just and

1 reasonable rates and not meet the public interest standard with regard to  
2 prices.

3 While Mr. Felz and Staff are in agreement regarding the fact that there are  
4 CenturyLink QC customers with few or no alternatives, we continue to disagree  
5 on the need for pricing safeguards, such as price caps, for those customers  
6 without access to robust alternatives.

7 **Q. DOES STAFF AGREE WITH MR FELZ’S ASSERTION THAT THE PRICING**  
8 **DISCIPLINE PRESENT IN HIGHLY COMPETITIVE AREAS WILL IMPOSE**  
9 **THE NECESSARY PRICING DISCIPLINE IN LESS COMPETITIVE AREAS?**

10 A. No. Mr. Felz relies on the notion that competition within the industry is  
11 pervasive enough that, when faced with unreasonably high rates, customers  
12 will simply terminate their Qwest service and use a competitor’s services as an  
13 alternative. In this way, Mr. Felz asserts, competition will protect “Oregon  
14 customers from unreasonable rate increases, where ‘unreasonable’ is  
15 determined by the market” (CTL/200, Felz/18, lines 20-21). In a truly  
16 competitive market in which all consumers have access to all alternative  
17 services, Mr. Felz’s assessment of the impacts of market forces would most  
18 likely prove to be accurate. However—as Mr. Felz points out numerous times  
19 throughout his testimony—there are undoubtedly customers within Oregon who  
20 live in areas with limited competition.

21 Mr. Felz states that (CTL/200, Felz 17, lines 13-16):

22 While CenturyLink QC recognizes that there are areas within its Oregon  
23 service territory where customers may have no or few competitive voice  
24 options, the pervasive competition throughout the state provides protections

1 for customers for all areas, *even those with more limited competition*.  
2 (emphasis added)  
3

4 Mr Felz goes on to assert that (CTL/200,Felz 17, lines 22-24):

5 “The discipline provided in the competitive area limits CenturyLink QC’s  
6 market power and constrains its prices throughout the state, *including the*  
7 *areas with more limited competition*”. (emphasis added)  
8

9 Mr Felz provides no explanation as to why that “discipline” would act to limit  
10 prices in areas with less competition, he simply states it to be so.

11 Rather than providing further explanation, Mr Felz goes on to state “This  
12 concept is reinforced” (CTL/200, Felz 17, line 24) by the Company’s  
13 commitment to no further deaveraging for the basic service rates.

14 The Company has not demonstrated that the pricing discipline present in highly  
15 competitive areas will provide the necessary pricing safeguards in less  
16 competitive areas. In addition, as I will discuss later in my testimony, while  
17 refraining from further deaveraging is helpful, it is just one tool in ensuring just  
18 and reasonable rates and will not by itself achieve that goal.

19 **Q. PLEASE COMMENT ON MR. FELZ’S ASSERTION THAT “THERE IS EVERY**  
20 **EXPECTATION THAT THE COMPETITION WILL CONTINUE TO**  
21 **INTENSIFY.”**

22 A. Staff agrees with this statement but the Commission decision in this docket  
23 should not be based on where the Parties believe competition will be at some  
24 undetermined time in the future. The finding should be based on competition  
25 as it exists at the time the price plan is adopted.

1 As we stated in our opening testimony, the plan adopted by the Commission  
2 should be able to accommodate changes as they arise. As outlined in Staff  
3 General Principle 1, Staff believes a measured flexible “evolutionary” approach  
4 is appropriate. As stated in our discussion regarding that General Principle and  
5 pricing safeguards (Staff/100,Hellebuyck/8, lines 1-4):

6 The Commission should take appropriate, measured steps to modify or even  
7 eliminate those mechanisms altogether should competition eventually prove  
8 to be robust and complete enough to provide adequate pricing safeguards for  
9 all Oregonians

10  
11 The fact that there may ultimately be enough competition to do away with  
12 pricing safeguards does not provide the Commission the assurances it needs  
13 today to eliminate those mechanisms as proposed by the Company. There is  
14 no question that the ultimate goal regarding telecommunications services is to  
15 move away from government regulation and toward a natural form of regulation  
16 that is controlled by market forces. However, although competition will likely  
17 increase over time, we have not reached a point at which all pricing safeguards  
18 can be safely eliminated.

19 **Q. WHY IS THE COMPANY’S COMMITMENT TO PREVENT FURTHER**  
20 **GEOGRAPHICAL RATE DEAVERAGING NOT SUFFICIENT TO ENSURE**  
21 **“JUST AND REASONABLE” RATES?**

22 A. Staff has two primary concerns regarding the ability of averaged rates to ensure  
23 just and reasonable prices:

- 1 1. There are potential scenarios under which the commitment to not further  
2 deaverage rates provides no benefit to the customers of primary line basic  
3 service, and  
4 2. The Company has not committed to no deaveraging for any product other than  
5 primary line basic services.

6 **Q. PLEASE COMMENT ON STAFF'S CONCERNS REGARDING SCENARIOS**  
7 **WHICH WOULD NOT BE ADDRESSED BY THE COMPANY'S**  
8 **COMMITMENT TO NOT FURTHER DEAVERAGE RATES FOR BASIC**  
9 **SERVICE.**

10 A. The commitment to not further deaverage rates for basic service provides  
11 potential benefits by imposing the pricing discipline that is present in areas with  
12 pervasive competition onto areas with less competition. If prices for basic  
13 service are low in competitive, primarily urban, areas, then they will be  
14 comparatively low in less competitive, primarily rural, areas as well. However, if  
15 the Company either 1) chooses not to compete for basic service in the urban  
16 areas, or 2) believes there is no real price competition for basic service in the  
17 urban areas, then the prohibition on rate deaveraging for that service will not  
18 protect consumers in the rural areas.

19 As an example of the first issue, the Company may choose to focus its  
20 competitive efforts on packages, rather than basic service, in urban areas. If  
21 that were the case, the Company may not be as concerned about the impacts  
22 of price on its ability to sell basic services. In fact, it may even be motivated to  
23 increase rates for primary line basic service in order to encourage customers

1 (especially those in urban areas) to choose packaged services rather than  
2 basic service alone.

3 As an example of the second issue, the Company may believe there is not  
4 sufficient price competition to deter it from increasing prices for basic service in  
5 highly competitive areas. Mr. Felz's testimony regarding the insufficiency of the  
6 price cap proposed in the Oregon Plan appears to indicate that the Company  
7 does not believe that competition is sufficient in urban areas to impede the  
8 Company's ability to raise basic service prices.

9 In either case described above, basic service rates could be increased not only  
10 in urban areas where customers may have access to many service alternatives,  
11 but also in rural areas where alternatives are not as easily accessible. In  
12 neither case is there a reason to believe that the prohibition on further rate  
13 deaveraging would cause the pricing discipline present in more competitive  
14 areas to provide limits on prices in less competitive areas.

15 **Q. WHY MIGHT THE COMPANY HAVE AN INCENTIVE TO SELL SERVICES IN**  
16 **PACKAGED FORM?**

17 A. Providing services in a packaged form enables the Company to offer attractive  
18 combinations of services for a higher price than it would charge for basic  
19 service alone. As an example, the residential primary line basic service is  
20 priced at \$12.80. The current package available to Qwest's Oregon customers  
21 – Home Phone – is \$35, an increase of 173 percent compared to the basic  
22 service price.

1 If the price of a package is not significantly higher than the price of basic  
2 service, customers may be motivated to purchase these packaged services for  
3 their greater perceived value. Because the Company may have already  
4 invested in the equipment necessary to provide the extra features typically  
5 included with packages, the increased revenue from selling packaged services  
6 is not associated with a correspondingly large increase in costs, making the  
7 sale of packages especially attractive to the Company. Additionally, packages  
8 enable the Company to combine its services in a wide variety of ways,  
9 potentially allowing the Company to differentiate its service offerings from those  
10 of its competitors and thereby compete more effectively in areas with significant  
11 competition.

12 Staff does not view increasing the price of the basic charge to make packages  
13 look more attractive to customers as a public interest benefit. While it may  
14 benefit the Company, enabling such an approach actually detracts from a  
15 plan's ability to meet the public interest standard. As discussed in General  
16 Principle 6, it is important that customers retain access to the unique  
17 combination of affordability and functionality provided by the primary line basic  
18 service.

19 **Q. PLEASE COMMENT ON STAFF'S CONCERNS REGARDING THE**  
20 **COMPANY'S LACK OF A COMMITMENT TO NOT FURTHER DEVERAGE**  
21 **RATES FOR ANY PRODUCT OTHER THAN PRIMARY LINE BASIC**  
22 **SERVICES.**

1 A. Although the Company has agreed not to further geographically deaverage  
2 rates for primary line basic service, it has not made any such commitment for  
3 any of the other products that it offers. As discussed above, the Company uses  
4 the prohibition against further deaveraging as the only concrete example of  
5 what in the Revised Plan may cause competition in highly competitive areas to  
6 discipline Qwest's pricing in areas with limited competition, with regard to basic  
7 service.

8 It's unclear why the Company would not also commit to a prohibition against  
9 further deaveraging for the other services it provides. Instead, the Company  
10 has chosen to apply what it believes to be a useful pricing safeguard to only its  
11 basic service, which represents approximately only ■ percent of its current  
12 revenues.

13 A requirement for no further deaveraging for all services should be incorporated  
14 in any plan adopted by the Commission. That requirement is incorporated in the  
15 Oregon Plan.

16 **Q. DOES STAFF AGREE THAT THE COMMISSION'S ABILITY TO OPEN AN**  
17 **INVESTIGATION OF THE COMPANY'S RATES IS SUFFICIENT TO ENSURE**  
18 **THAT RATES REMAIN "JUST AND REASONABLE"?**

19 A. No. Mr. Felz states that "CenturyLink QC's proposed Price Plan retained the  
20 existing provisions related to the Commission's ability to open an investigation  
21 of the price plan at any time...as a result, the Commission has the necessary  
22 mechanism to review CenturyLink QC's rates to ensure they remain just and  
23 reasonable" (CTL/200, Felz/19, lines 2-8). Although the Revised Plan does



1 allow the Commission to retain its ability to open an investigation of the Price  
2 Plan, this puts the Commission in a reactionary position with regard to ensuring  
3 “just and reasonable” rates. Under the provisions laid out in the Revised Plan,  
4 the Commission would be required to be constantly “on the defensive,” able to  
5 investigate the Company’s rates only *after* unjust or unreasonable rates have  
6 gone into effect. In the interest of ensuring that consumers are treated fairly, a  
7 more effective alternative would be to ensure that unjust or unreasonable rates  
8 never go into effect in the first place. The best way to do this is to implement  
9 pricing safeguards, including price caps which would allow the Company to  
10 change its rates at will, but would act to ensure rates stay within what the  
11 Commission considers to be reasonable levels.

12 **Q. PLEASE SUMMARIZE THE ARGUMENTS THAT MR. FELZ PRESENTS TO**  
13 **SUPPORT HIS ASSERTION THAT THE COMPANY REQUIRES RATE**  
14 **INCREASES GREATER THAN THOSE ALLOWED FOR IN STAFF’S**  
15 **PROPOSED “OREGON PLAN” FOR THE BASIC RESIDENTIAL SERVICE.**

16 A. Mr. Felz cites three pieces of information to support his argument:

- 17 1. “CenturyLink QC’s basic residential service rates have not been increased  
18 since 2002 and are the second lowest in comparison to rates in other states  
19 in the former Qwest operating areas” (CTL/200, Felz/19, lines 19-21).
- 20 2. “CenturyLink QC is experiencing reductions to its support received from the  
21 Oregon Universal Service Fund (OUSF)” (CTL/200, Felz/19, lines 23-24).
- 22 3. “The FCC announced that the local ‘rate floor’ would be set at \$20.46”  
23 (CTL/200, Felz/20, lines 7-8), but “39 of the 66 CenturyLink QC Oregon

1 exchanges would not reach the \$20.46 cap with application of the \$3  
2 increase proposed in Staff's Oregon Plan" (CTL/200, Felz/20, lines 12-13).

3 I will address each of these arguments below.

4 **Q. DOES STAFF AGREE WITH MR. FELZ'S ASSERTION THAT THE FACT**  
5 **THAT THE COMPANY'S BASIC RESIDENTIAL SERVICE RATES HAVE**  
6 **NOT INCREASED SINCE 2002 JUSTIFIES A LARGER CAP FOR THAT**  
7 **SERVICE?**

8 A. No. Staff is aware of the fact that the Company's basic residential service rate  
9 has not increased since 2002. Staff cited the fact that the change in that rate  
10 has been less than the change in inflation since 2002 as an indication that the  
11 price plan is working. The level of change contained in the Oregon Plan (\$3)  
12 represents an increase of more than 23 percent in the price for that service.  
13 Under the Current Plan, the Company had the ability to petition to remove the  
14 cap for the basic residential service on the fourth anniversary of the plan -  
15 August 14, 2012 or over 21 months ago. The Company could have requested  
16 rates effective from that petition effective on the fifth anniversary of the plan -  
17 August 14, 2013, or over 9 months ago. That the fact that the Company has  
18 volunteered not to raise prices during the majority of the Current Plan nor  
19 utilized its full pricing flexibility in the past is not a valid reason for requiring  
20 unlimited pricing flexibility in the future.

21 **Q. DOES STAFF AGREE THAT A COMPARISON OF THE COMPANY'S**  
22 **OREGON RATES TO ITS RATES IN OTHER STATES IS A VALID**

1           **MEASURE FOR DETERMINING THE COMPANY’S REQUIRED PRICING**  
2           **FLEXIBILITY?**

3           A. No. Rates in Oregon should be determined based on the needs and  
4           circumstances that exist within Oregon; each state has its own unique size,  
5           population, and geography and the rates to be charged in each state should be  
6           determined independently of circumstances that may exist in other states. The  
7           fact that the Company’s Oregon rates are low compared to its rates in other  
8           states is not a valid reason for requiring unlimited pricing flexibility in Oregon.

9           **Q. DOES STAFF’S PROPOSED “OREGON PLAN” PROVIDE SAFEGUARDS**  
10           **TO ADDRESS MR. FELZ’S CONCERNS REGARDING REDUCTIONS TO**  
11           **THE COMPANY’S OREGON UNIVERSAL SERVICE FUND (OUSF)**  
12           **SUPPORT?**

13           A. Yes. Section II.L of the Oregon Plan addresses “Exogenous change  
14           adjustments” and allows the Company to “petition the Commission for  
15           adjustments to the price cap for any service provided under the Price Plan to  
16           reflect factors outside CenturyLink QC’s control which will have a material  
17           impact on the Company.” This includes changes in law, rule, or tax structure as  
18           a result of legislative, judicial, or administrative agency action. Under the  
19           Oregon Plan, the Company would have the ability to petition for changes in the  
20           price cap to reflect adjustment to OUSF support. Gaining the Commission’s  
21           approval of that petition would be driven by the Company’s ability to show that  
22           the costs were both material and beyond the Company’s control.

1 **Q. PLEASE DISCUSS THE APPLICABILITY OF THE FCC RATE FLOOR AS A**  
2 **BENCHMARK FOR DETERMINING OREGON RATES.**

3 A. In support of his argument for the Company's need to raise rates, Mr. Felz  
4 makes the point that, although the Company is not directly impacted by the  
5 FCC's implementation of a rate floor, this rate floor is nevertheless "a national  
6 benchmark local rate that can be used for comparability to determine a  
7 reasonable level for Oregon" (CTL/200, Felz/20, lines 22-24). As Mr. Felz  
8 makes clear in his testimony, as "CenturyLink QC does not receive federal high  
9 cost loop or high cost model support for Oregon," the FCC's rate floor is not  
10 applicable to the Company (CTL/200, Felz/20, lines 20-21).

11 Aside from this fact, the FCC benchmark is simply not relevant for the purpose  
12 of setting rates in Oregon; the purpose of the benchmark is to ensure the  
13 proper distribution of federal universal service funds, which is unrelated to the  
14 determination of "just and reasonable" rates.

15 **Q. WHAT DOES STAFF BELIEVE THE COMPANY'S REFERENCE TO THE**  
16 **\$20.46 FCC RATE FLOOR IMPLIES REGARDING THE COMPANY'S**  
17 **INTENT TO RAISE PRICES FOR PRIMARY LINE RESIDENTIAL SERVICE?**

18 A. Staff believes that the Company's use of the FCC rate floor as a benchmark  
19 implies that the Company intends to raise rates by a sufficient amount to reach  
20 the \$20.46 rate. As Mr. Felz points out, a number of the Company's Oregon  
21 exchanges are currently well below this rate, so an increase to this amount  
22 would represent a significant increase in rates in many cases. The Company's  
23 apparent intention to increase rates to this extent contradicts its claims that the

1 “significant competition” faced by the Company is sufficient to constrain its  
2 ability to increase prices significantly. If the Company is both able and willing to  
3 raise rates to these levels, the competitive forces faced by the Company are  
4 not strong enough to impact the Company’s ability to increase rates.

5 **Q. PLEASE ADDRESS MR. FELZ’S CONCERNS REGARDING THE OREGON**  
6 **PLAN’S FAILURE TO ALLOW THE COMPANY TO REACH THE FCC**  
7 **LOCAL RATE FLOOR OF \$20.46 IN EACH OF ITS OREGON EXCHANGES.**

8 A. The FCC rate floor is simply not a relevant metric for determining appropriate  
9 rates for the Company. However, even when used as a guideline against which  
10 Oregon can be compared, it is well within the scope of the increases allowed  
11 under the Oregon Plan. As Mr. Felz states, “the FCC initially established an  
12 effective date of July 1, 2014” for a new proposed rate floor of \$20.46  
13 (CTL/200, Felz/20, lines 11-12). However, at its April 23, 2014 open meeting,  
14 the FCC announced that the implementation of rate floor increases would be  
15 delayed, with an initial increase to \$16 beginning January, 2015. Based on  
16 these new developments, the \$2 increase allowed for under Staff’s proposed  
17 Oregon Plan would enable the Company to meet the \$16 FCC rate floors in  
18 every Oregon exchange (see Exhibit Staff/500/Hellebuyck/1-2). Should further  
19 changes be made to the FCC floor, the Company will have the opportunity to  
20 address those changes through the exogenous change adjustment which is  
21 included in the Oregon Plan and discussed earlier in my testimony.

1 **Q. DOES STAFF AGREE WITH MR. FELZ'S ASSERTIONS REGARDING THE**  
2 **NEED FOR THE REAMINDER OF THE PRICE CAPS PRESENT IN THE**  
3 **OREGON PLAN?**

4 A. No. Regarding the other caps, Mr. Felz asserts "the competitive marketplace will  
5 provide appropriate discipline on the company's pricing activities for these  
6 services, and arbitrarily established price caps are therefore unnecessary"  
7 (CTL/200, Felz/21, lines 22-24). As is discussed in the rebuttal testimony of Mr.  
8 Moore, Mr. Felz provides no new arguments or information to cause Staff to  
9 believe that competition alone will provide the necessary pricing safeguards for  
10 these services.

11 **Q. PLEASE COMMENT ON MR. FELZ'S ASSERTION THAT THE OREGON**  
12 **PLAN ACTUALLY REDUCES THE COMPANY'S PRICING FLEXIBILITY IN**  
13 **CERTAIN AREAS.**

14 A. Regarding the "Other Retail Services" category, Mr. Felz states that "Staff's  
15 proposed Oregon Plan actually reduces the pricing flexibility provided in  
16 CenturyLink QC's current Price Plan"( CTL/200, Felz/21, lines 24-26). He goes  
17 on to explain that "The current Price Plan allows for an annual increase of 50  
18 percent not to exceed to 200 percent in a five-year period, but the Oregon Plan  
19 reduces that flexibility to 25 percent annually" (CTL/200, Felz/21, lines 26-28).  
20 While the current Price Plan does indeed limit the Company's ability to increase  
21 prices to 200 percent cumulatively over a five-year period, the Oregon Plan has  
22 no such limitation. The 25 percent annual increase allowed under the Oregon  
23 Plan equates to a cumulative five-year increase of slightly more than 200

1 percent. Limiting the Company's allowable increases to 25 percent annually  
2 achieves the same result by the end of the five year period as the rolling 200  
3 percent cap under Current Plan, but simplifies the process by avoiding the  
4 necessity to continuously monitor the Company's rate increase to ensure that  
5 they do not exceed the 200 percent rolling cap. Again, although the Company  
6 has not applied the maximum increases available to it in the past, the  
7 Company's desire to raise rates by more than 200 percent in a five-year span  
8 implies that competitive forces will not be sufficient to compel the Company to  
9 keep rates within reasonable levels. This inconsistency between the  
10 Company's desire to raise prices and its assertion that competition will ensure  
11 just and reasonable rates is present in its discussion of many of the prices for  
12 its services.

13 **Q. HAS THE COMPANY DEMONSTRATED THAT THE EXISTENCE OF PRICE**  
14 **CAPS WOULD CAUSE HARM TO THE COMPANY?**

15 A. No. The only harm pricing safeguards could cause the Company would result  
16 from preventing price increases above the level reflected in reasonably set  
17 safeguards. This scenario would only be possible if competition actually  
18 causes little or no meaningful limits on pricing (i.e., that competitive alternatives  
19 would place no effective limits on the Company's ability to raise prices absent  
20 the safeguards).

21 Staff is confounded by the Company's assertion that limiting the Company's  
22 prices for services would somehow make the Company less competitive in  
23 providing those services.

1 In data request Staff 39, Staff asked the Company to “*describe how increasing*  
2 *prices for any specific product or service will make the Company’s offering of*  
3 *that specific product or service more competitive*” (see Exhibit  
4 Staff/501/Hellebuyck/3). The Company provided the response below:

5 The existing price caps for residential and business access line rates  
6 are applicable only to CenturyLink and not to other competitors in the  
7 marketplace. These pricing constraints limit CenturyLink’s ability to  
8 create compelling value propositions for its customers and to price its  
9 services to respond to its competitors. *CenturyLink believes that*  
10 *additional pricing flexibility will allow the company the ability to more*  
11 *effectively respond to competitor offerings, and retain or win-back*  
12 *customers and associated revenues.* (emphasis added)

13  
14 In other words, the Company appears to be arguing that the ability to raise  
15 prices will somehow enable it to retain or attract customers. However, the  
16 Company appears to be unable to explain how this would hold true for any  
17 product or service that it offers.

18 Limiting the Company’s ability to raise prices does not make it less competitive.

19 **Q. PLEASE COMMENT ON THE APPARENT INCONSISTENCY BETWEEN THE**  
20 **COMPANY’S ASSERTION THAT COMPETITION WILL CONTROL PRICES**  
21 **AND ITS ASSERTION THAT PRICE CAPS WOULD BE OVERLY-**  
22 **RESTRICTIVE TO THE COMPANY.**

23 A. Despite the Company’s arguments that competitive forces will ensure that  
24 prices remain within “just and reasonable” levels, the Company has provided  
25 sufficient evidence, in the form of opposition to reasonable caps, to indicate that  
26 it intends to increase its rates significantly if given the opportunity. Below is a



1 summary of the potential pricing flexibility allowed under the Oregon Plan for  
2 various services:

3 1. Primary Line Basic service

4 a. Residential: 23 percent potential increase over 5 years

5 b. Business: 15 percent potential increase over 5 years

6 2. Other services: 25 potential increase annually

7 3. DS1: 10 percent potential increase annually

8 4. ISDN-PRS : 10 percent potential increase annually

9 Although these proposed caps clearly allow for significant rate increases, the  
10 Company has argued that they should be eliminated altogether. This argument  
11 contradicts the Company's assertions that competition will restrain the extent to  
12 which the Company is able to increase rates. If competition were truly sufficient  
13 to ensure that rates remain at "just and reasonable" levels, the Company would  
14 not require the unlimited pricing flexibility that it is proposing. On the other  
15 hand, if the reason the Company requires unlimited pricing flexibility is so that it  
16 can dramatically increase rates, then price caps are necessary. Although the  
17 Company has not utilized all of the pricing flexibility that has been available to it  
18 under the current Price Plan, Staff cannot be certain that competition alone will  
19 provide sufficient controls to prevent the Company from increasing rates above  
20 "just and reasonable" levels.

21 **Q. HOW CAN THE PASSAGES FROM THE NRRI STUDY REFERRED TO BY**  
22 **MR. FELZ BE INTERPRETED AS BEING SUPPORTIVE OF THE**  
23 **MEASURED APPROACH PROPOSED IN THE OREGON PLAN?**

1 A. The NRRI study cited by Mr. Felz states that “[i]t is too early to judge accurately  
2 the long-term effects of deregulation on carriers and consumers” (CTL/200,  
3 Felz/22, lines 14-15). Staff agrees with this notion wholeheartedly, as General  
4 Principal 1 states that a “measured, ‘evolutionary’ approach is appropriate” for  
5 the purpose of making the transition to eliminate state regulation entirely.  
6 Especially when considering the fact that conditions in Oregon are unique and  
7 cannot be measured against conditions in other states, too little is currently  
8 known about the potential effects of deregulation to eliminate pricing  
9 safeguards in Oregon. The new competitive landscape for telecommunications  
10 services is still developing in Oregon and regulation should be reduced  
11 gradually to accommodate this development. While some states have not yet  
12 experienced any negative effects from deregulation, some states—such as  
13 California—have experienced extreme rate increases following deregulation. A  
14 measured approach to deregulation would ensure the protection of customers  
15 during this period of transformation as the competitive landscape in Oregon  
16 continues to develop and the long-term effects of deregulation in other states  
17 becomes clearer.

## 18 **II. ANALYSIS OF DECLINES IN SPENDING**

19 **Q. DID THE COMPANY RESPOND TO STAFF’S CONCERNS RELATING TO**  
20 **THE COMPANY’S DECLINING LEVELS OF INVESTMENT AND**  
21 **EXPENSES?**

1 A. Yes. In his testimony, Mr. Felz asserts that the Company's declining levels of  
2 spending are not indicative of obsolescence and provides four arguments to  
3 support this assertion. These arguments are summarized below:

- 4 1. Because the Company's customer base is declining, an analysis of  
5 its spending should be conducted on a per-line (rather than total)  
6 basis.
- 7 2. Improvements in technology, productivity, and automation have  
8 enabled the Company to achieve lower costs, which has caused  
9 spending to decline.
- 10 3. The decline in the Company's depreciation expense is the result of  
11 changes made to the Company's depreciation rates in 2006.
- 12 4. Some expense categories that were included in my previous analysis  
13 of the Company's operating expenses are not related to network or  
14 customer service operations and should not be analyzed for this  
15 purpose.

16 I will discuss each of these arguments below.

17 **Q. DOES STAFF AGREE WITH MR. FELZ'S ASSERTION THAT AN ANALYSIS**  
18 **OF THE COMPANY'S SPENDING SHOULD BE CONDUCTED ON A PER-**  
19 **ACCESS LINE BASIS.**

20 A. No. My previous testimony included an analysis showing that the Company's  
21 total operating expenses, capital addition expenditures, and depreciation and  
22 amortization expense have all declined between 2003 and 2013. With regard to  
23 this decline in spending, Mr. Felz asserts that "a more appropriate analysis of

1 capital additions and operating expenses would consider the trend in these  
2 costs on a per access line basis” (CTL/200, Felz/6, lines 12-14). Mr. Felz states  
3 that the Company’s “significant loss of customers means that the company has  
4 fewer trouble reports to respond to” and “fewer service orders to fulfill”  
5 (CTL/200, Felz/6, lines 8-9).

6 In response to Staff Request No. 140A the Company states (see Exhibit  
7 Staff/501/Hellebuyck/4):

8 Access lines are an appropriate basis for analyzing capital additions and  
9 operating expenses because they are a primary driver of these costs. An  
10 analysis of capital additions and operating expenses on an access line basis  
11 captures the cost causation relationship either directly or indirectly.

12 All these statements reflect a belief that the Company’s operating expenses  
13 and capital additions vary directly with access lines. Staff does not share this  
14 belief. An analysis of such information on a per-access line basis leads to a  
15 fundamentally skewed interpretation of the Company’s spending trends.

16 Because many of the costs associated with providing service do not vary in  
17 proportion to changes in the number of access lines being served, presenting  
18 this information on a per-line rather than total basis artificially inflates the  
19 amounts attributable to each individual access line. Staff believes Mr. Felz’s  
20 assertion is incorrect because:

- 21 1. It ignores the physical reality regarding serving customers who stay on the  
22 system,  
23
- 24 2. Reviewing costs on a per-line basis produces results which are inconsistent  
25 with a Company operating in a declining cost business (as asserted by Mr.

1 Felz) and the actions of a company who is struggling to find adequate cash  
2 to fund operations,

3 3. An assumption that costs are variable is inconsistent with one of the  
4 Company's primary stated rationales for its need to raise prices – to  
5 “ameliorate the revenue loss associated with access line loss” (Petition p.6).

6 **Q. PLEASE COMMENT ON WHY THE COMPANY'S COSTS MAY NOT VARY**  
7 **SIGNIFICANTLY IN PROPORTION TO THE NUMBER OF LINES BEING**  
8 **SERVED AND THE LIMITATIONS OF PER-LINE MEASUREMENTS.**

9 A. A significant portion of the Company's costs are not variable—the Company  
10 would need to continue make certain capital and operating expenditures to its  
11 backbone system regardless of whether or not the number of customers being  
12 served declines. When a customer terminates service with the Company, much  
13 of the equipment necessary to provide service to that customer has already  
14 been put in place and the Company therefore does not experience a significant  
15 decline in costs upon termination of the customer's service. There may be  
16 some degree of variability but the variability is not absolute as Mr. Felz implies.  
17 An example may be helpful. I, like Ms. Hunnicutt, am a current Qwest  
18 customer. I live in a cul-de-sac with three homes. Qwest's Portland central  
19 office, which my calls are routed through, is approximately 6 miles from my  
20 house. If my two neighbors previously took service from Qwest and then  
21 terminated that service with the Company and switched to a different provider,  
22 according to Mr. Felz's logic, the Company's cost to provide service to my  
23 house would be one third the cost the Company incurred when it served all

1 three homes in the cul-de-sac. Given that the vast majority of the system still  
2 required to complete my call would remain in place (e.g., the equipment on the  
3 route to the central office), it seems unlikely that the cost would be one-third of  
4 the cost incurred when all three homes in the cul-de-sac took service. The  
5 majority of the structures (all but the drops to the homes) required to serve all  
6 three customers remain in place.

7 There may be some degree of variability in the cost but it is not absolute as  
8 implied by Mr. Felz's recommendation to review expenditures on a cost per-line  
9 basis.

10 **Q. WHAT PORTION OF THE COMPANY'S COSTS ACTUALLY DO VARY IN**  
11 **PROPORTION TO THE NUMBER OF ACCESS LINES BEING SERVED?**

12 A. Relating to his assertion that the Company's spending has decreased due to  
13 the Company's "significant loss of customers" (CTL/200, Felz/6, line 8), Mr.  
14 Felz states that "it is an unreasonable expectation that a company would  
15 continue to direct the same level of resources as if it were experiencing no  
16 changes in demand" (CTL/200, Felz/6, lines 10-12). In order to determine the  
17 extent to which the Company's spending on these resources depends on the  
18 number of lines being served, Staff asked the Company in a series of data  
19 requests to estimate the portion of plant specific expenses, provisioning and  
20 network operating expenses, customer operations expenses, and capital  
21 addition expenditures "that varied in proportion to changes in the number of  
22 access lines" between 2003 and 2013 in Staff Requests 144B, 146B, 148B,  
23 and 150B (see Exhibit Staff/501/Hellebuyck/5-8). In response to this question

1 in all four areas, the Company offered the following statement: “No such  
2 estimate was developed in the preparation of Mr. Felz’ testimony.” Although the  
3 Company is unable to estimate its variable costs, a significant portion of the  
4 Company’s costs associated with operating expenses and capital additions is  
5 not variable.

6 **Q. PLEASE EXPLAIN WHY THE RESULTS OF A COST PER-LINE ANALYSIS**  
7 **ARE INCONSISTENT WITH MR. FELZ’S ASSERTIONS REGARDING**  
8 **IMPROVEMENTS WHICH HAVE LOWERED COST**

9 A. The graph below in Figure 1 shows the spending for three expense categories  
10 – Plant specific, Provisioning and Network operations, and Customer  
11 operations, as well as capital expenditures on a per-line basis. The operating  
12 expenses reflect Mr. Felz’s recommendations regarding the exclusion of certain  
13 operating expenses from Staff’s review (see CTL/200, Felz/7, lines 5-31 and  
14 CTL/200, Felz/8, lines 1-4). The amounts shown on the graph also reflect the  
15 removal of non-regulated expenditures provided in responses to Staff Request  
16 No.s 143, 145, 147 and 149 (see Exhibit Staff/501/Hellebuyck/9-16).

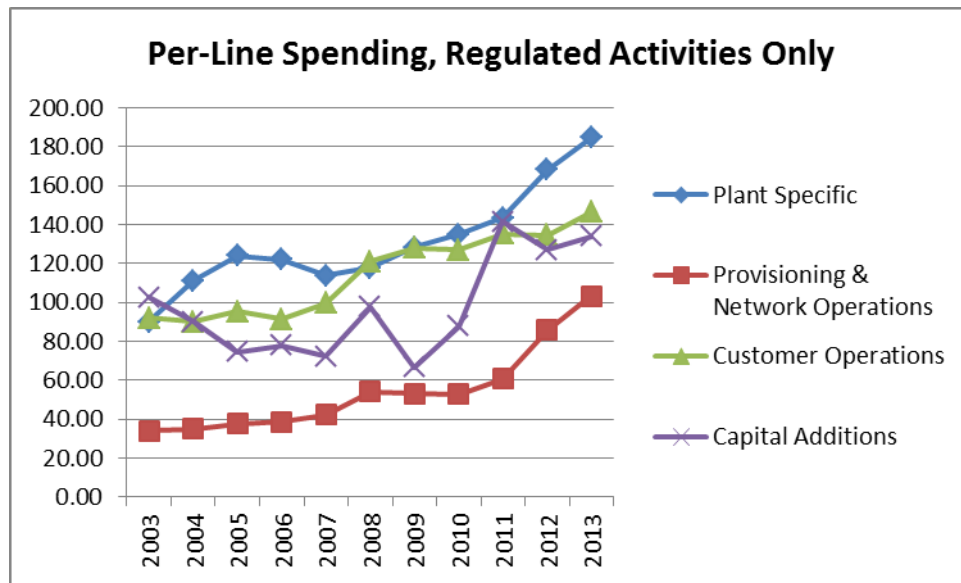


Figure 1

As can be seen on that graph, expenditures in each category make it look like the Company's spending is increasing dramatically.

The result is inconsistent with Mr Felz's assertion regarding the fact that my "analysis does not consider the extent to which improvements in technology, productivity and automation may have positively impacted capital additions and operating expenses, resulting in lower costs" (see CTL/200, Felz/5, lines 22-24). I will address that assertion specifically later in my testimony.

The result is also inconsistent with the actions of a company who indicated their debt levels may be impacting their ability to fund operations in their 2013 Form 10-K;

(p.29) Risks Affecting Liquidity and Capital Resources

Our significant levels of debt can adversely affect us in several aspects including... limiting the amount of cash available for *future operations* (emphasis added), acquisitions, dividends, stock repurchases or other uses;



1 The results of the per-line analysis do not reflect the physical realities and  
2 produce nonsensical results given the prior two points.

3 **Q. PLEASE EXPLAIN WHY AN ASSUMPTION THAT COSTS TO SERVE**  
4 **ACCESS LINES ARE VARIABLE IS INCONSISTENT WITH THE**  
5 **COMPANY'S STATED NEED FOR PRICING INCREASES IN THE PETITION.**

6 A. The Company states as the rationale for requiring increased pricing flexibility:

7 To meet this robust and ubiquitous competition and to ensure the company  
8 has *the ability to ameliorate the revenue loss associated with access line loss*  
9 (emphasis added), it is imperative that CenturyLink QC be granted the  
10 additional pricing and regulatory flexibility as reflected in its proposed revised  
11 price plan in Exhibit A (Petition p.6).

12 Simply put, if costs vary directly with access lines there would be no need for  
13 the Company to “ameliorate the revenue loss associated with access line loss.”  
14 The revenue lost from losing access lines would be offset by the reduction in  
15 the costs of serving those customers. If that is the case, the Company needs to  
16 explain why it needs to raise prices at all. As discussed earlier, the Company  
17 has provided no information regarding how raising prices “makes the Company  
18 more competitive.” If the Commission accepts the Company’s arguments  
19 regarding the variability of costs then it should also deny the Company’s  
20 request regarding for the ability to raise prices.

21 **Q. PLEASE COMMENT ON MR. FELZ'S ASSERTION THAT “IMPROVEMENTS**  
22 **IN TECHNOLOGY, PRODUCTIVITY AND AUTOMATION” HAVE**  
23 **CONTRIBUTED TO THE COMPANY'S DECLINE IN SPENDING.**

24 A. In his testimony, Mr. Felz states that “[i]mprovements in technology, productivity  
25 and automation can result in efficiencies and be a driver for cost reductions”  
26

1 (CTL/200, Felz/6, lines 19-20) and that my previous analysis “does not consider  
2 the impact to which these efficiencies discussed here may have contributed to  
3 the highlighted trend” of decreased spending (CTL/200, Felz/6, lines 23-24).  
4 For the purpose of conducting a new analysis that takes these efficiencies into  
5 account, Staff asked the Company in a data request to “quantify the impact  
6 those efficiencies had” on the Company’s capital addition expenditures and  
7 operating expenses for each year between 2003 and 2013 in Staff Requests  
8 141A & 141B (see Exhibit Staff/501/17). The Company’s response to both  
9 questions is reproduced below:

10 CenturyLink QC objects to this request on the grounds that it would require  
11 a special study. In addition, it is overly broad, unduly burdensome, and is  
12 not reasonably calculated to lead to the discovery of relevant information. .  
13

14 Because the Company is unable to estimate the extent to which these  
15 efficiencies resulted in cost reductions, Staff can find no evidence to support  
16 the notion that they contributed significantly to the decline in the Company’s  
17 spending.

18 **Q. PLEASE COMMENT ON MR. FELZ’S ASSERTION THAT THE DECLINE IN**  
19 **ANNUAL DEPRECIATION EXPENSE BETWEEN 2003 AND 2013 IS NOT**  
20 **INDICATIVE OF OBSOLESCENCE.**

21 A. Mr. Felz states that “the reductions in depreciation expense during the period  
22 analyzed by Mr. Hellebuyck are largely the result of depreciation rate changes  
23 and not a reflection of obsolescence as suggested by Mr. Hellebuyck”  
24 (CTL/200, Felz/7, lines 1-3). Public companies are required to disclose any  
25 material changes to accounting procedures during the year in the financial

1 statements that they submit annually to the Securities and Exchange  
2 Commission. While the Form 10-K of Qwest Corporation for the year ended  
3 December 31, 2006 makes no mention of changes in depreciation rates, it does  
4 provide the following disclosure pertaining to the company's depreciation  
5 expense:

6 Depreciation expense decreased in 2006 **due to lower capital**  
7 **expenditures** (emphasis supplied) and the changing mix of our  
8 investment in property, plant and equipment since 2002. If our capital  
9 investment program remains approximately the same and there are no  
10 significant decreases in our estimates of the useful lives of assets, we  
11 expect that our year-over-year depreciation expense will continue to  
12 decrease.

13  
14 Although Qwest's 10-K applies to all 14 states in which the Company provides  
15 service and therefore does not address Oregon operations specifically, this  
16 disclosure clearly states that the 2006 decrease in depreciation expense was  
17 attributable to a decrease in capital expenditures.

18 **Q. DID THE COMPANY PROVIDE OTHER INFORMATION REGARDING**  
19 **CHANGES TO ITS DEPRECIATION RATES?**

20 A. Yes. In response to Staff Request 142, which asked the Company to "provide  
21 a description of and rationale for the change in depreciation rates implemented  
22 in 2006," the Company submitted information indicating that the changes to the  
23 Company's depreciation rates "were related to the company's efforts to move  
24 regulated FCC depreciation processes closer to GAAP processes." (See  
25 Exhibit Staff/501/Hellebuyck/18). While the Company did indeed make  
26 changes to its depreciation rates, the depreciation disclosure from the

1 Company's 2006 10-K (discussed above) reflects an inconsistency in the  
2 Company's argument, as it indicates that the depreciation changes resulted  
3 from a decline in capital expenditures. Therefore, Staff still has concerns that  
4 the Company's decline in annual depreciation expense may be indicative of a  
5 decline in spending on capital additions.

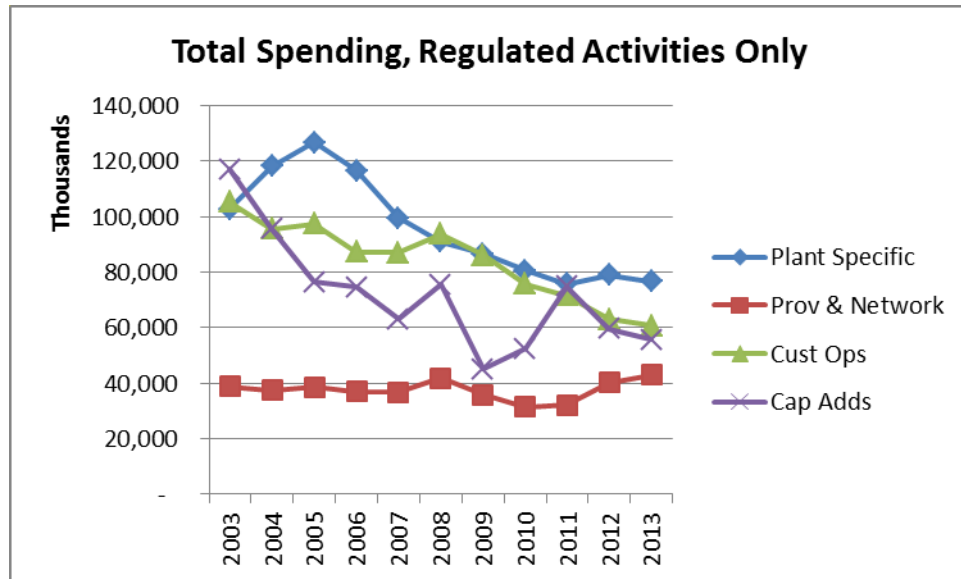
6 **Q. DID THE COMPANY PROVIDE AN ALTERNATIVE TO STAFF'S APPROACH**  
7 **FOR ANALYZING THE COMPANY'S DECLINING SPENDING ON**  
8 **OPERATING EXPENSES?**

9 A. Yes. Figure 1 in my opening testimony (Staff /100, Hellebuyck 18, lines 11-12)  
10 reflects information provided by the Company in response to Staff Data  
11 Requests 111 through 113. In his reply testimony regarding that graph, Mr. Felz  
12 suggested some items should be eliminated because they are not related to  
13 "network or customer service." Specifically, Mr. Felz presents three types of  
14 expenses for consideration: plant specific expenses, provisioning and network  
15 operations expenses, and customer operations expenses.

16 **Q. HAS STAFF MADE OTHER CHANGES IN THE NUMBERS IN THE ABOVE**  
17 **GRAPH TO REMOVE EXPENDITURES ATTRIBUTABLE TO NON-**  
18 **REGULATED SERVICES?**

19 A. Yes. The graph in Figure 2 below shows the analysis provided in my opening  
20 testimony revised to exclude non-regulated expenditures and to reflect the  
21 adjustments suggested by Mr. Felz. Staff has removed non-regulated  
22 expenditures as its concern regarding the Company's spending is confined to  
23 the Company's regulated operations. The graph below also reflects the

1 suggestions made by Mr. Felz regarding the exclusion of certain cost items as  
2 discussed above.



3  
4 **Figure 2**

5 **Q. DOES THE INFORMATION SHOWN IN THE REVISED GRAPH IN FIGURE 2**  
6 **ALLAY STAFF'S PREVIOUSLY STATED CONCERNS REGARDING THE**  
7 **COMPANY'S SYSTEM EXPENDITURES?**

8 A. No. To the contrary, the revised information, in combination with the information  
9 Ms. Brock will discuss regarding the obsolescence of the Company's  
10 equipment, elevates Staff's concerns. Even when considering only the costs  
11 that relate to regulated network or customer service operations as Mr. Felz  
12 suggests, the Company's spending has declined. Regarding this graph  
13 specifically:

- 14 1. Plant specific expenses – noted by Mr Felz to “include the bulk of the costs  
15 most directly tied to maintenance and operation of the Company's network”

1 (see CTL/200,Felz/8, lines 12-13) declined by more than 25 percent  
2 between 2003 and 2013.

3 2. Customer Operations expense declined by more than 42 percent over the  
4 period analyzed.

5 3. Capital Additions declined by more than 52 percent over the period  
6 analyzed.

7 Although spending in these areas appears to have increased when viewed a  
8 per-line basis, it is more appropriate to analyze the Company's total spending in  
9 these areas for reasons discussed above.

### 10 **III. SUMMARY**

#### 11 **Q. PLEASE PROVIDE A BRIEF SUMMARY OF YOUR TESTIMONY**

12 A. The price caps proposed in the Oregon Plan are necessary to ensure just and  
13 reasonable rates. The implementation of these price caps would enable the  
14 Company significant upward pricing flexibility while also providing necessary  
15 pricing protection for those customers without robust competitive alternatives.  
16 Although competition within the telecommunications industry is increasing in  
17 Oregon, Mr. Moore has demonstrated it has not yet reached a level at which it  
18 can be solely relied upon to ensure pricing protections. Furthermore, the  
19 Company's commitment to not deaverage rates any further is not sufficient to  
20 protect customers, particularly in rural areas. Finally, although the Revised Plan  
21 does allow the Commission to retain its ability to open an investigation of the  
22 Price Plan, this puts the Commission in a reactionary position with regard to  
23 ensuring just and reasonable rates.

1 Despite the Company's assertions that competition will keep rates low, its push  
2 for an unlimited ability to increase rates combined with its apparent intentions to  
3 increase rates if given the opportunity, only emphasizes the need for price  
4 caps.

5 With regard to system investment, when considering only the Company's  
6 regulated activities that relate specifically to network or customer service  
7 operations, the Company's total spending has declined significantly in the last  
8 decade. Although the Company's spending in these areas appears to have  
9 increased when viewed on a per-line basis, a significant portion of the  
10 Company's costs do not vary directly with access lines and presenting this  
11 information on a per-line basis can be misleading. The Company has attempted  
12 to explain its declining spending by citing its declining customer base and  
13 "improvements in technology," but Staff is still concerned that the Company  
14 may not be making the necessary investments in its system.

#### 15 **IV. STAFF RECOMMENDATIONS AND CONCLUSIONS**

##### 16 **Q. PLEASE SUMMARIZE STAFF'S GENERAL RECOMMENDATIONS AND** 17 **CONCLUSIONS.**

18 A. Staff's rebuttal testimony has responded to the testimonies of Mr. Felz and Ms.  
19 Hunnicutt regarding issues related to pricing flexibility, service quality,  
20 competition, pricing flexibility, and the waiver of statutes and rules.

21 The issues raised have not lead Staff to alter the recommendations it made in  
22 its opening testimony - that that the Commission adopt the Oregon Plan.

1 The Commission has been presented with two very different options for  
2 consideration.

3 Staff's approach – the Oregon Plan, reduces regulation in a sensible manner  
4 which allows the Company increased pricing flexibility but also provides pricing  
5 and service quality safeguards should competition not prove to be robust  
6 enough in the near term to constrain pricing and ensure high quality service.

7 Staff's approach produces a "win/win" situation for both customers and the  
8 Company. There is no harm to either the customers or the Company if, in fact,  
9 competition is very robust. If competition is not robust, there is no harm to  
10 either customers or the Company. In the latter case, the pricing and service  
11 quality safeguards in the Oregon Plan would ensure both just and reasonable  
12 rates and high quality service.

13 Qwest's approach, in sharp contrast, essentially deregulates the Company's  
14 prices. It also severely diminishes the Commission's ability to monitor service  
15 quality issues which may come with increased competition.

16 Qwest's approach does produce a "win/win" situation for the Company, but the  
17 outcome for customers is entirely dependent on the level of competition. If  
18 competition is very robust, customers will enjoy the fruits of that competition  
19 and *pay the same rates and enjoy the same service quality they would*  
20 *experience under the Oregon Plan.* If competition is truly as robust and  
21 pervasive as the Company asserts, the caps will prove to be unnecessary and  
22 will impact neither the Company nor customers. If competition is not robust,



1 customer's prices may increase significantly and service quality may deteriorate  
2 rapidly.

3 The Oregon Plan is the only plan being considered that meets the public  
4 interest standard contained in ORS.759.255 and achieves the Commission's  
5 mission of ensuring safe and reliable service at just and reasonable rates while  
6 fostering the use of competitive markets to achieve these objectives.

7 **Q. PLEASE SUMMARIZE STAFF'S RECOMMENDATIONS AND**  
8 **CONCLUSIONS REGARDING SERVICE QUALITY ISSUES.**

9 A. Ms. Brock responded to a number of assertions regarding service quality  
10 reporting and the Company's performance under the Current Plan. None of  
11 those assertions led Staff to alter their recommendations or conclusions  
12 regarding service quality issues in this docket.

13 Staff continues to recommend the current service reporting regime be  
14 continued. Staff also recommends the Performance Plan leniency in the  
15 Current Plan be discontinued and that the Company be allowed to petition for  
16 exemption from service quality reporting in the event its service quality  
17 performance meets the related requirements. Each of these recommendations  
18 is contained in the Oregon Plan.

19 The three primary conclusions resulting in those recommendations have also  
20 not been altered. First, Ms. Brock concludes the Company failed to meet the  
21 service quality objectives set out in the Current Plan. Second, Ms. Brock  
22 concludes that the Company faces obsolescence and serviceability issues with  
23 ■ percent of the Company's central office switches and approximately ■

1 percent of the Company's pair gain systems. Third, Staff concludes that the  
2 Company's investment in its system has declined over the last decade.

3 The Company's data responses regarding the obsolescence issue have caused  
4 Staff to consider a recommendation for later consideration outside this docket.

5 The Company has not shown that the transition to IP will address all, or  
6 even the majority, of the obsolescence issues addressed by Ms. Brock.

7 Staff believes an investigation addressing the transition to IP across the  
8 industry in Oregon may be appropriate at a future time.

9 Although that information would be gathered in a separate proceeding, Staff  
10 believes the uncertainties regarding the transition to IP provide additional  
11 support for the adoption of the service quality provisions in the Oregon Plan.

12 **Q. PLEASE SUMMARIZE STAFF'S RECOMMENDATIONS AND**  
13 **CONCLUSIONS REGARDING COMPETITION ISSUES.**

14 A. Mr. Moore responded to a number of assertions regarding the current state of  
15 competition for telecommunication services in Oregon. None of those  
16 assertions led Mr. Moore to alter his recommendations or conclusions.

17 Staff concludes that there are "gaps" and unevenness regarding the availability  
18 and viability of telecommunication alternatives in Oregon. Staff's  
19 recommendations regarding the need for the pricing and service quality  
20 safeguards contained in the Oregon Plan are largely driven by that conclusion  
21 and the corollary that competition in Oregon is currently not robust enough to  
22 ensure either just and reasonable prices or high quality service.

1     **Q. PLEASE SUMMARIZE STAFF’S RECOMMENDATIONS AND**  
2     **CONCLUSIONS REGARDING WAIVERS OF STATUTES AND RULES.**

3     A. Mr. Moore responded to a number of assertions regarding the Company’s  
4     request for the waiver of statutes and rules. None of those assertions led Mr.  
5     Moore to alter his recommendations or conclusions. Mr. Moore did clarify  
6     Staff’s position regarding the waiver of ORS 759.135 related to depreciation  
7     accounts.

8     With that clarification, Staff continues to believe the waivers reflected in the  
9     Oregon Plan represent an appropriate balance between competition and the  
10    need for regulation and will act to further simplify regulation.

11    **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

12    A. Yes.

CASE: UM 1354  
WITNESS: BRUCE HELLEBUYCK

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 501**

**Exhibits in Support  
Of Rebuttal Testimony**

**June 3, 2014**

Analysis of FCC \$16.00 Local Rate Floor  
Based on Staff's Oregon Plan Allowed Rate Increases

Exchange	1FR Rate	EAS Res	Total Res Rate	Oregon Plan Increase	Total	Total Plus OUSF Surcharge	Amount Exceeding \$16.00	FCC Local \$16.00 Rate Floor Reached?
Albany	\$12.80	\$2.34	\$15.14	\$3.00	\$18.14	\$19.68	\$3.68	Y
Ashland	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	\$3.53	Y
Astoria	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Athena-Weston	\$14.80	\$1.28	\$16.08	\$3.00	\$19.08	\$20.70	\$4.70	Y
Baker City	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Bend	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Blue River	\$14.80	\$2.20	\$17.00	\$3.00	\$20.00	\$21.70	\$5.70	Y
Burlington	\$13.80	\$4.97	\$18.77	\$3.00	\$21.77	\$23.62	\$7.62	Y
Camp Sherman	\$14.80	\$2.20	\$17.00	\$3.00	\$20.00	\$21.70	\$5.70	Y
Cannon Beach	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	\$3.62	Y
Central Point	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	\$3.53	Y
Corvallis	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Cottage Grove	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Culver	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Dallas	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	\$3.53	Y
Eugene-Springfield	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Falls City	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Florence	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Gold Hill	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Grants Pass	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	\$3.53	Y
Harrisburg (incl. in Junction City)	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Hermiston	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Independence-Monmouth	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	\$3.53	Y
Jacksonville	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Jefferson	\$13.80	\$3.33	\$17.13	\$3.00	\$20.13	\$21.84	\$5.84	Y
Junction City	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Klamath Falls	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Lake Oswego	\$12.80	\$4.97	\$17.77	\$3.00	\$20.77	\$22.54	\$6.54	Y
Lapine	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Leaburg	\$14.80	\$2.20	\$17.00	\$3.00	\$20.00	\$21.70	\$5.70	Y
Lowell	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Madras	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Mapleton	\$14.80	\$1.28	\$16.08	\$3.00	\$19.08	\$20.70	\$4.70	Y
Marcola	\$14.80	\$2.20	\$17.00	\$3.00	\$20.00	\$21.70	\$5.70	Y
Medford	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	\$3.53	Y
Milton-Freewater	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	\$3.62	Y
Newport	\$12.80	\$1.42	\$14.22	\$3.00	\$17.22	\$18.68	\$2.68	Y
North Plains	\$13.80	\$4.97	\$18.77	\$3.00	\$21.77	\$23.62	\$7.62	Y
Nyssa	\$13.80	\$0.60	\$14.40	\$3.00	\$17.40	\$18.88	\$2.88	Y
Oak Grove-Milwaukie	\$12.80	\$4.97	\$17.77	\$3.00	\$20.77	\$22.54	\$6.54	Y
Oakland-Sutherlin	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	\$3.62	Y
Oakridge	\$14.80	\$2.20	\$17.00	\$3.00	\$20.00	\$21.70	\$5.70	Y
Ontario	\$12.80	\$0.95	\$13.75	\$3.00	\$16.75	\$18.17	\$2.17	Y
Oregon City	\$12.80	\$4.97	\$17.77	\$3.00	\$20.77	\$22.54	\$6.54	Y
Oregon Slope	\$14.80	\$0.95	\$15.75	\$3.00	\$18.75	\$20.34	\$4.34	Y
Pendleton	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Phoenix-Talent	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	\$3.53	Y
Portland	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	\$3.53	Y
Prineville	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Rainier	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	\$3.62	Y

Analysis of FCC \$16.00 Local Rate Floor  
Based on Staff's Oregon Plan Allowed Rate Increases

Exchange	1FR Rate	EAS Res	Total Res Rate	Oregon Plan Increase	Total	Total Plus OUSF Surcharge	Amount Exceeding \$16.00	FCC Local \$16.00 Rate Floor Reached?
Redmond	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	\$3.53	Y
Rogue River	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Roseburg	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Salem	\$12.80	\$1.33	\$14.13	\$3.00	\$17.13	\$18.59	\$2.59	Y
Seaside	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Siletz	\$14.80	\$1.73	\$16.53	\$3.00	\$19.53	\$21.19	\$5.19	Y
Sisters	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
St. Helens	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Stanfield	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	\$3.62	Y
Stateline, OR (incl. in Milton-Freewater)	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	\$3.62	Y
Sumpter (included in Baker City)	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Toledo	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	\$3.62	Y
Umatilla	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	\$3.62	Y
Vale	\$14.80	\$1.10	\$15.90	\$3.00	\$18.90	\$20.51	\$4.51	Y
Veneta	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	\$4.62	Y
Warrenton	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	\$2.53	Y
Westport	\$14.80	\$1.28	\$16.08	\$3.00	\$19.08	\$20.70	\$4.70	Y
Woodburn-Hubbard	\$12.80	\$4.97	\$17.77	\$3.00	\$20.77	\$22.54	\$6.54	Y

OREGON  
Docket No. UM 1354  
Response to PUC Staff Data Request  
Respondent: John Felz  
Response Date: June 27, 2013

**Data Request PUC STAFF No. 39**

Page 5 of the Petition includes the following statement:

“To meet this robust and ubiquitous competition and to ensure the company has the ability to ameliorate the revenue losses associated with access line loss, it is imperative that CenturyLink QC be granted the additional pricing and regulatory flexibility as reflected in its revised price plan in Exhibit A”

A. Please describe how the ability to increase prices in general allows the Company to “meet this robust and ubiquitous competition.” Does the Company believe that the ability to increase prices is a more or less effective tool for addressing increases in competition than the ability to decrease prices?

B. Please describe how increasing prices for any specific product or service will make the Company’s offering of that specific product or service more competitive.

C. Please elaborate on the Company’s need for “the ability to ameliorate the revenue losses associated with access line loss.” To what extent, if any, is this need driven by the impact of those revenue losses on the earnings of the Company’s Oregon operations?

**RESPONSE:**

A. The existing price caps for residential and business access line rates are applicable only to CenturyLink and not to other competitors in the marketplace. These pricing constraints limit CenturyLink’s ability to create compelling value propositions for its customers and to price its services to respond to its competitors. CenturyLink believes that additional pricing flexibility will allow the company the ability to more effectively respond to competitor offerings, and retain or win-back customers and associated revenues.

B. See response to A.

C. See response to A.

Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 140  
Respondent: John Felz  
Response Date: May 14, 2014

**STAFF-140**

Felz statement in CTL/200, Felz/6, lines 10 – 14, asserts "It is an unreasonable expectation that a Company would continue to direct the same level of resources as if it were experiencing no change in demand. A more appropriate analysis of capital additions and operating expenses would consider the trend in these costs on a per access line basis." Regarding that assertion:

- A. Please describe why a review of capital additions and operating expenses on a cost per line basis would be more appropriate than a review of total costs for determining whether or not the Company's expenditures have declined over the period 2003 to 2013 in response to a change to a more competitive environment.
- B. Please provide an estimate of the portion of the Company's capital addition expenditures for the period 2003 to 2013 (by year) that varied in proportion to changes in the number of access lines.
- C. Please provide an estimate of the portion of the Company's operating expenses for the period 2003 to 2013 (by year) that varied in proportion to changes in the number of access lines.

Please provide all studies, analyses, or assumptions used in developing responses B. and C.

**RESPONSE:**

- A. Access lines are an appropriate basis for analyzing capital additions and operating expenses because they are a primary driver of these costs. An analysis of capital additions and operating expenses on an access lines basis captures the cost causation relationship, either directly or indirectly. It is a measure that has wide acceptance by the FCC and state regulators.
- B. No such estimate was developed in the preparation of Mr. Felz' testimony. The data and analysis of capital additions in relation to access lines was presented in Exhibit CTL/205.
- C. No such estimate was developed in the preparation of Mr. Felz' testimony. The data and analysis of operating expenses in relation to access lines was presented in Exhibit CTL/205.



Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 144  
Respondent: John Felz  
Response Date: May 14, 2014

**STAFF-144**

Mr. Felz states "CenturyLink QC has increased spending on plant related expenses by 127.9% on a per-line basis when comparing 2013 with 2003" (CTL/200, Felz/8, lines 16-17).

- A. Please explain why a review of plant specific expenses a cost per line basis would be more informative than a review of those expenses on a total expense basis for determining whether or not the Company's expenditures related to this item have declined over the period 2003 to 2013 in response to a change to a more competitive environment.
- B. Please provide an estimate of the portion of the Company's plant specific expenses for the period 2003 to 2013 (by year) that varied in proportion to changes in the number of access lines.
- C. Please provide all studies, analyses, or assumptions used in developing responses A. and B.

Please describe how this increase in spending on a per line basis is consistent with the factors that, according to Mr. Felz, may have positively impacted operating expenses, resulting in lower costs (CTL/200, Felz 5, lines 22-24).

**RESPONSE:**

- A. Please see response to Staff 140A.
- B. No such estimate was developed in the preparation of Mr. Felz' testimony.
- C. The data and analysis of plant specific expenses in relation to access lines was presented in Exhibit CTL/205.

The concept of increased per line costs that takes into account CenturyLink QC's declining access line counts is not inconsistent with the concept of lower costs that may result from improvements in technology, productivity and automation. The fact that the two concepts have opposite effects is not indicative of one invalidating the other.

Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 146  
Respondent: John Felz  
Response Date: May 14, 2014

**STAFF-146**

Mr. Felz states that "CenturyLink QC has increased spending on provisioning and network operations expenses by 171.4% on a per line basis when comparing 2013 with 2003" (CTL/200, Felz/8, lines 22-24).

- A. Please describe why a review of provisioning and network operating expenses on a cost per line basis would be more informative than a review of those expenses on a total expense basis for determining whether or not the Company's expenditures related to this item have declined over the period 2003 to 2013 in response to a change to a more competitive environment.
- B. Please provide an estimate of the portion of the Company's provisioning and network operating expenses for the period 2003 to 2013 (by year) that varied in proportion to changes in the number of access lines.
- C. Please provide all studies, analyses, or assumptions used in developing responses A. and B.

Please describe how this increase in spending on a per line basis is consistent with the factors that, according to Mr. Felz, may have positively impacted operating expenses, resulting in lower costs (CTL/200, Felz 5, lines 22-24).

**RESPONSE:**

- A. Please see response to Staff 140A.
- B. No such estimate was developed in the preparation of Mr. Felz' testimony.
- C. The data and analysis of provisioning and network operations expenses in relation to access lines was presented in Exhibit CTL/205.

The concept of increased per line costs that takes into account CenturyLink QC's declining access line counts is not inconsistent with the concept of lower costs that may result from improvements in technology, productivity and automation. The fact that the two concepts have opposite effects is not indicative of one invalidating the other.

Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 148  
Respondent: John Felz  
Response Date: May 14, 2014

**STAFF-148**

Mr. Felz states "... CenturyLink QC has increased spending on customer operations expenses by 59.7% on a per line basis when comparing 2013 with 2003" (CTL/200, Felz/8, lines 28-30).

- A. Please describe why a review of customer operations expenses on a cost per line basis would be more informative than a review of those expenses on a total expense basis for determining whether or not the Company's expenditures related to this item have declined over the period 2003 to 2013 in response to a change to a more competitive environment.
- B. Please provide an estimate of the portion of the Company's customer operations expenses for the period 2003 to 2013 (by year) that varied in proportion to changes in the number of access lines.
- C. Please provide all studies, analyses, or assumptions used in developing responses A. and B.

Please describe how this increase in spending on a per line basis is consistent with the factors that, according to Mr. Felz, may have positively impacted operating expenses, resulting in lower costs (CTL/200, Felz 5, lines 22-24).

**RESPONSE:**

- A. Please see response to Staff 140A.
- B. No such estimate was developed in the preparation of Mr. Felz' testimony.
- C. The data and analysis of customer operations expenses in relation to access lines was presented in Exhibit CTL/205.

The concept of increased per line costs that takes into account CenturyLink QC's declining access line counts is not inconsistent with the concept of lower costs that may result from improvements in technology, productivity and automation. The fact that the two concepts have opposite effects is not indicative of one invalidating the other.

Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 150  
Respondent: John Felz  
Response Date: May 14, 2014

**STAFF-150**

Mr. Felz states "When comparing 2013 capital additions on a per access line basis to the same measure from 2003, CenturyLink QC's spending actually increased by nearly 30%" (CTL/200, Felz/9, lines 5-7).

- A. Please describe why a review of capital additions per line basis would be more informative than a review of capital additions on a total basis for determining whether or not the Company's capital additions have declined over the period 2003 to 2013 in response to a change to a more competitive environment.
- B. Please provide an estimate of the portion of the Company's capital additions for the period 2003 to 2013 (by year) that varied in proportion to changes in the number of access lines.
- C. Please provide all studies, analyses, or assumptions used in developing responses A. and B.
- D. Please describe how this increase in spending on a per line basis is consistent with the factors that, according to Mr. Felz, may have positively impacted capital additions, resulting in lower costs (CTL/200, Felz 5, lines 22-24).

**RESPONSE:**

- A. Please see response to Staff 140A.
- B. No such estimate was developed in the preparation of Mr. Felz' testimony.
- C. The data and analysis of capital additions in relation to access lines was presented in Exhibit CTL/205.
- D. The concept of increased capital spending per line that takes into account CenturyLink QC's declining access line counts is not inconsistent with the concept of lower costs that may result from improvements in technology, productivity and automation. The fact that the two concepts have opposite effects is not indicative of one invalidating the other.

Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 143  
Respondent: John Felz  
Response Date: May 14, 2014

**STAFF-143**

Mr. Felz states plant specific expenses have "declined by only 17% during the period from 2003 to 2013" (CTL/200, Felz/8, lines 13-14). The support for this statement is found on Exhibit CTL/205.

Please provide the portion of "Plant Specific Expenses" for each year shown on CTL/205 that is related to non-regulated services (e.g., DSL). Please also list each non-regulated service.

**RESPONSE:**

Please see Attachment A for the portion of Plant Specific Expenses for 2003–2013 that are related to non-regulated FCC Part 64 services. Please note that DSL is an interstate service and is not included in the non-regulated expenses shown.

Please see Attachment B which provides a copy of Section 2 of the 2008 FCC Cost Allocation Manual for a list of the non-regulated services.

Qwest Corporation dba CenturyLink QC

Oregon  
Docket UM1354  
Staff Data Request 143  
Attachment A

Oregon Plant Specific Expenses	Total Booked (CTL/205)	Nonregulated Part 64
2003	113,404,359	10,720,963
2004	131,608,454	13,371,473
2005	139,093,526	12,401,824
2006	129,034,152	12,512,486
2007	110,011,350	10,574,604
2008	100,595,824	9,513,789
2009	95,489,059	8,941,911
2010	89,747,240	8,109,875
2011	82,937,762	7,206,678
2012	96,397,584	17,426,985
2013	94,081,095	17,346,454

Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 145  
Respondent: John Felz  
Response Date: May 14, 2014

**STAFF-145**

Mr. Felz states provisioning and network operations expenses have "declined by only 1.2 % during the period from 2003 to 2013" (CTL/200, Felz/8, lines 19-20). This detail supporting this statement is found on Exhibit CTL/205. Please provide the portion of "Provisioning/Network Ops" for each year shown on CTL/205 that is related to non-regulated services (e.g., DSL). Please also list each non-regulated service.

**RESPONSE:**

Please see Attachment A for the portion of Provisioning/Network Operations Expenses for 2003 – 2013 that are related to non-regulated FCC Part 64 services. Please note that DSL is an interstate service and is not included in the non-regulated expenses shown.

Please see Attachment B of the response to Staff data request 143 for a list of the non-regulated services.

Qwest Corporation dba CenturyLink QC

Oregon  
Docket UM1354  
Staff Data Request 145  
Attachment A

Oregon Provisioning/Network Ops	Total Booked (CTL/205)	Nonregulated Part 64
2003	45,409,711	6,445,196
2004	44,900,802	7,498,825
2005	43,091,442	4,531,216
2006	41,128,032	4,129,082
2007	40,758,014	3,897,031
2008	45,743,154	3,855,454
2009	39,079,912	3,220,804
2010	33,906,001	2,322,434
2011	33,988,037	1,827,975
2012	42,444,152	2,101,409
2013	44,858,164	1,921,176



Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 147  
Respondent: John Felz  
Response Date: May 14, 2014

**STAFF-147**

Mr. Felz states customer operations expenses have "declined by 41.9% during the period from 2003 to 2013" (CTL/200, Felz/8, line 26). This detail supporting this statement is found on Exhibit CTL/205. Please provide the portion of "Customer Ops Expense" for each year shown on CTL/205 that is related to non-regulated services (e.g., DSL). Please also list each non-regulated service.

**RESPONSE:**

Please see Attachment A for the portion of Customer Operations expenses for 2003 – 2013 that are related to non-regulated FCC Part 64 services. Please note that DSL is an interstate service and is not included in the non-regulated expenses shown.

Please see Attachment B of the response to Staff data request 143 for a list of the non-regulated services.

Qwest Corporation dba CenturyLink QC

Oregon  
Docket UM1354  
Staff Data Request 147  
Attachment A

Oregon Customer Ops Expense	Total Booked (CTL/205)	Nonregulated Part 64
2003	123,356,895	18,119,726
2004	116,109,627	20,500,069
2005	116,436,146	18,980,057
2006	112,456,943	25,216,984
2007	109,052,787	21,959,577
2008	112,541,848	18,832,010
2009	103,159,847	16,936,949
2010	89,426,381	13,613,259
2011	82,649,108	11,127,171
2012	74,411,138	11,291,101
2013	71,696,494	10,877,346

Oregon  
Docket No: UM 1354  
Response to Staff Data Request No: 149  
Respondent: John Felz  
Response Date: May 14, 2014

**STAFF-149**

Please provide the portion of "Capital Additions" for each year shown on CTL/205 that is related to non-regulated services (e.g., DSL).

**RESPONSE:**

Please see Attachment A for the portion of capital additions for 2003 – 2013 that are related to non-regulated FCC Part 64 services. Please note that DSL is an interstate service and is not included in the non-regulated capital additions shown.

Qwest Corporation dba CenturyLink QC

Oregon  
Docket UM1354  
Staff Data Request 149  
Attachment A

Oregon

	Total Booked (CTL/205)	Nonregulated Part 64
2003	118,091,927	1,070,558
2004	96,625,725	979,437
2005	77,076,105	706,402
2006	75,012,124	465,187
2007	63,472,510	355,832
2008	75,745,105	240,188
2009	45,259,777	211,938
2010	52,997,918	599,843
2011	75,321,710	489,117
2012	59,675,710	60,130
2013	55,749,192	43,571

Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 141  
Respondent: John Felz  
Response Date: May 14, 2014

**STAFF-141**

Felz (CTL/200, Felz/6, lines 23-24) asserts that Mr. Hellebuyck's analysis "does not consider the impact to which the efficiencies discussed here may have contributed to the highlighted trend". Regarding that assertion:

- A. Please quantify the impact those efficiencies had on the Company's capital addition expenditures for each year for the period 2003 to 2013.
- B. Please quantify the impact those efficiencies had on the Company's operating expenses for each year the period 2003 to 2013.
- C. Please provide all studies, analyses, or assumptions used in developing responses A. and B.

**RESPONSE:**

- A. CenturyLink QC objects to this request on the grounds that it would require a special study. In addition, it is overly broad, unduly burdensome, and is not reasonably calculated to lead to the discovery of relevant information.
- B. CenturyLink QC objects to this request on the grounds that it would require a special study. In addition it is overly broad, unduly burdensome, and is not reasonably calculated to lead to the discovery of relevant information.
- C. Not applicable.

Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 142  
Respondent: John Felz  
Response Date: May 14, 2014

**STAFF-142**

Felz (CTL/200, Felz/6, lines 28-30) states " In, 2006, CenturyLink QC implemented changes in certain depreciation rates resulting in a significant reduction in depreciation expense levels in 2006 as compared with the 2005 level." Please provide a description of and the rationale for the change in depreciation rates implemented in 2006.

**RESPONSE:**

The depreciation technical updates made both in 2006 and 2007 were related to the company's efforts to move regulated FCC depreciation processes closer to GAAP processes. At that time the company was in discussions with FCC staff on changing the company's FCC depreciation accounting to align with GAAP. Prior to the 2006 technical update the net plant was projected to be more the \$1B different between FCC and GAAP bases. The 2006 technical update resulted in the two net plant balances being roughly equivalent at the end of 2006. The 2007 technical update was a continuation of that effort but with far less impact. Ultimately the FCC to GAAP depreciation discussions ended and there have been no additional technical updates.

Please see Attachment A which provides the cover letter to the December 2006 technical update filing with the FCC and the portions of the January 2007 amended technical update filing with the FCC including the cover letter and Oregon schedules.

CASE: UM 1354  
WITNESS: Malia Brock

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 600**

**Rebuttal Testimony**

**June 3, 2014**

**CERTAIN INFORMATION CONTAINED ON  
PAGES 8-13 AND PAGE 27 OF  
STAFF EXHIBIT 600  
ARE CONFIDENTIAL AND SUBJECT TO PROTECTIVE  
ORDER NO. 08-116 IN UM 1354.  
YOU MUST HAVE SIGNED  
APPENDIX B OF THE PROTECTIVE ORDER  
TO RECEIVE THE  
CONFIDENTIAL VERSION  
OF THIS EXHIBIT.**



1 **Q. PLEASE STATE YOUR NAME.**

2 A. My name is Malia Brock.

3 **Q. ARE YOU THE SAME MALIA BROCK WHO PREVIOUSLY SUBMITTED**  
4 **TESTIMONY IN THIS DOCKET?**

5 A. Yes.

6 **Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?**

7 A. Yes. I prepared Exhibit Staff/601, consisting of 62 pages, and Staff/602  
8 consisting of 3 pages of confidential exhibits.

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

10 A. My rebuttal testimony responds to the reply testimonies of Mr. John Felz  
11 and Ms. Victoria Hunnicutt regarding the petition of Qwest Corporation, dba  
12 CenturyLink QC (Qwest) for revision of its price plan in UM 1354.

13 Specifically my testimony is organized into the following sections:

14 **I. Qwest's Performance Plan and Service Quality Reporting Proposals**  
15 **Are Neither Appropriate Nor Allowed Under Oregon Law.**

16 In this section of my testimony I will:

17 A. Discuss why Staff continues to believe the previously granted leniency  
18 regarding Commission imposition of Performance Plans is not  
19 appropriate given Qwest's service quality performance and why  
20 that leniency does not comply with the law.

21 B. Discuss why Staff continues to believe providing service quality reports  
22 on a quarterly rather than monthly basis would not be appropriate and  
23 why such change would not comply with the law.

1 C. Discuss why Staff continues to believe providing exception reports only  
2 would not be appropriate and why that change would not comply with the  
3 law.

4 **II. Obsolescence and Equipment Serviceability**

5 In this section of my testimony I will;

6 A. Discuss why Qwest's legacy switches will continue to face issues related  
7 to both software and hardware support; and

8 B. Discuss Staff's recommendation for addressing this issue.

9 **III. Qwest's Service Quality Performance During the Current Plan**

10 In this section of my testimony I will:

11 A. Discuss why Ms. Hunnicutt's reply testimony does not cause me to alter  
12 my prior assertion that Qwest failed to meet the service quality standards  
13 during the current plan;

14 B. Provide some information regarding At Fault complaints; and,

15 C. Discuss why the various correlations discussed in Ms. Hunnicutt's  
16 testimony are not relevant in determining Qwest's performance against  
17 standards, provide no basis for Commission action, and are in some  
18 cases, illogical.

19 **Section I - Qwest's Performance Plan and Service Quality Reporting**  
20 **Proposals Are Neither Appropriate Nor Allowed Under Oregon Law.**

21 **Q. PLEASE SUMMARIZE THE CHANGES TO PERFORMANCE PLAN**

22 **IMPLEMENTATION AND SERVICE QUALITY REPORTING REQUESTED**  
23 **BY THE QWEST.**

1 A. Qwest has proposed the continuation of the one exception to the service  
2 quality reporting rules regarding Performance Plans granted in the initial  
3 Price Plan and three major service quality reporting changes. Those  
4 changes are:

- 5 1. Performance Plan leniency – proposed retention of one exception present  
6 in the Current Plan which provides leniency to Qwest regarding  
7 implementation of a Performance Plan;
- 8 2. Monthly reporting to quarterly reporting;
- 9 3. Exception only reporting; and
- 10 4. Removal of the Qwest commitment in the Current Plan not to seek an  
11 exemption from reporting requirements in recognition of good service  
12 quality performance.

13 Each of these four items above are described in detail in my opening  
14 testimony (See Staff/300, Brock/24, line 7 through Staff/300, Brock/27, line  
15 5).

16 The fourth item above is supported by Staff (see Staff/300, Brock/26, lines  
17 1-7) in an effort to align the service quality requirements applicable to Qwest  
18 with the OARs and ORS 759.450(5).

19 **Q. DOES STAFF CONTINUE TO BELIEVE THE LENIENCY REGARDING**  
20 **PERFORMANCE PLAN IMPLEMENTATION IS INAPPROPRIATE?**

21 A. Yes. Qwest's proposal for continued leniency regarding adherence to  
22 standard is not warranted given Qwest's service quality performance under

1 the Current Plan. I continue to believe Qwest failed to meet the service  
2 quality related objectives in the Current Plan.

3 **Q. DO YOU STILL BELIEVE QUARTERLY REPORTING IS**  
4 **INAPPROPRIATE?**

5 A. Yes. Quarterly reporting is problematic because “this does not allow for  
6 timely intervention in[to] issues that may impact customers ...” (See  
7 Staff/300, Brock/24, lines 17-20). While Qwest argues it would save money  
8 through efficiencies, I do not believe those efficiencies offset the benefits  
9 gained by the Commission’s ability to respond to potential service quality  
10 issues in a timely manner.

11 **Q. DO YOU CONTINUE TO BELIEVE EXCEPTION-ONLY REPORTING IS**  
12 **INAPPROPRIATE?**

13 A. Yes. Exception-only reporting would not allow Staff to recognize and identify  
14 trending patterns of performance against standards nor provide Staff with  
15 information of wire center threshold trends in order to measure the health of  
16 individual wire centers. Allusions to unquantified efficiencies as a result of  
17 exception only reporting does not justify hindering the ability of the  
18 Commission to respond to potential service quality issues in a timely  
19 manner.

20 **Q. MR. FELZ ASSERTS THAT QWEST IS NOT SEEKING ANY CHANGES**  
21 **TO COMMISSION SERVICE QUALITY STANDARDS OR RELIEF FROM**  
22 **COMPLYING WITH THOSE STANDARDS (CTL/200, FELZ/2, LINES 7-**  
23 **14). IS THIS ACCURATE?**

1 A. No. Contrary to Mr. Felz's assertion, each of Qwest's proposals to retain of  
2 Performance Plan leniency, move to quarterly reporting, and move to  
3 exception only reporting require modifications to the standards found in  
4 OAR 860-023-0055.

5 **Q. PLEASE DESCRIBE THE MODIFICATIONS TO OAR OR STATUTE**  
6 **REQUIRED FOR QWEST'S PERFORMANCE PLAN PROPOSAL.**

7 A. The standards regarding Performance Plan implementing can be found in  
8 OAR860-023-0055(14)(a):

9 If a large telecommunication utility subject to this rule *fails to meet a*  
10 *minimum service standard*, the Commission must require the large  
11 telecommunications utility to submit a plan for improving performance as  
12 provided in ORS 759.450(5). (Emphasis added.)

13  
14 The statutory language regarding Performance Plans can be found in  
15 ORS 759.450(5):

16 The commission shall require a telecommunications carrier,  
17 telecommunications utility, or competitive telecommunications carrier that  
18 is *not meeting the minimum service quality standards* to submit a plan for  
19 improving performance to meet the standards. (Emphasis added.)

20  
21 Mr. Felz's assertion that "CenturyLink QC is not seeking any modifications  
22 to the Commission's service quality *standards* specified in OAR 860-023-  
23 0[0]55" (see CTL/200, Felz/2, lines 10-11) is similarly incorrect.

24 **Q. PLEASE COMMENT ON QWEST'S APPARENT CONFUSION**  
25 **REGARDING THE APPLICATION OF SLIDING 12 MONTH SCALES IN**  
26 **ITS TESTIMONY.**

27 A. There are two separate instances for which a sliding 12 month scale is used  
28 in the service quality discussion in this case. They are:

1 1. Trouble Report Rate (TRR) – to be out of standard, the wire center must  
2 exceed the threshold *for more than three of the last twelve months.*

3 2. Performance Plan Leniency - the leniency requested by Qwest  
4 would result in a Performance Plan if Qwest misses a standard “for  
5 three months out of a twelve month sliding window” (See CTL Exhibit A,  
6 Page 9, Section B.1).

7 While they both involve a twelve month scale, the TRR standard requires a  
8 miss of more than three months while the Performance Plan leniency refers  
9 to three months. They are separate standards with separate purposes.

10 **Q. WOULD QWEST’S SERVICE QUALITY PROPOSALS RESULT IN A**  
11 **COMBINATION OF THE TWO TWELVE MONTH SLIDING SCALES IN A**  
12 **WAY THAT CONCERNS STAFF?**

13 A. Yes. Such a combination would occur if Qwest’s Performance Plan  
14 Leniency proposal was used in determining whether or not a Performance  
15 Plan should be implemented regarding the TRR. Such a determination  
16 would result in “layering” the *three out of 12* standard (Performance Plan  
17 Leniency) on top of the *more than three out of 12* standard (TRR) when  
18 determining whether or not to implement a performance plan related to  
19 TRR. As a result of the this “layering,” a wire center would need to be  
20 outside of trouble report threshold levels no less than six months in 12  
21 before any intervention could begin by Staff to mitigate issues for the TRR –  
22 one of the most important metrics Staff monitors.

1 **Q. DO YOU BELIEVE ALLOWING QWEST TO PROVIDE SERVICE**  
2 **QUALITY REPORTS ON A QUARTERLY RATHER THAN MONTHLY**  
3 **BASIS WOULD VIOLATE CURRENT LAW?**

4 A. Yes. Each OAR service quality metric specifies the performance of each  
5 metric must be reported monthly; see OAR 860-023-0055(2), (4)(c), (5)(c),  
6 (6)(c), (7)(c), and (8)(c). Quarterly reporting is clearly not consistent with  
7 that requirement. In addition, allowing Qwest to provide reports quarterly  
8 would result in Qwest being treated differently than other  
9 telecommunications carriers, contrary to the requirements of  
10 ORS 759.405(1).

11 **Q. WOULD YOUR ANSWER BE THE SAME REGARDING QWEST'S**  
12 **REQUEST TO MOVE TO EXCEPTION ONLY REPORTING?**

13 A. Yes.

14 **Section II - Obsolescence and Equipment Serviceability**

15 **Q. HAS MR. FELZ ADEQUATELY ASSUAGED STAFF'S CONCERNS**  
16 **REGARDING THE AGE AND POTENTIAL OBSOLESCENCE OF**  
17 **QWEST'S EQUIPMENT?**

18 A. No. Contrarily, Staff concerns have been heightened by information  
19 received since our opening testimony regarding the obsolescence of  
20 Qwest's remote terminal equipment.

21 Mr. Felz asserts "the company has taken measures to ensure the necessary  
22 support is in place for its switches to allow continued provision of high

1 quality service to customers for the foreseeable future” (CTL/200, Felz/2,  
2 lines 25-27).

3 The necessary steps have not been taken because:

- 4 1. The Nortel switches are running on the latest version of software  
5 available. However, that version has not been updated since 2007.
- 6 2. While vendors have indicated they will support Alcatel-Lucent  
7 switches, support for Nortel switches (which represent █ percent -  
8 █ out of █ of Qwest’s central office switches) will end in  
9 2.5 years.
- 10 3. The Network Reliability Operations Center will not be able to  
11 access vendor support when additional expertise is needed for the  
12 Nortel switches from the vendor, GENBAND after December 31, 2016.
- 13 4. No new Nortel OEM hardware or refurbished hardware can be ordered  
14 from GENBAND, and has not been available since at least 2011.
- 15 5. Staff cannot be assured to what degree Qwest’s own inventory can be  
16 relied upon. Qwest’s response indicated a national inventory is located  
17 in Denver of “plug-in cards,” and advised replacement switch components  
18 parts are maintained in a number of central offices in Oregon but  
19 a consolidated list of those parts is not maintained.
- 20 6. Used parts are not reliable.
- 21 7. Staff has no information that Qwest’s transition to IP will happen quickly  
22 enough to address the issues related to the Nortel switches.



1 I will respond to each of these points below. I will also discuss the  
2 heightened Staff concern brought about by receipt of the remote terminal  
3 information.

4 **Q. STAFF STATED IT HAS HEIGHTENED CONCERNS RELATING TO THE**  
5 **REMOTE TERMINALS IN OREGON. PLEASE EXPLAIN.**

6 A. In my review of Qwest's service quality over the life of the plan, there are  
7 many failures to pair gain systems listed as contributing factors for misses of  
8 both the TRR and The 48 Hour Clearing Time standards (See Staff/301,  
9 Brock/26). Pair gain systems provide dial tone to thousands of Qwest  
10 customers; each system provides dial tone to a neighborhood or an entire  
11 community. Qwest's website lists 1,319 pair gain systems in Oregon. In  
12 response to Staff DR 85, Qwest estimates ■ percent of all pair gain  
13 systems serving its Oregon customers are considered manufacture  
14 obsolete. (See response to Staff DR 85 attached as Confidential Exhibit  
15 Staff 602/Brock/1.)

16 **Q. MR. FELZ ADVISES THE COMMISSION ALL SOFTWARE LEVELS**  
17 **RUNNING ON THE ■ OREGON LEGACY SWITCHES ARE CURRENT.**  
18 **PLEASE COMMENT.**

19 A. Staff commends Qwest for ensuring all the software versions running on  
20 Oregon switches are the most current version available. However, this does  
21 not mitigate my concerns regarding the ■ Nortel switches Qwest deployed.  
22 While the software in these switches is the latest version, that version was

1 offered in 2007. In comparison, the last bug/fix patch offered by Alcatel-  
2 Lucent was April, 2014.

3 **Q. SO YOU AGREE WITH MR. FELZ' ASSERTIONS OREGON'S LEGACY**  
4 **SWITCHES ARE SUPPORTED BY VENDORS NECCESARY TO**  
5 **PROVIDE EMERGENCY RECOVERY FUNCTIONS AS WELL AS**  
6 **TECHNICAL ASSISTANCE?**

7 A. Yes.

8 **Q. DOES STAFF AGREE WITH MR. FELZ THAT OREGON SWITCHES**  
9 **HAVE VENDOR SUPPORT NECCESARY TO PROVIDE HARDWARE**  
10 **SUPPORT, EMERGENCY RECOVERY, AND TECHNICAL ASSISTANCE**  
11 **WELL INTO THE FORESEEABLE FUTURE?**

12 A. It depends on the interpretation of "well into the foreseeable future." Staff  
13 agrees the ■ Alcatel-Lucent switches appear to be supportable well into  
14 the foreseeable future. This is demonstrated by Alcatel-Lucent's continued  
15 OEM vendor hardware availability, emergency recovery, and technical  
16 assistance until at least 2020; with OEM hardware reconditioning expected  
17 to be available through 2018. Alcatel-Lucent offered their last bug/fix  
18 software this year. (See Confidential Exhibit Staff/302, Brock/4.)  
19 However for the ■ Nortel switches representing ■ percent of Qwest's  
20 switches serving Oregon, GENBAND's planned vendor support providing  
21 emergency recovery and technical assistance by contract is imminently  
22 terminable. GENBAND announced the end of support for emergency  
23 recovery and technical assistance for resolution of switching issues *in 2.5*

1        *years as GENBAND discontinues all vendor support December 31, 2016.*

2        (Emphasis added.) [REDACTED]

3        [REDACTED]

4        [REDACTED] (See Confidential Exhibit Staff/302, Brock/7.)

5        **Q. IF CENTURYLINK HAS INTERNAL RESOURCES DEDICATED TO THE**  
6        **SUPPORT OF THESE SWITCHES, THEN WHY IS VENDOR SUPPORT**  
7        **NECESSARY?**

8        A. Mr. Felz assures the Commission that Qwest has internal resources  
9        dedicated to the support of these switches and indicates most of that  
10       support is performed by CenturyLink staff in the Network Operations  
11       Reliability Center, as well as other technical support personnel throughout  
12       the Company. However, Mr. Felz also testifies that while this group is  
13       responsible for the reliability and stability of all network elements, he also  
14       states "vendor support is only utilized when additional expertise is needed."  
15       (See CTL/200, Felz/4 lines 3-5.) In my experience, vendors supply the  
16       highest level of critical technical support necessary for emergency recovery  
17       and technical assistance to recover a switch when it is down. Vendors  
18       become involved only after all internal resources have failed to recover the  
19       critical switch functionality serving an entire wire center or catastrophic  
20       failure occurs. Qwest's response to my question for vendor support past  
21       December 31, 2016, indicates Qwest will continue to evaluate and make  
22       arrangements for additional supplemental resources for switching support  
23       as needed. Yet, GENBAND notes in its end of support letter in 2011 that

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[REDACTED]

[REDACTED] (See Confidential Exhibit Staff/302, Brock/7.)

**Q. MR. FELZ PROVIDES ASSURANCES THAT HARDWARE  
REPLACEMENT PARTS ARE AVAILABLE FOR SWITCH COMPONENTS  
THAT FAIL. DOES THIS MITIGATE YOUR CONCERNS?**

A. No. While the Alcatel-Lucent switches are supportable into the foreseeable future, my concern centers directly on the Nortel switches. Despite Mr. Felz's claim that new OEM hardware is available, this claim is contradicted by *GENBAND's letter of September 2, 2011 which states* [REDACTED]

[REDACTED]

[REDACTED] (Emphasis added.)

Mr. Felz advises Qwest relies on third party vendors to supply parts as well as its own internal inventory. (See CTL/200, Felz/4, lines 16-19.) However, Qwest's response to Staff's inquiry indicates it keeps a national inventory of "plug-in cards," located in Denver, and that replacement switch components parts are maintained in a number of central offices in Oregon.

**Q. DOES QWEST MAINTAIN AN INVENTORY OR LIST OF AVAILABLE  
PARTS?**

A. No. A consolidated list of those parts is not maintained. Both the distance between the national inventory in Denver and the point of potential use in Oregon and the apparent lack of knowledge regarding the inventory in Oregon – as evidenced by the lack of a list of the inventory, cause concerns regarding the availability of parts from Qwest's internal inventory.

1 **Q. DO YOU AGREE WITH MR. FELZ STATEMENT THAT GENBAND HAS**  
2 **RECOGNIZED AND AGREED TO PROVIDE CARRIERS THE TIME**  
3 **NECESSARY TO MOVE THE EXISTING TDM NETWORK TO AN IP**  
4 **NETWORK?**

5 A. No. Mr. Felz offers an excerpted paragraph from the GENBAND letter that  
6 lends the impression that GENBAND is working with Nortel customers to  
7 "allow carrier customers time, and a phased capital outlay, to implement a  
8 universal all-IP subscriber access network." (See CTL/200, Felz/4, lines 28-  
9 30 and CTL/200, Felz/5, lines 1-4.) [REDACTED]

10 [REDACTED]  
11 [REDACTED] (See Exhibit Staff/302, Brock/7-8.)

12 Mr. Feltz fails to take this opportunity in his testimony to advise the  
13 Commission whether Qwest is purchasing the necessary equipment from  
14 GENBAND necessary to migrate the [REDACTED] legacy switches to the  
15 transformation option offered to its customers, or advise the Commission of  
16 other plans to provide foreseeable support of these Nortel switches.

17 Qwest's response to Staff's inquiry provided slides of Qwest's IP transition  
18 plan presented December 2013, to the FCC. (See Staff/ 601, Brock/1-13.)

19 While no timelines were included in the Qwest response, it is unknown if this  
20 transition is possible or scheduled before vendor support of these Nortel  
21 switches end. The Qwest IP transition appears to be replacing these legacy  
22 switches, [REDACTED]

23 [REDACTED]

1 **Q. IS STAFF CONSIDERING A RECOMMENDATION REGARDING THE**  
2 **TRANSITION TO IP?**

3 A. Yes. Qwest has not shown that the transition to IP will address all, or even  
4 the majority, of the obsolescence issues I have addressed. Staff believes  
5 an investigation addressing the transition to IP across the industry in  
6 Oregon may be appropriate at a future time.

7 **Section III - Qwest's Service Quality During the Current Plan**

8 **Q. HAS MS. HUNNICUTT'S DEMONSTRATED THAT SERVICE QUALITY**  
9 **DID NOT DEGRADE DURING THE FIRST 5 YEARS OF THE PLAN?**

10 A. No. Ms. Hunnicutt did not provide any new information or arguments  
11 regarding Qwest's service quality performance during the Current Plan.  
12 Service quality in rural areas, where customers have fewer alternatives and  
13 are less likely to be protected by competition continues to be of concern. In  
14 response to Ms. Hunnicutt's testimony I will:

- 15 1. Describe why Staff continues to believe Qwest did not meet trouble  
16 report rate, 48 hour clearing, business office access, and repair center  
17 access standards;
- 18 2. Discuss why Ms. Hunnicutt's assessment of the TRR is incorrect and  
19 reiterate that Qwest did fail this standard;
- 20 3. Discuss why use of the statewide TRR is not instructive and conceals  
21 issues related to service quality in the rural areas;

- 1 4. Discuss why a trouble ticket trend declining roughly with line losses
- 2 does not show improvement and does not show anything about rural
- 3 areas;
- 4 5. Agree that some wire centers may be more susceptible to troubles
- 5 but that is taken into consideration by a difference in standard;
- 6 6. Discuss why there is a correlation between TRR and staffing levels;
- 7 7. Demonstrate the degree to which Qwest did fail the 48 hour
- 8 standard;
- 9 8. Address incorrect assertions regarding factors impacting compliance
- 10 with 48 hour clearance standard;
- 11 9. Reiterate Qwest met provisioning, commitments met, held orders,
- 12 10. Describe why all complaints, not simply the "At Faults" are important
- 13 to the Commission and provide information on the recent trend in
- 14 "At Fault" complaints; and
- 15 11. Address some correction to my opening testimony including:
- 16 a. agree to Ms. Hunnicutt's correction of my description of
- 17 Primary Held Order;
- 18 b. discuss a correction regarding Toledo/Blue River and discuss why
- 19 Staff is considering proposing changes to outage reports to make
- 20 them more useful;
- 21 c. discuss why I do believe Florida does not provide a good model for
- 22 service quality regulation; and

1 d. discuss numbers transposed for Business Office and Repair Center  
2 access in a graph of 2012 figures.

3 **Q. WHAT SERVICE QUALITY STANDARDS DID NOT MEET OR EXCEED**  
4 **STANDARDS OVER THE LIFE OF THE CURRENT PLAN?**

5 A. Qwest service quality performance relating to the Trouble Report Rate  
6 (TRR), 48 Hour Repair Clearing Time, Business Office Access, and Repair  
7 Center Access did not meet or exceed service quality standards over the life  
8 of the Current Plan. These are the standards for which Qwest failed to  
9 *“meet or exceed the applicable retail service standards”* as required in  
10 General objective 3 in the Current Plan (see Order No. 08-408, Exhibit A,  
11 page 2, section II.A.3) and compliance of OAR Standard. (Emphasis  
12 added.)

13 **Q. DO THESE SERVICE QUALITY STANDARDS REPRESENT A “ZERO**  
14 **TOLERANCE” APPROACH TO SERVICE QUALITY ISSUES?**

15 A. No. As an example, a wire center had to fail the TRR threshold more than 3  
16 times out of 12 rolling months to fail the standard. Similarly, the 48 Hour  
17 Repair Clearing standard was met if 95 percent, not 100 percent, of those  
18 troubles were cleared with 48 hours. That standard has since been reduced  
19 to 90 percent as the result of a recent rulemaking.

20 **Q. DO YOU AGREE WITH MS. HUNNICUTT’S ASSESSMENT OF QWEST’S**  
21 **PERFORMANCE OF THE TROUBLE REPORT RATE (TRR) OVER THE**  
22 **PLAN?**



1 A. No. Qwest failed its commitment to the Commission to meet or exceed the  
2 TRR over the life of the Current Plan. Neither Table 1 nor the graph in Figure 5  
3 (See CTL/300, Hunnicutt/14, lines 6-11) reflect adherence to the TRR standard.  
4 Ms. Hunnicutt's table and graph show there were instances where the Qwest's  
5 TRR was out of standard.

6 **Q. DO YOU HAVE ANYTHING ELSE YOU WOULD LIKE TO ADD?**

7 A. Yes. Ms. Hunnicutt's graph and table do not tell the complete story regarding  
8 Qwest's TRR performance. Both the "Wire Center Miss Count" in Table 1 and  
9 the graph of that count in Figure 5 fail to acknowledge the number of months  
10 these same wire centers missed the TRR standard in any given year.

11 As an example, the TRR standard was missed 45 months in 2008 alone  
12 compared to the five wire center misses shown using Ms. Hunnicutt's more  
13 opaque methodology. All years depicted similarly fail to reflect the many  
14 number of months each wire center missed the TRR standard; minimizing the  
15 troubles experienced by consumers. A more accurate view of Qwest's TRR  
16 performance would consider the number of times wire centers have failed the  
17 TRR standard, not simply whether or not a wire center has failed at least once  
18 within a given year as advocated by Ms. Hunnicutt.

19 **Q. CAN YOU PROVIDE AN EXAMPLE OF HOW MS. HUNNICUTT'S**  
20 **APPROACH FAILS TO ACCURATELY CAPTURE THE RELIABILITY OF A**  
21 **WIRE CENTER?**

22 A. Yes. Ms. Hunnicutt uses Oakridge as an example of long-haul runs. The  
23 Oakridge wire center missed the TRR standard 20 months over the length of

1 the Current Plan. This indicates significant trouble in this wire center that was  
2 not addressed in a timely fashion. Despite Ms. Hunnicutt's discussion of issues  
3 such as 'long-haul runs,' no sufficient satisfactory explanation was given to  
4 provide insight as to why these issues impacting consumers were left  
5 unaddressed, illustrating Staff's continued concern for service quality issues in  
6 rural areas.

7 **Q. QWEST ASSERTS THAT THE TRR VIEWED AT THE STATEWIDE LEVEL**  
8 **PROVIDES INSIGHT. DO YOU AGREE?**

9 A. No. Ms. Hunnicutt asserts "Although it is not the Commission standard for  
10 service level objective assessment, the chart (Figure 6) does provide insight  
11 into CenturyLink QCs network." (See CTL/300, Hunnicutt/15, lines 3-4.)

12 While Staff believes that the TRR metrics should be viewed at the wire center,  
13 not statewide level, Staff will lose all insight regarding network performance if  
14 the monthly reporting of all metrics is not preserved.

15 **Q. MS. HUNNICUTT PROVIDES A CHART IN WHICH SHE CLAIMS IT**  
16 **DEMONSTRATES THE ROBUSTNESS AND HEALTH OF QWEST'S**  
17 **NETWORK. DO YOU AGREE WITH HER CONCLUSIONS?**

18 A. No. I do not believe the chart reflects what Ms. Hunnicutt is attempting to  
19 illustrate. Ms. Hunnicutt provides this graph twice in her testimony. (See  
20 CTL/300, Hunnicutt/15, Figure 6, and CTL/300, Hunnicutt/25 Figure 8.)

21 I agree that the statewide average depicted in these graphs is not an Oregon  
22 service quality standard. However, I disagree with Ms. Hunnicutt that this

1 statewide depiction lends enough transparency to indicate the network  
2 robustness of each wire center this OAR Standard is designed to capture.

3 **Q. PLEASE EXPLAIN.**

4 A. Troubles reported at wire center levels reflect deteriorating adherence to  
5 standards that are obscured in this graph—providing an example of why these  
6 standards are not measured as a statewide average. Using the latest data  
7 reported over the past year, fluctuations in trouble report rates have been as  
8 high as 43 percent in the winter in response to weather related events. These  
9 variations are not depicted by the aggregated data which flattens the graph.

10 If Ms. Hunnicutt used a different scale and did not aggregate the data, her chart  
11 would show that the network is vulnerable to weather related events.

12 **Q. DO YOU AGREE WITH MS. HUNNICUTT’S ASSERTIONS REGARDING THE**  
13 **“MINIMAL INFLUENCE OF SEASONAL WEATHER EVENTS IN OREGON?”**

14 A. No. Ms. Hunnicutt states that weather events (e.g., snow, ice, winter storms,  
15 flooding, landslides, mudslides, etc.) do not have an impact on Qwest’s  
16 reliability. (See CTL/300, Hunnicutt/15, lines 9-11.) Qwest’s network reliability  
17 is affected by storms despite assurances to the contrary as is evidenced in the  
18 months of service quality reports I reviewed that listed weather as the reason  
19 standards were missed.

20 **Q. WHAT CONCERNS DO YOU HAVE RELATING TO MS. HUNNICUTT’S**  
21 **DEPICTION OF NETWORK ROBUSTNESS?**

22 A. Even aggregated data depicted in Figure 6 – Trouble Report Rate (See  
23 CTL/300, Hunnicutt/15, Figure 6) shows an uptick in the months during which

1 weather related events typically occur. More importantly, what is not shown on  
2 this chart is the impact of such events in the less populated wire centers.

3 **Q. DO YOU BELIEVE THAT THE WEATHER RELATED EVENTS IMPACT**  
4 **RURAL AND URBAN CUSTOMERS EQUALLY?**

5 A. No. I am particularly concerned with the rural areas of the state. Unfortunately,  
6 the use of statewide information by Ms. Hunnicutt to support her various  
7 assertions, continues to ignore this distinction and does not provide a  
8 compelling base for those assertions.

9 **Q. DO YOU AGREE WITH MS. HUNNICUTT'S ASSESSMENT THAT THE**  
10 **NETWORK IS SHOWING IMPROVEMENTS REFLECTED IN THE TRR?**

11 A. No. Ms. Hunnicutt provides an unnumbered graph on page 17 (See CTL/300,  
12 Hunnicutt/17) which she claims illustrates that the number of trouble reports is  
13 generally declining. Ms. Hunnicutt asserts "This steady reduction in trouble  
14 reports is due to the ongoing maintenance and investment in the company's  
15 network through the years" (See CTL/300, Hunnicutt/18, lines 1-2). I reject Ms.  
16 Hunnicutt's contention because she ignores that the trouble reports simply  
17 reflects a lower number of lines (i.e., line loss) which results in less troubles  
18 reported.

19 **Q. DO YOU AGREE WITH MS. HUNNICUTT'S ASSESSMENT THAT SMALLER**  
20 **WIRE CENTERS ARE MORE SUSCEPTIBLE TO HIGHER TROUBLE**  
21 **REPORT RATES?**

22 A. Yes.

1 **Q. DID THE COMMISSION TAKE THIS INTO CONSIDERATION WHEN IT**  
2 **CRAFTED ITS RULES?**

3 A. Yes. The OAR standard takes this into consideration by allowing three trouble  
4 reports per 100 lines for wire centers with 1,000 or less lines instead of the  
5 standard two trouble reports per 100 lines for wire centers more than 1,000  
6 lines.

7 **Q. MS. HUNNICUTT ASSERTS THAT STAFFING LEVELS HAVE NO**  
8 **CORRELATION TO THE TRR. DO YOU AGREE?**

9 A. No. Ms. Hunnicutt's assesses the Trouble Report Rate (TRR) as a  
10 measurement of the rate that malfunctions occur, and uses this example, "if  
11 the equipment were not robust and the overall health and stability of the  
12 network was poor, there would be a significant number of trouble reports  
13 .generated by the unstable and unreliable network if there were only one  
14 technician for the whole state of Oregon or if there were one technician per  
15 access line..." concluding, "there is no correlation between the level of  
16 staffing and the rate at which trouble reports are received." (See CTL/300,  
17 Hunnicutt/12, lines 13-18.) In my experience as a Network Technician,  
18 there is a direct correlation to technician staffing levels that perform central  
19 office and outside plant network maintenance to ensure safe and adequate  
20 service that correlate directly to the performance of the TRR. Qwest's  
21 legacy network has been in place for decades; cable maintenance to  
22 maintain the aging plant infrastructure is critical to ensure safe and  
23 adequate retail service. Proactive maintenance of both inside (central

1 office) and outside plant minimizes the number of troubles both experienced  
2 and reported by customers. Trouble reports are essentially reactive repairs  
3 instead of proactive maintenance to many of the same issues.

4 **Q. DO YOU CONTINUE TO BELIEVE QWEST FAILED TO MEET THE 48 HOUR**  
5 **CLEARING TIME STANDARD OVER THE TERM OF THE CURRENT PLAN?**

6 A. Yes. Qwest failed its commitment to the Commission to meet or exceed the 48  
7 Hour Clearing Time Standard over the life of the plan. The only arguments  
8 contained in Ms. Hunnicutt's testimony involve to what degree Qwest failed, not  
9 whether or not Qwest did fail their commitment to meet or exceed the standard.

10 **Q. WHAT IS YOUR CONCERN WITH HER ASSESSMENT?**

11 A. Ms. Hunnicutt's assessment of Qwest's adherence to the 48 Hour Clearing  
12 Time in individual repair centers from January 2008 through March 2014 do not  
13 accurately reflect Qwest's adherence. Qwest met 418 (not 453) of 600  
14 opportunities; adherence to this standard was met only 70 percent over the life  
15 of the plan, not the 76 percent reported by Ms. Hunnicutt. (See CTL/300,  
16 Hunnicutt/20, line 21 through CTL/300, Hunnicutt/21 line 1.)

17 **Q. HOW DOES MS. HUNNICUTT TAKE INTO ACCOUNT THE NEW LOWER**  
18 **STANDARD PUT IN PLACE BY THE COMMISSION IN 2014?**

19 A. Ms. Hunnicutt's retroactively applies the lower standard to past performance.

20 **Q. DO YOU AGREE WITH THIS APPROACH?**

21 A. No. Suppositions regarding Qwest's performance under retroactive application  
22 of the revised 48 hour clearing standard (the standard was revised effective late  
23 January 2014) back to 2008 are misplaced. Statutes, rules, and laws are not

1 applied retroactively and Staff rejects any supposition to the contrary. (See  
2 CTL/300, Hunnicutt/20, lines 9-21 through CTL/300, Hunnicutt/21, lines 1-7.)

3 **Q. MS. HUNNICUTT DISAGREES THAT THE TIME NECESSARY TO REPAIR A**  
4 **TROUBLE TICKET DEPENDS ON PLANT CONDITIONS. HOW DO YOU**  
5 **RESPOND?**

6 A. While I agree the 48 Hour Repair Clearing Time provides a timeliness  
7 measurement, there is no further agreement on what the repair clearing  
8 standard conveys. Ms. Hunnicutt asserts “maintenance levels, general  
9 condition of the plant, and the condition and maintenance of central office  
10 switches have no correlation to how quickly the technician clears the trouble.”  
11 (See CTL/300, Hunnicutt/19, lines 5-7.) I contend that the time necessary to  
12 affect repairs is dependent on the plant conditions found in the field. My  
13 experiences in affecting repairs afford me first-hand knowledge that plant  
14 conditions tie directly to the time necessary to clear repairs. Qwest choices of  
15 staffing levels, proactive maintenance, and spares available for legacy central  
16 office switches and obsolete pair gain systems hardware impact the time  
17 necessary to affect repairs.

18 **Q. PLEASE PROVIDE AN EXAMPLE.**

19 A. Damaged pedestals can be bent so badly, access is impossible without digging  
20 up the pedestal. Aerial terminals can be easily accessed or exhibit conditions  
21 that challenge or prohibit access. Aerial repairs usually take longer due to the  
22 necessity of putting up a ladder--even the time it takes to clean your house is  
23 dependent on its condition before you start. Ms. Hunnicutt testifies that many

1 external forces can impede or prevent the technician from getting to the  
2 customer premises, listing weather events, road conditions, distance, traffic,  
3 reduction in customer density, and spikes in trouble volumes that affect mean  
4 time to repair (MTTR). (See CTL/300, Hunnicutt/22, lines 15-22 through  
5 CTL/300, Hunnicutt/23, lines 1-3.) Yet, Ms. Hunnicutt disagrees that plant  
6 maintenance and the condition of the inside and outside plant effect MTTR.

7 **Q. DO YOU HAVE ANY COMMENTS REGARDING MS HUNNICUTT'S CLAIM**  
8 **THAT "AS THE NUMBER OF TROUBLES IS INCREASED, THE**  
9 **COMPANY'S ABILITY TO MEET THE STANDARD IS INCREASED**  
10 **BECAUSE THE NUMBER OF OPPORTUNITIES TO SUCCEED IS**  
11 **INCREASED." (SEE CTL/300, HUNNICUTT/21, LINES 18-19.)**

12 A. Yes. First, I disagree that reductions in the number of lines make it harder to  
13 meet the 48 Hour clearing time standard. Using Ms. Hunnicutt's logic, the  
14 standard is harder to meet after line losses have occurred because there are  
15 fewer "opportunities to succeed" (i.e., fewer lines). I believe there is no impact  
16 on the ability to meet this measure after line losses have occurred because  
17 there will also be a corresponding decline in Qwest's "ability to fail" with fewer  
18 lines. I find Ms. Hunnicutt's assertion that fewer troubles reported increases the  
19 difficulty to affect repairs within 48 hours erroneous.

20 Second, I believe that assertion is invalidated by her own testimony. Ms.  
21 Hunnicutt's Figure 8 – Trouble Report Rate, shows a relatively flat line for  
22 February through October with upticks in Trouble Reports during January,  
23 November, and December. If Ms. Hunnicutt's claim were true, you would



1 expect an increase in the percentage of troubles cleared within 48 hours for  
2 January, November and December in Figure 7 – All Troubles Cleared in Two  
3 Business Days, because there were more “opportunities to succeed.” As you  
4 can see in Figure 7, Qwest’s performance during those months actually  
5 declined, contrary to Ms. Hunnicutt’s assertion. (See CTL/300, Hunnicutt/24,  
6 Figure 7 and CTL/300, Hunnicutt/25, Figure 8.)

7 **Q. DO YOU AGREE WITH MS. HUNNICUTT’S ASSERTION THAT SERVICE**  
8 **QUALITY PERFORMANCE OF PROVISIONING, COMMITMENTS MET,**  
9 **AND HELD ORDERS EXCEEDED STANDARDS OVER THE LIFE OF**  
10 **THE PLAN?**

11 A. Yes. My opening testimony indicated that Provisioning, Commitments Met,  
12 and Held Orders have continued to meet or exceed standards. (See  
13 Staff/300, Brock/11, lines 12-15).

14 **Q. DO YOU HAVE ANY COMMENTS REGARDING MS HUNNICUTT’S**  
15 **ASSERTIONS REGARDING THE STRINGENCY OF SERVICE QUALITY**  
16 **STANDARDS IN OREGON? (SEE CTL/300, HUNNICUTT/30, LINE 16**  
17 **THROUGH HUNICUTT/31, LINE 9).**

18 A. Yes. First, the standards that are in place in the state of Oregon are, with  
19 the one exception, the same standards Qwest committed to meet or exceed  
20 when accepting the Current Plan. Second, to the extent parties believe that  
21 the standards should be changed, Staff is willing to work with all the effected  
22 utilities, as it did recently with the 48 Hour Repair Clearing Time, to address  
23 changes that may make sense in the current environment.

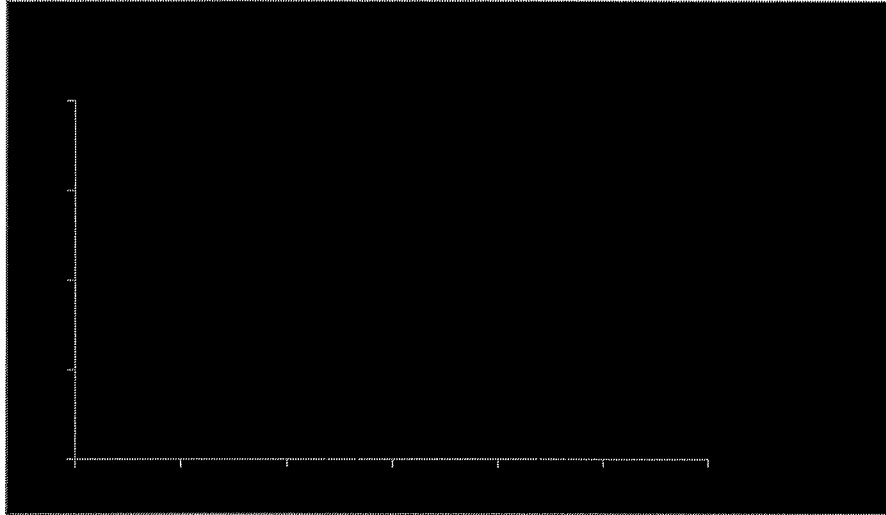
1 **Q. MS. HUNNICUTT STATES SHE REQUIRES ADDITIONAL TIME TO**  
2 **ANALYZE YOUR CLAIM THAT SERVICE RELATED COMPLAINTS**  
3 **HAVE INCREASED OVER THE PLAN BY REVIEWING 'AT FAULT'**  
4 **COMPLAINTS. YOUR GRAPH INCLUDED ALL SERVICE RELATED**  
5 **COMPLAINTS THAT INCREASED OVER THE CURRENT PLAN.**  
6 **PLEASE COMMENT ON THE DIFFERENCE.**

7 A. My graph (See Staff/300, Brock/23, Figure 5) of consumer complaints  
8 received by the Commission included all service-related complaints  
9 received from Qwest's customers over the life of the plan, not just 'At-Fault'  
10 service complaints. Despite Ms. Hunnicutt's contention only 'At- Fault'  
11 complaints should be considered, the Commission takes all consumer  
12 complaints seriously and believes all complaints of Qwest's service should  
13 be considered. Consumers tend to exhaust all options before filing  
14 Commission complaints; the lack of an 'At Fault' does not serve to invalidate  
15 complaints.

16 **Q. HAVE YOU UPDATED YOUR TESTIMONY TO ADDRESS MS.**  
17 **HUNNICUTTS CONTENTION THAT ONLY 'AT FAULT' COMPLAINTS**  
18 **SHOULD BE CONSIDERED?**

19 A. Yes. Figure 5 illustrates consumer complaints are on the rise in a graph  
20 provided in my opening testimony. (See Staff/300, Brock/23, Figure 5.)  
21 Due to Ms. Hunnicutt's concern, I prepared the following graph (Figure 1) to  
22 depict the increase of 'At Fault' complaints over the life of the plan. Unlike

1 my original graph, this graph does not factor in the line losses over the life of  
2 the plan.



3  
4 Figure 1

5 'At-Fault' complaints necessitate Qwest's violation of a rule or standard and  
6 often involve the National Electrical Safety Code (NESC). The  
7 Commission's Safety Unit recently completed an audit in a few of Qwest's  
8 wire centers and found the following additional Qwest NESC violations that  
9 are not included in the graph above. (See Staff/601, Brock/14-62.) Staff is  
10 becoming increasingly concerned regarding evidence that ground laid drops  
11 used to provide temporary service are being more frequently used, often not  
12 properly guarded, and too often left without placement of a permanent  
13 buried drop for long periods of time.

14 **Q. DO YOU HAVE CORRECTIONS TO YOUR OPENING TESTIMONY?**

15 A. Yes, I correct the following 4 areas of my initial testimony:

- 16 1. my description of a Primary Held Order;  
17 2. my conclusions regarding maintenance at Toledo and Blue River;

- 1           3. my discussion regarding the service quality regulation in Florida; and  
2           4. my graph of business office and repair access in opening testimony.

3           **Q. DO YOU AGREE WITH MS. HUNNICUTT'S CORRECTION TO YOUR**  
4           **DESCRIPTION OF THE STANDARD FOR THE PRIMARY HELD ORDER**  
5           **GREATER THAN 30 DAYS MEASURE?**

- 6           A. Yes. I erred in my description provided in opening testimony and agree with  
7           Ms. Hunnicutt's description. (See Staff/300, Brock/6, line 17-19) and  
8           (CTL/300, Hunnicutt/8, lines 16-20 through CTL/300, Hunnicutt/9, lines 1-2.)

9           **Q. WHAT CORRECTION ARE YOU MAKING REGARDING THE TOLEDO AND**  
10          **BLUE RIVER OFFICE SWITCHES?**

- 11          A. In my opening testimony, I stated "Central office maintenance was reported as  
12          the cause of a second outage just days after the Toledo and Blue River central  
13          office switches failed, suggesting maintenance in rural areas is being performed  
14          retroactively" (Staff/300, Brock/19, lines 2-4).

- 15          Upon further review, I realized the outage reports did not provide sufficient  
16          information to determine whether or not the central office maintenance was  
17          performed retroactively after the failure of two central offices. I sought  
18          information from Qwest relating to the Toledo and Blue River Outage Reports.  
19          While the Blue River outage did not result in retroactive maintenance, it  
20          appears the Toledo outage did. However, I was unable to clarify in the Qwest  
21          response whether maintenance was previously scheduled or was performed  
22          retroactively in an effort to recover the Toledo switch failure. Staff is currently  
23          discussing changes to the Outage reports.

1 **Q. PLEASE COMMENT ON YOUR TESTIMONY REGARDING THE USE OF**  
2 **FLORIDA AS A MODEL FOR SERVICE QUALITY REPORTING IN OREGON.**

3 A. I no longer believe Florida provides a good model for service quality reporting in  
4 Oregon.

5 **Q. PLEASE COMMENT ON THE CORRECTION MADE BY MS. HUNNICUTT TO**  
6 **THE BUSINESS OFFICE AND REPAIR ACCESS PERFORMANCE GRAPH**  
7 **IN STAFF'S OPENING TESTIMONY.**

8 A. I acknowledge one error in the Business Office and Repair Access performance  
9 graph where I inadvertently transposed the numbers for 2012. (See Staff/300,  
10 Brock/12, Figure 1 and CTL/300, Hunnicutt/26, Figure 9-Labeled "Corrected  
11 Brock Figure 1.") I agree with Ms. Hunnicutt's correction to that graph.

12 **Q. DO YOU AGREE WITH MS. HUNNICUTT THAT BUSINESS OFFICE**  
13 **ACCESS PERFORMANCE CONTAINS AN INHERENT PENALTY FOR**  
14 **CUSTOMER WAIT TIMES TO REQUEST SERVICE?**

15 A. Yes. Ms. Hunnicutt asserts "This performance measure contains an inherent  
16 penalty for long wait times to request service. Specifically, the company loses  
17 potential customers by choosing to take their business to a competitor."

18 (CTL/300, Hunnicutt/27, lines 10 -12.)

19 Ms. Hunnicutt's assesses performance levels of business office and repair  
20 access met during the Current Plan as 'close' to my assessment. Neither  
21 Repair Center Access (85 percent compliance) nor Business Office Access (75  
22 percent compliance) have consistently met service quality standards over the  
23 life of the plan. (See CTL/300, Hunnicutt/26, lines 4-5.)

1 Yet, even with the inherent penalty described by Ms. Hunnicutt, adherence to  
2 Business Office access standard continues to decline, contradicting Qwest's  
3 claim that the highly competitive market, not regulation, ensures and will  
4 continue to ensure that customers receive high quality and efficient  
5 telecommunications. (See CTL/100, Felz/43, lines 11-14.)

6 **Q. DO YOU HAVE ANY CONCLUDING REMARKS?**

7 A. Yes. I support Staff's recommendation that Qwest follow all current OARs and  
8 statutes by continuing to report all service quality metrics monthly. Further, I  
9 support the review of service quality performance standards in adherence to  
10 current OARs; without exceptions or modifications granted.

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

12 A. Yes.

CASE: UM 1354  
WITNESS: MALIA BROCK

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 601**

**Exhibits in Support  
Of Rebuttal Testimony**

**June 3, 2014**



Staff/601  
Brock/1

**Melissa E. Newman**  
Senior Vice President  
Federal Policy and Regulatory Affairs  
1099 New York Avenue NW, Suite 250  
Washington, DC 20001  
202.429.3120

NOTICE OF EX PARTE

December 19, 2013

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street SW  
Washington, DC 20554

Re: *In the Matter of AT&T Petition to Launch a Proceeding Concerning the TDM-to-IP Transition; Petition of the National Telecommunications Cooperative Association for a Rulemaking to Promote and Sustain the Ongoing TDM-to-IP Evolution, GN Docket No. 12-353*

Dear Ms. Dortch:

On December 18, 2013, Matt Beal, Aaron Jones, Justen Davis, Carolyn Hammack, Lisa Hensley Eckert and Melissa Newman of CenturyLink met with Jonathan Sallet, Patrick Halley, Tim Stelzig, Lisa Gelb, Bill Dever and Henning Schulzrinne of the IP TDM Transition Task Force to discuss the above-captioned proceeding and the attached slides.

CenturyLink is a relatively new entrant to the IP world. The IP networks of today are made up cable networks, competitive provider networks and incumbent networks, and none should be considered an 'incumbent' in this space.

CenturyLink is very supportive of conducting and participating in trials. The trials and what we can learn from them are critical, and we stressed the importance of letting them proceed without pre-judgment. Importantly, CenturyLink wants to ensure that customers have a positive experience during these trials.

Pursuant to Section 1.1206(b)(2) of the Commission's rules, 47 C.F.R. § 1.1206(b)(2), this ex parte presentation is being filed for inclusion in the records of the above-referenced proceedings.

Sincerely,

/s/ Melissa Newman



Marlene H. Dortch  
December 19, 2013  
Page 2

Staff/601  
Brock/2

Copy via email to  
Jonathan Sallet  
Patrick Halley  
Tim Stelzig  
Lisa Gelb  
Bill Dever  
Henning Schulzrinne

December 18, 2013



CenturyLink™

# Voice Evolution Strategy

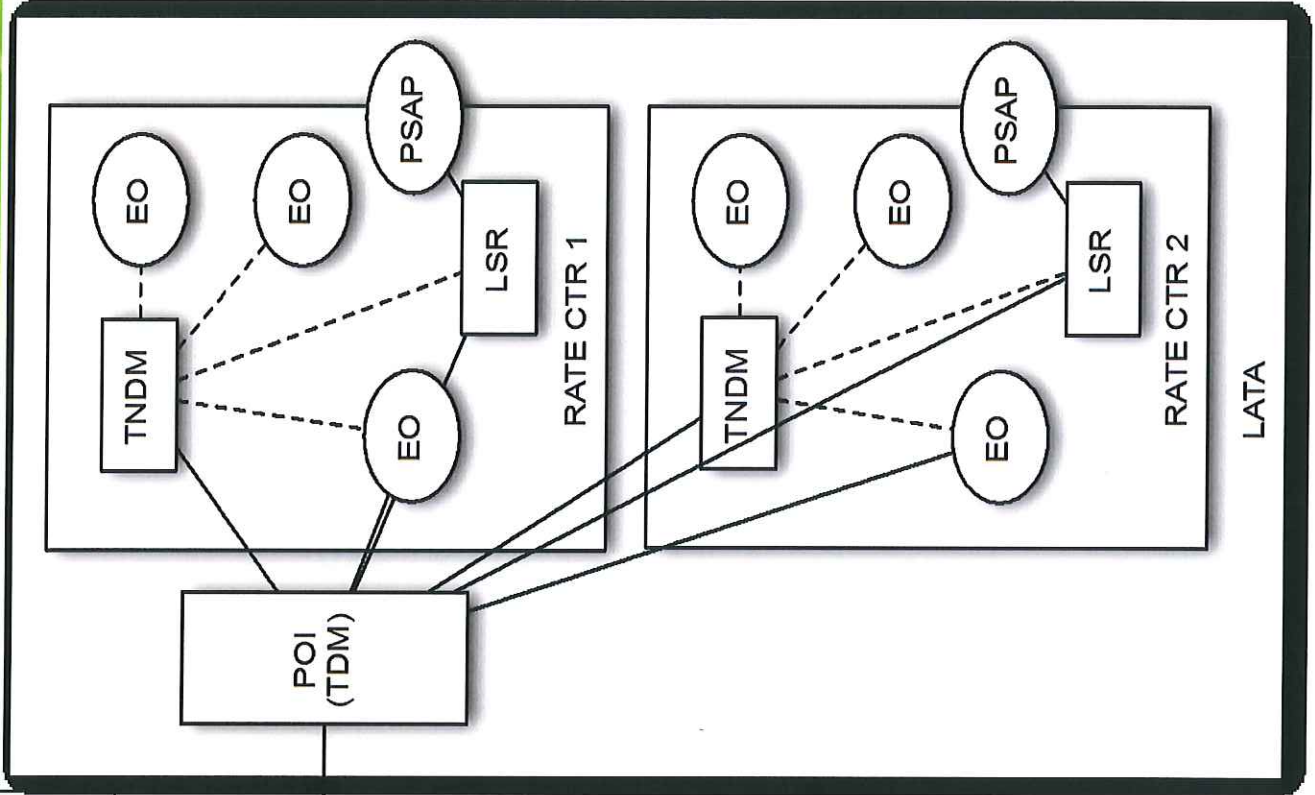
Staff/601  
Brock/3

*Improve lives, strengthen  
businesses and connect  
communities by delivering  
advanced technologies and  
solutions with honest and  
personal service.*



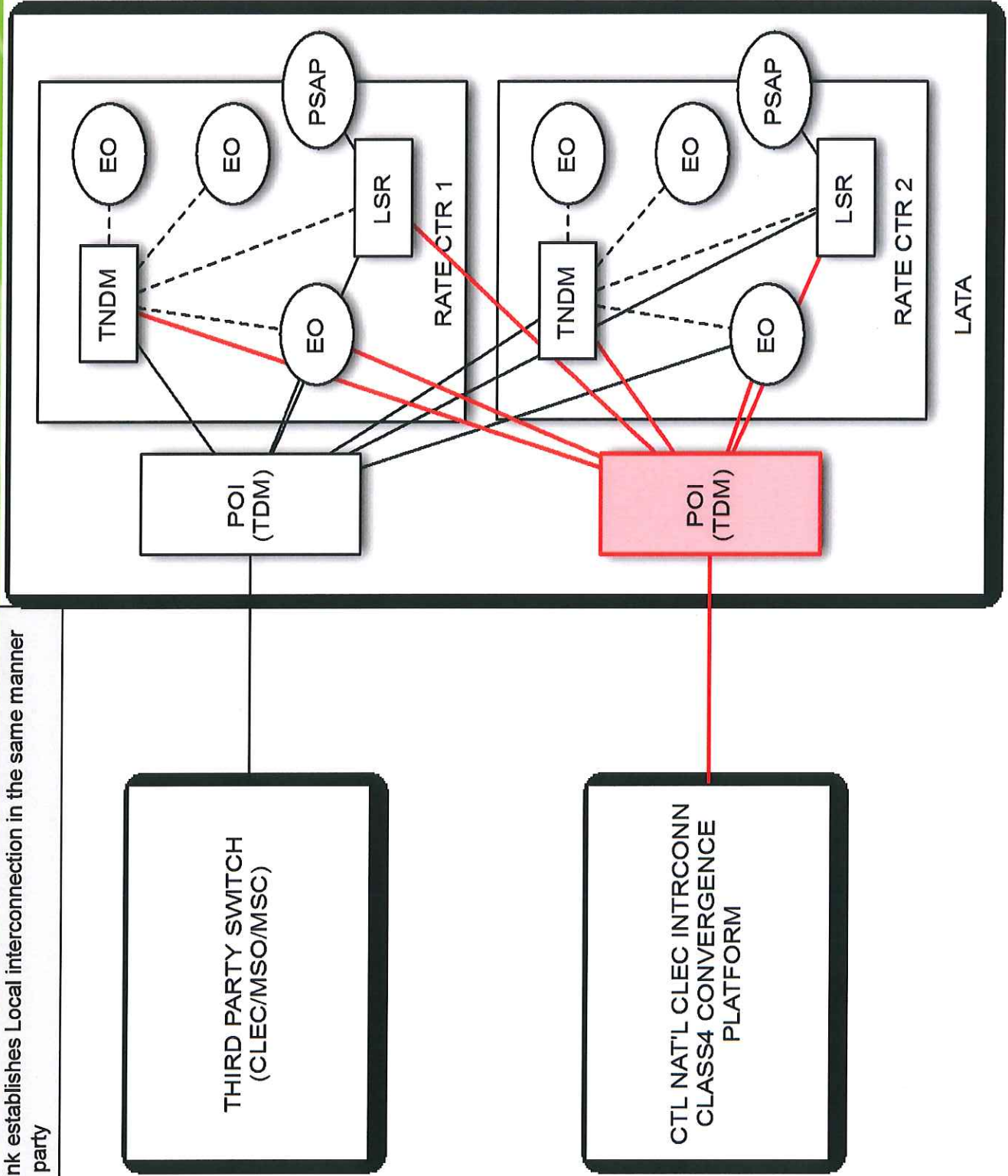
# Traditional Third Party Interconnection

Third Parties interconnect by establishing a Point of Interface (POI) within a LATA and TDM trunks to Legacy Tandems and/or End Offices



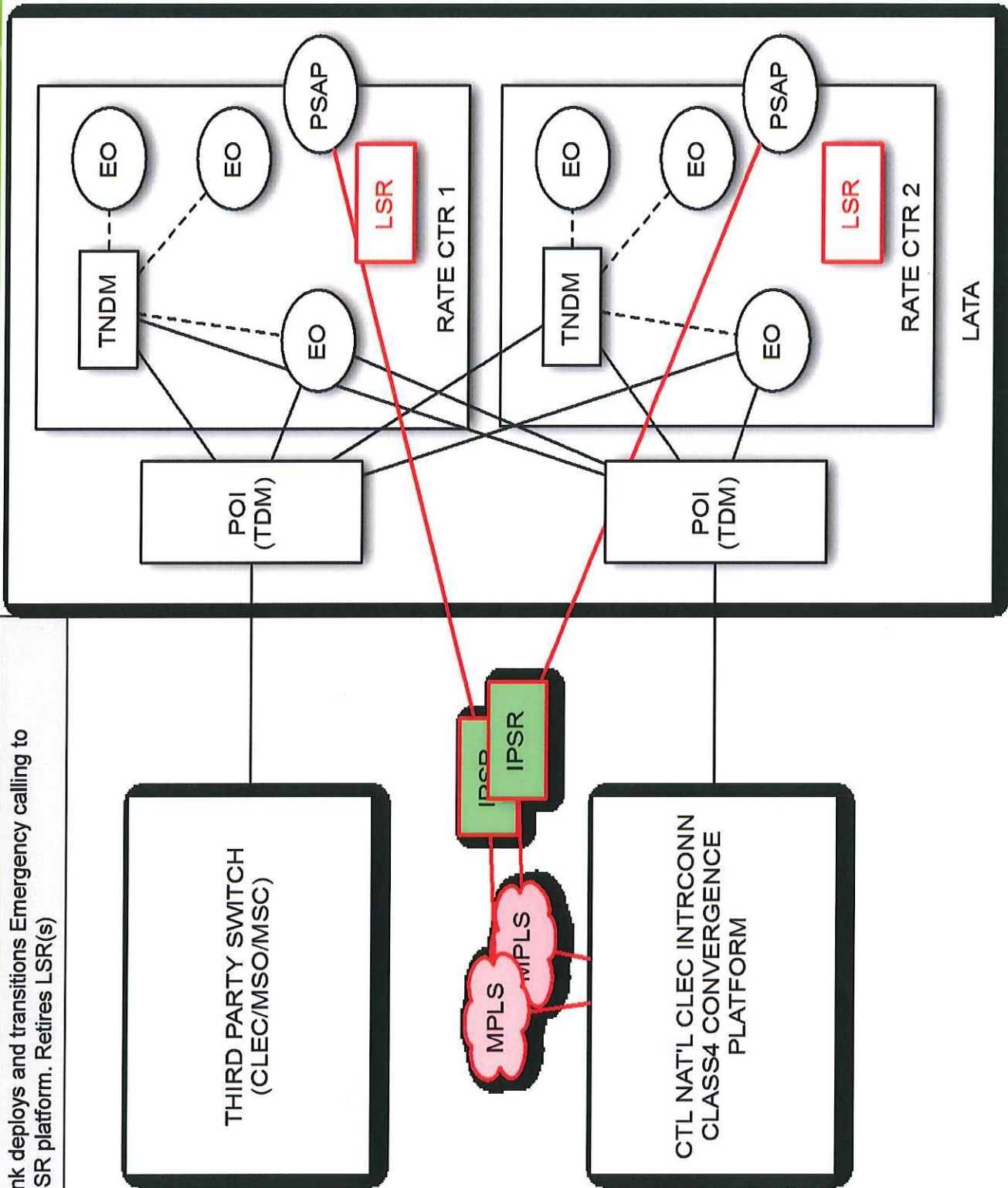
# CTL National CLEC Interconnection

CenturyLink establishes Local interconnection in the same manner as a third party



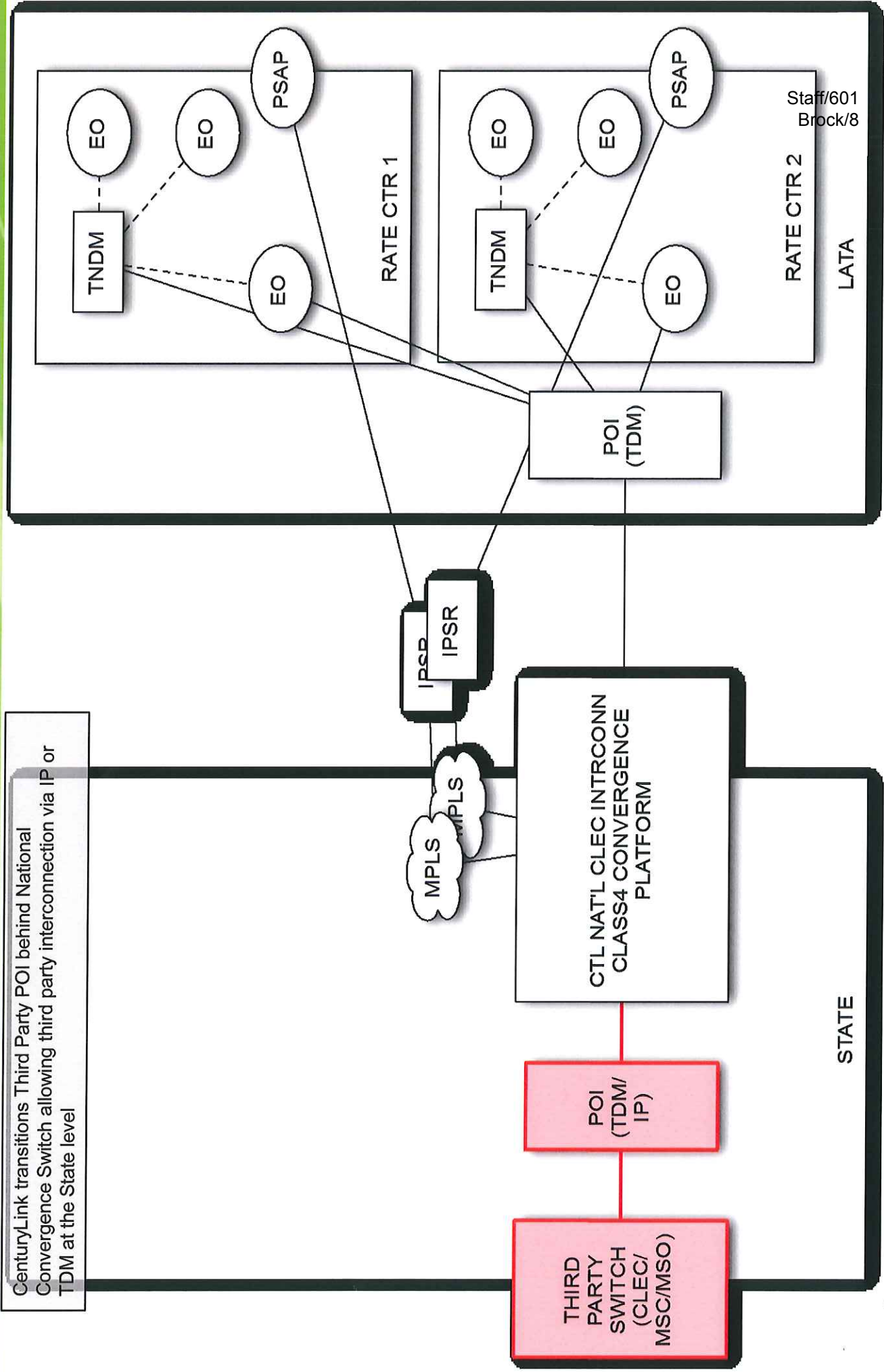
# CTL NG911 Integration

CenturyLink deploys and transitions Emergency calling to NG911/IPSR platform. Retires LSR(s)



# Transition of Third Party POI

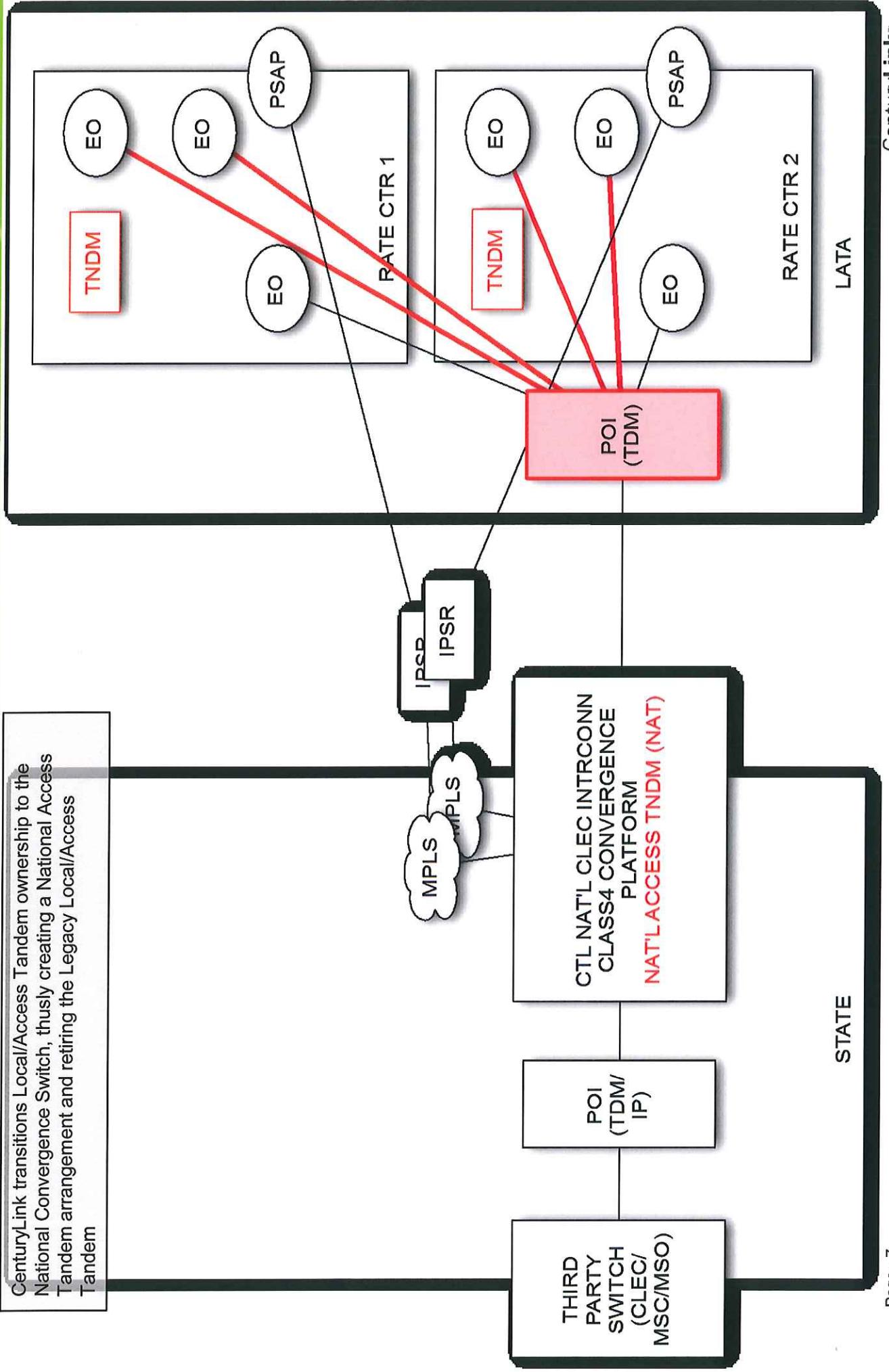
CenturyLink transitions Third Party POI behind National Convergence Switch allowing third party interconnection via IP or TDM at the State level



Staff/601  
Brock/8

# Tandem Convergence/Retirement

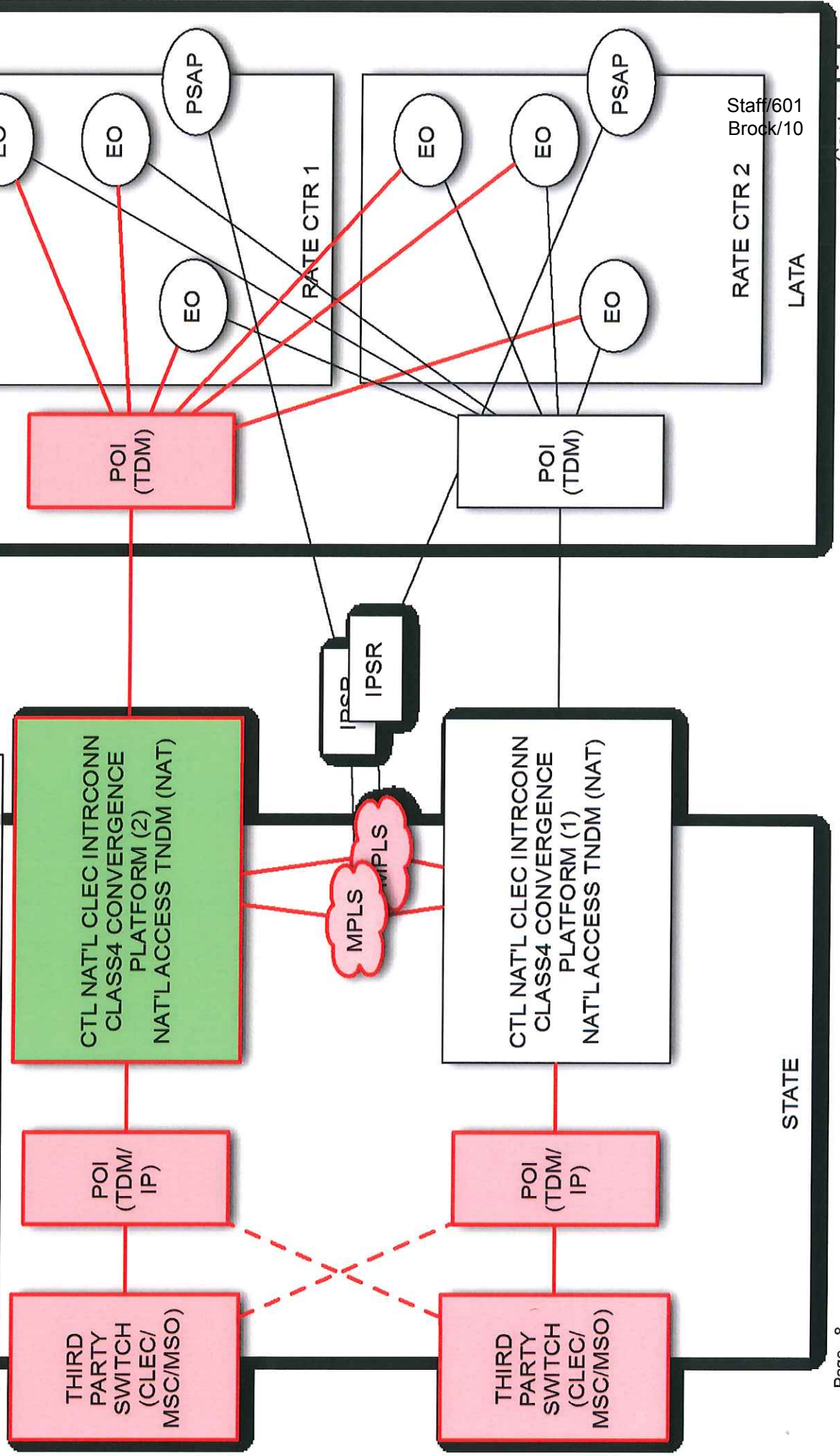
CenturyLink transitions Local/Access Tandem ownership to the National Convergence Switch, thus creating a National Access Tandem arrangement and retiring the Legacy Local/Access Tandem





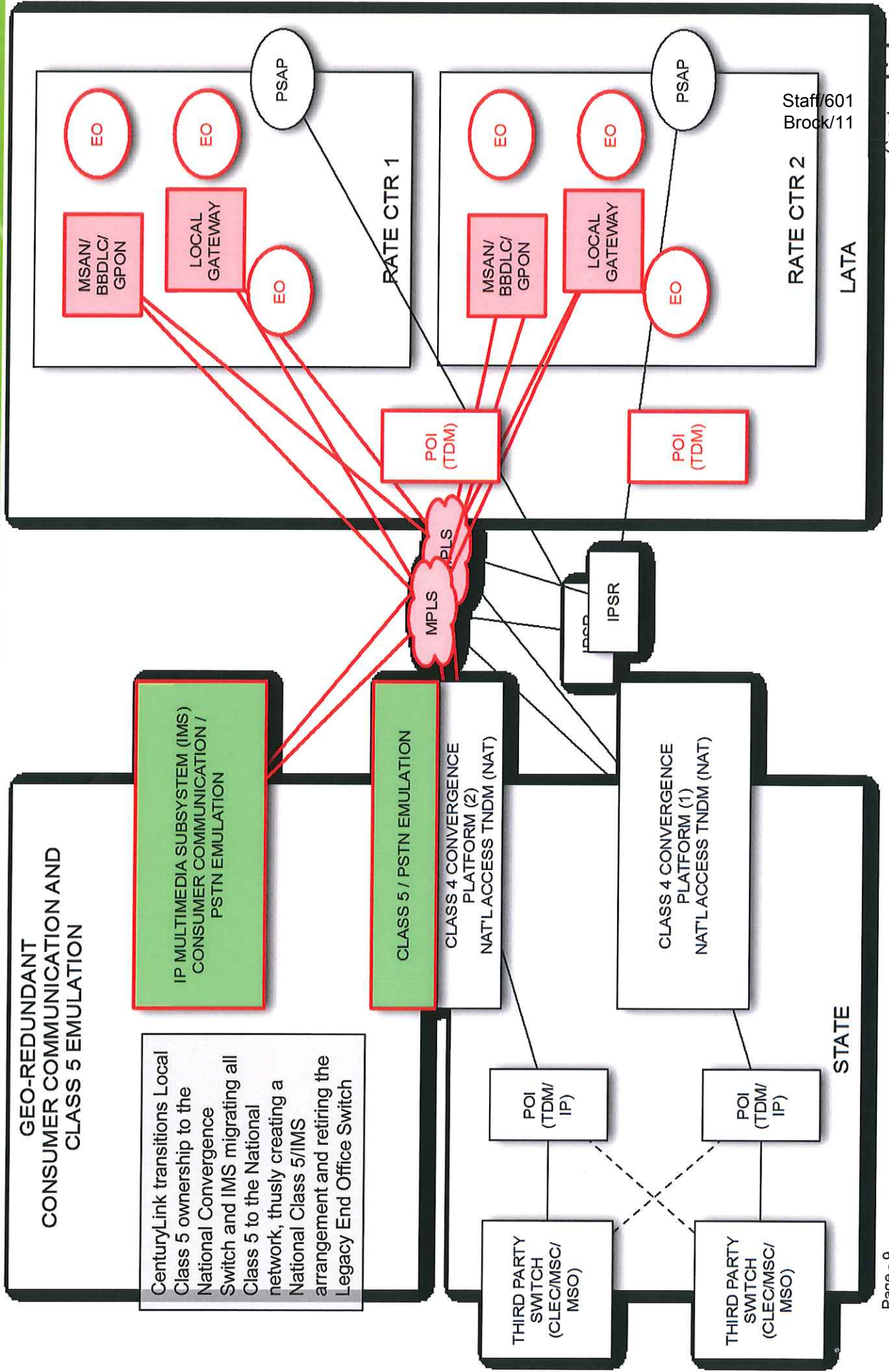
# Paralleled National Access Tandem

CenturyLink implements a secondary Convergence platform to displace/retire Legacy National Class 4 Circuit Switch and establishes paralleled interconnection, allowing diverse TDM/IP Third Party interconnection to the PSTN

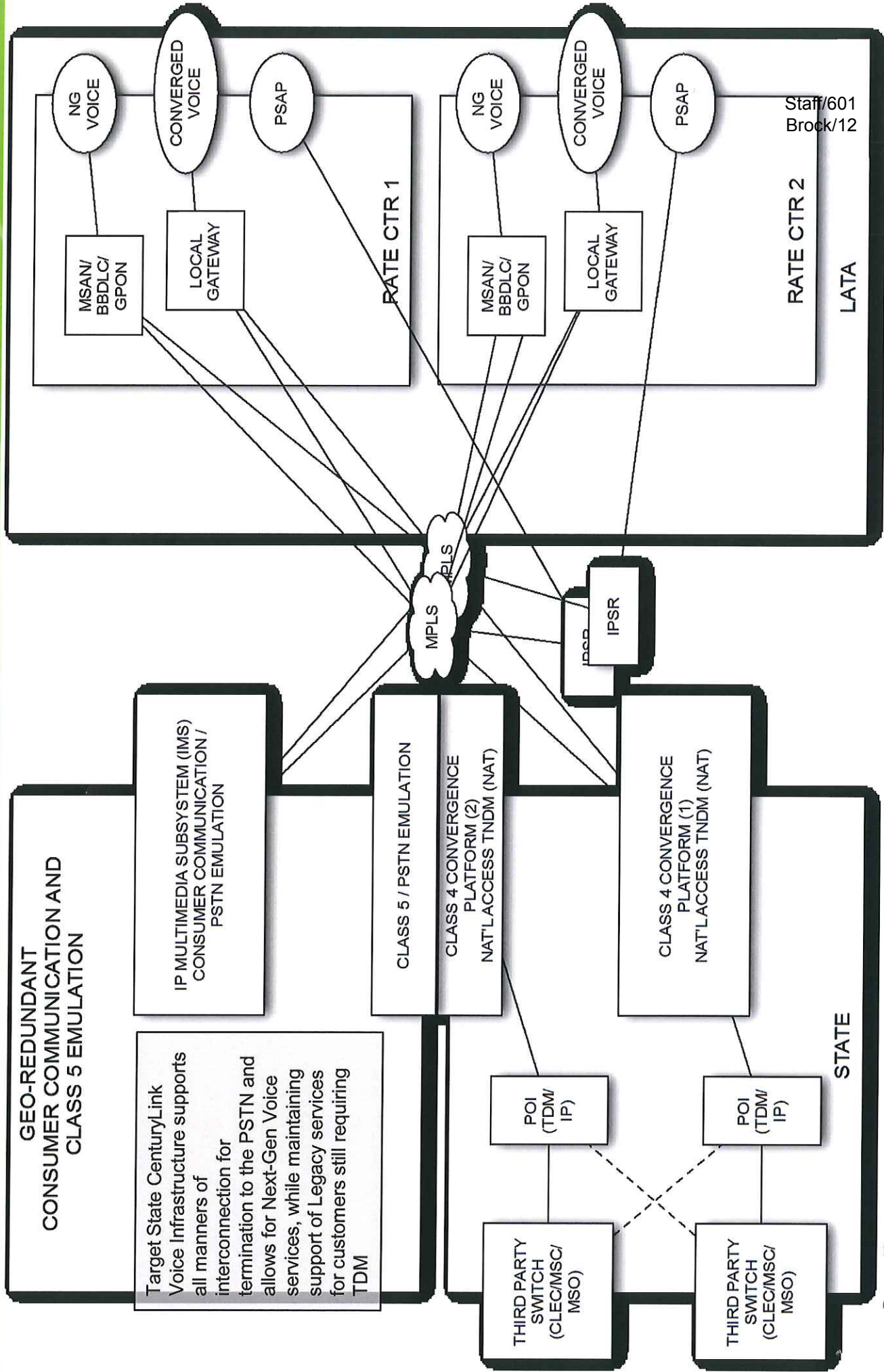


Staff/601  
Brock/10

# Class 5 Convergence/Retirement

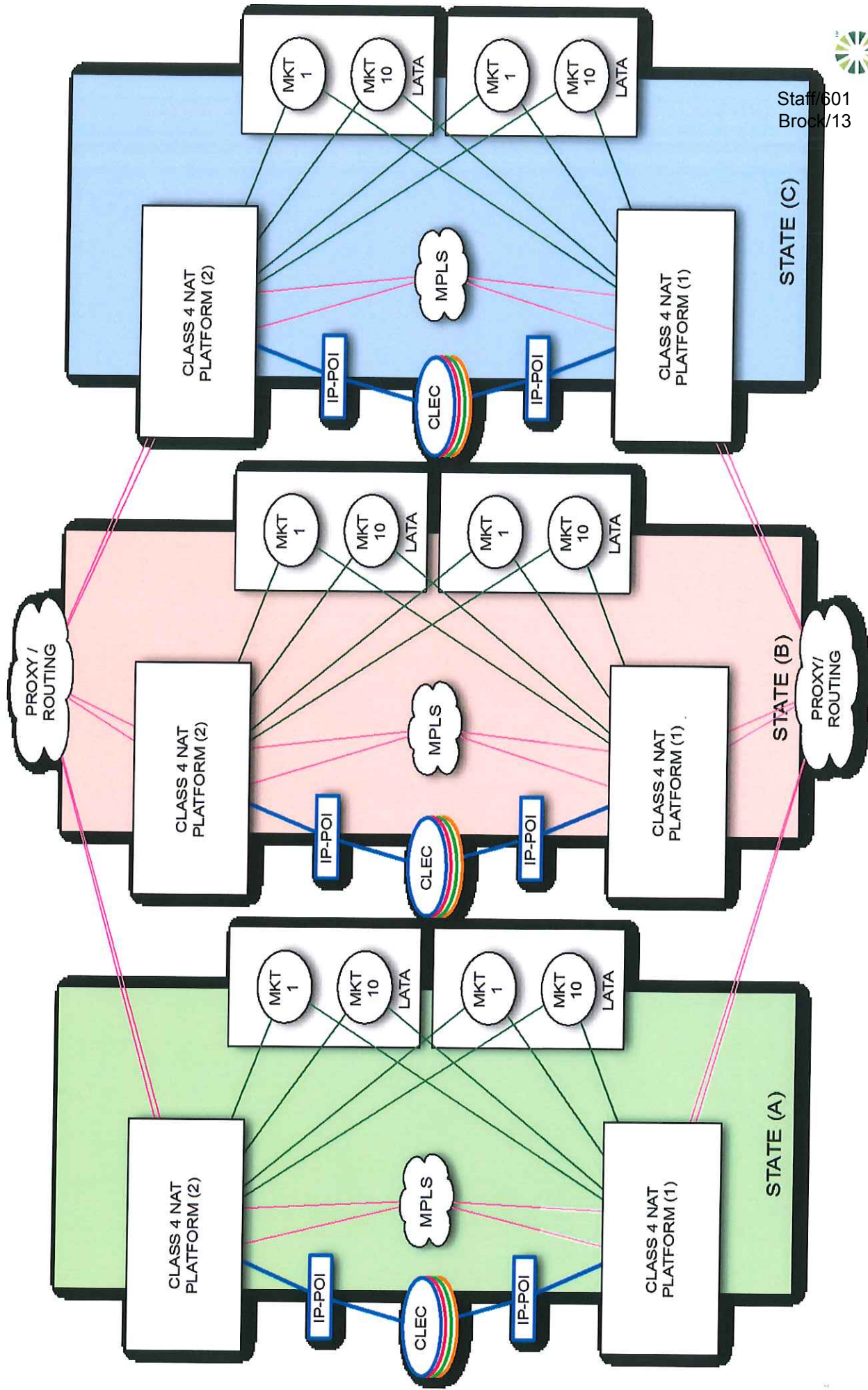


# Target State Packet Switched Network



Staff/601  
Brock/12

# CenturyLink State Level Interconnection



Staff/601  
Brook/13

**OREGON PUBLIC UTILITY COMMISSION  
UTILITY SAFETY REPORT**

Staff/601  
Brock/14

DATES OF REVIEW: April 18, 2014      REPORT NO.: E14-36  
 UTILITY OPERATOR: CenturyLink  
 LOCATION OF REVIEW: 35536 Sunny Hill Lane, Pleasant Hill  
 UTILITY REPRESENTATIVES: None present  
 OPUC REPRESENTATIVES: John Wallace/Gary Putnam

COVERAGE: It should not be assumed that this review discovered all violations, or that the recommendations, if followed would ensure compliance with the National Electrical Safety Code (NESC). Any included "remarks" or "recommendations" should not be construed as PUC Orders. The reader is referred to the latest edition of the NESC adopted in OAR 860-024-0010 for the minimum safety requirements for electric supply and telecommunication lines.

**NOTICE OF PROBABLE VIOLATIONS CITED:**

<b>1. Citation:</b>		Inadequate temporary installation of communication cable.	
<b>Reference:</b>		NESC Rules Number: 014, 311C and 352D1	
	<i>Locations</i>	<i>Pole Numbers</i>	<i>Comments</i>
a.	35536 Sunny Hill Lane, Pleasant Hill	Not available	<p>NESC does not allow temporary installation of communication cables to be ground laid.</p> <p>This temporary service to a new home comes out of pedestal and is ground laid going south approximately 110 feet, where it crosses under road in a culvert, then continues on south approximately another 100 feet, where it's wrapped around a Emerald People's Utility District transformer. Cable then goes into a customer provided conduit next to the road, which comes up in their garage.</p> <p>The resident said cable was installed in late February. Customer reports that CenturyLink was contacted numerous times and said their contractor will bury the cable permanently, however they will not provide a date for the permanent installation. <b>This installation is creating a hazard.</b></p>

**REMARKS** (By OPUC Representative)

Staff/601  
Brock/15

The programs reviewed during this inspection relate to NESC requirements for the construction, inspection, testing, repair, and quality control of line facilities to assure ongoing safety compliance. For general maintenance requirements refer to NESC Rules 121, 214, and 313.

This report was generated due to a report of ground-laid communication cable at the address indicated in the report.

The issue of ground-laid cable is an old one and one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to this report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to lay cable directly on grade, as long as the cable is appropriately marked, guarded, and located so that pedestrian or vehicular traffic is not obstructed. Conversely, the NESC makes no provision for temporary installations to be laid directly on grade. Staff would encourage CenturyLink to circulate this letter to all personnel to ensure that this sort of installation does not recur in the future.

On April 18, 2014, Staff investigated and concluded that this case involved communication cable laid on the ground to serve a new home. Because it is a new home and service, it cannot be construed as any sort of emergency installation. It is clearly a temporary service that CenturyLink should have buried at the outset. Staff concludes that the complaint was valid and that immediate corrective action by CenturyLink is needed.

**RECOMMENDATIONS:** The OPUC Safety Staff recommends CenturyLink perform the following actions:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

Prepared by: \_\_\_\_\_

Attachments: Photographs  
All Utility Letter

May 2, 2014

KENNETH MORGAN  
MANAGER FIELD PLANT OPERATIONS  
CENTURYLINK  
10 2<sup>ND</sup> STREET  
AUBURN, WASHINGTON 98002

RE: OPUC Report No. E14-36, CenturyLink (Pleasant Hill)

Enclosed is a copy of OPUC Safety Report No. E14-36, which cites probable violations of the National Electrical Safety Code (NESC) on your system.

This report was generated due to a report of ground-laid communication cable at the address indicated in the report.

The issue of ground-laid cable is an old one and one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to the report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to lay cable directly on grade, as long as the cable is appropriately marked, guarded, and located so that pedestrian or vehicular traffic is not obstructed. Conversely, the NESC makes no provision for temporary installations to be laid directly on grade. Staff would encourage CenturyLink to circulate this letter to all personnel to ensure that this sort of installation does not recur in the future.

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In response to this report:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

If a time extension is needed, submit a written request stating the reason(s) for the delay and the proposed schedule to complete the work. If government permits are causing a delay, include the date the permits were applied for and a permitting agency contact person and telephone number. If you disagree with any cited probable violation, please furnish us a letter within 30 days requesting an informal conference.

Each electric supply and telecommunication operator (as defined in OAR 860-024-0001(5) in Oregon is responsible to construct, operate, and maintain its line facilities in compliance with the NESC. Refer to ORS 757.035 and OARs 860-024-0010 and 860-023-0005 for Oregon laws and rules regarding minimum OPUC safety standards. Particular focus should be given to NESC Rules 121, 214, 313, and OAR 860-024-0011, which address ongoing inspection and maintenance responsibilities.

Failure to comply with the OPUC safety regulations or NESC rules can result in Commission orders and/or civil penalties. Refer to ORS 757.990(1) for penalty amounts.

If you have any questions regarding this letter or the attached report, please contact me at the number listed below, or John Wallace at (503) 373-1016.

Gary Putnam  
Senior Utility Analyst  
Utility Safety, Reliability, and Security Division  
(503) 373-1832  
[Gary.Putnam@state.or.us](mailto:Gary.Putnam@state.or.us)

Attachments: Violation Report





Probable violation 1a.:  
Temporary service comes  
out of pedestal and ground  
laid to a new home at  
35536 Sunny Hill Lane,  
Pleasant Hill.



Cable is ground laid going  
south to a culvert  
approximately 110 feet.



Goes under road in  
culvert.



Cable goes under road in  
culvert then continues on  
south approximately 100  
feet.



Cable comes out of culvert then continues on south approximately 100 feet.



Cable is wrapped around a Emerald People's Utility District transformer. Then goes into a customer provided conduit next to the road, which comes up in their garage.

**OREGON PUBLIC UTILITY COMMISSION  
UTILITY SAFETY REPORT**

Staff/601  
Brock/21

DATES OF REVIEW: April 18, 2014 REPORT NO.: E14-37  
 UTILITY OPERATOR: CenturyLink  
 LOCATION OF REVIEW: 8385 McKenzie Highway, Springfield  
 UTILITY REPRESENTATIVES: None present  
 OPUC REPRESENTATIVES: John Wallace/Gary Putnam

COVERAGE: It should not be assumed that this review discovered all violations, or that the recommendations, if followed would ensure compliance with the National Electrical Safety Code (NESC). Any included "remarks" or "recommendations" should not be construed as PUC Orders. The reader is referred to the latest edition of the NESC adopted in OAR 860-024-0010 for the minimum safety requirements for electric supply and telecommunication lines.

**NOTICE OF PROBABLE VIOLATIONS CITED:**

<b>1. Citation:</b>	Inadequate vertical clearance of wires, cables and equipment above ground, roadways, rail or water surfaces.		
<b>Reference:</b>	NESC Rule Number: 232, Table 232-1, 230A2a		
	<i>Locations</i>	<i>Pole Numbers</i>	<i>Comments</i>
a.	In two spans west of 8385 McKenzie Highway, Springfield	In span going east and west from CenturyLink pole 73 A1750813	Tree fell into line breaking off pole, and damaging two communications cables during snow storms in early February. Approximately 100 feet of two main cables have been temporized with other cable. The cables and splice are hanging down near ground level, <b>creating a hazard.</b>

**REMARKS** (By OPUC Representative)

The programs reviewed during this inspection relate to NESC requirements for the construction, inspection, testing, repair, and quality control of line facilities to assure ongoing safety compliance. For general maintenance requirements refer to NESC Rules 121, 214, and 313.

This report was generated due to a complaint of low-hanging communication cables at the location indicated in the report.

The issue of emergency and temporary installations is one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to this report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to make installations where the normal overhead clearances may be

Staff/601  
Brock/22

decreased, per NESC Rule 230A2a. When an emergency installation is unavoidable, it should be removed and made permanent in an expedited manner.

On April 18, 2014, Staff investigated and concluded that this case involved communication cable damaged by a falling tree during the February, 2014, snow storms. This was clearly an emergency installation, although the reduced clearance standards have not been met. Further, CenturyLink has not properly and promptly responded during the interim to provide a permanent installation that meets the minimum clearance required. Staff concludes that the complaint was valid and that immediate corrective action by CenturyLink is needed.

**RECOMMENDATIONS:** The OPUC Safety Staff recommends CenturyLink perform the following actions:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

Prepared by: \_\_\_\_\_

Attachments: Photographs  
All Utility Letter

May 2, 2014

KENNETH MORGAN  
MANAGER FIELD PLANT OPERATIONS  
CENTURYLINK  
10 2<sup>ND</sup> STREET  
AUBURN, WASHINGTON 98002

RE: OPUC Report No. E14-37, CenturyLink (Springfield)

Enclosed is a copy of OPUC Safety Report No. E14-37, which cites probable violations of the National Electrical Safety Code (NESC) on your system.

This report was generated due to a complaint of low-hanging communication cables at the location indicated in the report.

The issue of emergency and temporary installations is one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to this report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to make installations where the normal overhead clearances may be decreased, per NESC Rule 230A2a. When an emergency installation is unavoidable, it should be remedied and made permanent in an expedited manner.

On April 18, 2014, Staff investigated and concluded that this case involved communication cable damaged by a falling tree during the February, 2014, snow storms. This was clearly an emergency installation, although the decreased clearance standards were not met. Further, CenturyLink has not properly and promptly responded during the interim to provide a permanent installation that meets the minimum clearance required. Staff concludes that the complaint was valid and that immediate corrective action by CenturyLink is needed.

In response to this report:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

If a time extension is needed, submit a written request stating the reason(s) for the delay and the proposed schedule to complete the work. If government permits are causing a delay, include the date the permits were applied for and a permitting agency contact person and telephone number. If you disagree with any cited probable violation, please furnish us a letter within 30 days requesting an informal conference.

Each electric supply and telecommunication operator (as defined in OAR 860-024-0001(5) in Oregon is responsible to construct, operate, and maintain its line facilities in compliance with the NESC. Refer to ORS 757.035 and OARs 860-024-0010 and 860-023-0005 for Oregon laws and rules regarding minimum OPUC safety standards. Particular focus should be given to NESC Rules 121, 214, 313, and OAR 860-024-0011, which address ongoing inspection and maintenance responsibilities.

Failure to comply with the OPUC safety regulations or NESC rules can result in Commission orders and/or civil penalties. Refer to ORS 757.990(1) for penalty amounts.

If you have any questions regarding this letter or the attached report, please contact me at the number listed below, or John Wallace at (503) 373-1016.

Gary Putnam  
Senior Utility Analyst  
Utility Safety, Reliability, and Security Division  
(503) 373-1832  
[Gary.Putnam@state.or.us](mailto:Gary.Putnam@state.or.us)

Attachments: Violation Report



Probable violation 1a.:  
Tree fell into line breaking  
off pole and damaging two  
communications cables  
during snow storms in  
early February. Located in  
the two spans west of 8385  
McKenzie Highway,  
Springfield.



Approximately 100 feet of  
2 main cables have been  
temporized with another  
cable.





The cables and splice are hanging down near ground level.

**OREGON PUBLIC UTILITY COMMISSION  
UTILITY SAFETY REPORT**

Staff/601  
Brock/27

DATES OF REVIEW: April 18, 2014 REPORT NO.: E14-38  
 UTILITY OPERATOR: CenturyLink  
 LOCATION OF REVIEW: 55429 McKenzie River Drive, Blue River  
 UTILITY REPRESENTATIVES: None present  
 OPUC REPRESENTATIVES: John Wallace/Gary Putnam

COVERAGE: It should not be assumed that this review discovered all violations, or that the recommendations, if followed would ensure compliance with the National Electrical Safety Code (NESC). Any included "remarks" or "recommendations" should not be construed as PUC Orders. The reader is referred to the latest edition of the NESC adopted in OAR 860-024-0010 for the minimum safety requirements for electric supply and telecommunication lines.

**NOTICE OF PROBABLE VIOLATIONS CITED:**

<b>1. Citation:</b>	Inadequate emergency installation of communication cable.		
<b>Reference:</b>	NESC Rules Number: 014, 311C and 352D1		
	<i>Locations</i>	<i>Pole Numbers</i>	<i>Comments</i>
a.	55429 McKenzie River Drive, Blue River	Pedestal #55425	<p>NESC allows emergency installation of communication cables to be ground laid, however they shall be removed, replaced, or relocated, as desired, as soon as practical.</p> <p>Customer said during the early February snow storms, a pick-up truck on their property caught on fire, somehow causing their phone service to be disrupted. CenturyLink ground laid a cable out of pedestal # 55425, which goes north approximately 200 feet through the neighbor's yard, over a fence, and is wrapped around the meter base conduit, before terminating in the subscriber network interface on the garage.</p> <p>Century link said they would come back after the snow melted, however they have not returned, even though the customer has contacted them numerous times. <b>This installation is creating a hazard.</b></p>

**OREGON PUBLIC UTILITY COMMISSION  
UTILITY SAFETY REPORT**

Staff/601  
Brock/28

DATES OF REVIEW: April 18, 2014      REPORT NO.: E14-38  
 UTILITY OPERATOR: CenturyLink  
 LOCATION OF REVIEW: 55429 McKenzie River Drive, Blue River  
 UTILITY REPRESENTATIVES: None present  
 OPUC REPRESENTATIVES: John Wallace/Gary Putnam

COVERAGE: It should not be assumed that this review discovered all violations, or that the recommendations, if followed would ensure compliance with the National Electrical Safety Code (NESC). Any included "remarks" or "recommendations" should not be construed as PUC Orders. The reader is referred to the latest edition of the NESC adopted in OAR 860-024-0010 for the minimum safety requirements for electric supply and telecommunication lines.

**NOTICE OF PROBABLE VIOLATIONS CITED:**

<b>1. Citation:</b>	Inadequate emergency installation of communication cable.		
<b>Reference:</b>	NESC Rules Number: 014, 311C and 352D1		
	<i>Locations</i>	<i>Pole Numbers</i>	<i>Comments</i>
a.	55429 McKenzie River Drive, Blue River	Pedestal #55425	<p>NESC allows emergency installation of communication cables to be ground laid, however they shall be removed, replaced, or relocated, as desired, as soon as practical.</p> <p>Customer said during the early February snow storms, a pick-up truck on their property caught on fire, somehow causing their phone service to be disrupted. CenturyLink ground laid a cable out of pedestal # 55425, which goes north approximately 200 feet through the neighbor's yard, over a fence, and is wrapped around the meter base conduit, before terminating in the subscriber network interface on the garage.</p> <p>Century link said they would come back after the snow melted, however they have not returned, even though the customer has contacted them numerous times. <b>This installation is creating a hazard.</b></p>

May 2, 2014

KENNETH MORGAN  
MANAGER FIELD PLANT OPERATIONS  
CENTURYLINK  
10 2<sup>ND</sup> STREET  
AUBURN, WASHINGTON 98002

RE: OPUC Report No. E14-38, CenturyLink (Blue River)

Enclosed is a copy of OPUC Safety Report No. E14-38, which cites probable violations of the National Electrical Safety Code (NESC) on your system.

This report was generated due to a report of ground-laid communication cable at the address indicated in the report.

The issue of ground-laid cable is an old one and one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to this report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to lay cable directly on grade, as long as the cable is appropriately marked, guarded, and located so that pedestrian or vehicular traffic is not obstructed. Further, when an emergency installation is unavoidable, it should be remedied and made permanent in an expedited manner.

On April 18, 2014, Staff investigated and concluded that this case involved communication cable laid on the ground, in order to provide service during a disruption caused by a vehicle fire. This was clearly an emergency installation, although the cable was not marked or guarded, nor has CenturyLink properly and promptly responded during the interim to provide a permanent installation. Staff concludes that the complaint was valid and that immediate corrective action by CenturyLink is needed.

In response to this report:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

If a time extension is needed, submit a written request stating the reason(s) for the delay and the proposed schedule to complete the work. If government permits are causing a delay, include the date the permits were applied for and a permitting agency contact person and telephone number. If you disagree with any cited probable violation, please furnish us a letter within 30 days requesting an informal conference.

Each electric supply and telecommunication operator (as defined in OAR 860-024-0001(5) in Oregon is responsible to construct, operate, and maintain its line facilities in compliance with the NESC. Refer to ORS 757.035 and OARs 860-024-0010 and 860-023-0005 for Oregon laws and rules regarding minimum OPUC safety standards. Particular focus should be given to NESC Rules 121, 214, 313, and OAR 860-024-0011, which address ongoing inspection and maintenance responsibilities.

Failure to comply with the OPUC safety regulations or NESC rules can result in Commission orders and/or civil penalties. Refer to ORS 757.990(1) for penalty amounts.

If you have any questions regarding this letter or the attached report, please contact me at the number listed below, or John Wallace at (503) 373-1016.

Gary Putnam  
Senior Utility Analyst  
Utility Safety, Reliability, and Security Division  
(503) 373-1832  
[Gary.Putnam@state.or.us](mailto:Gary.Putnam@state.or.us)

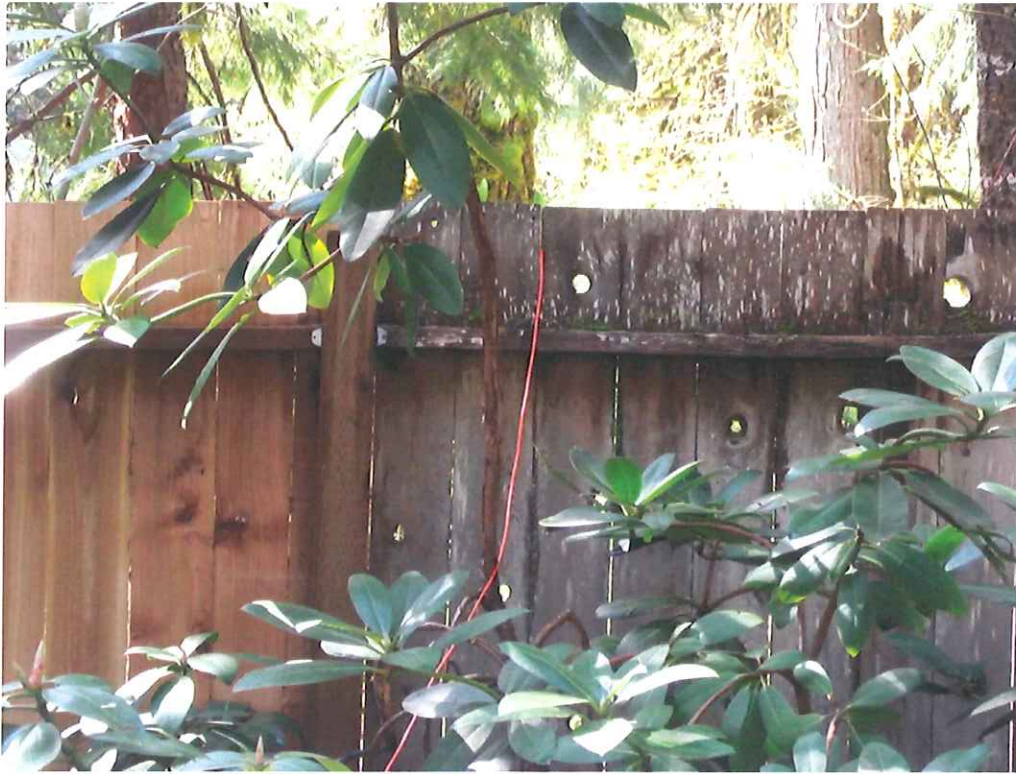
Attachments: Violation Report



Probable violation 1a.:  
Customer said during the early February snow storms a pick-up caught on fire causing their phone service to be disrupted. CenturyLink ground laid a cable out of pedestal # 55425 going north approximately 200 feet.



Cable is ground laid through the neighbor's yard.



Cable continues over fence.



Cable is wrapped around the meter base conduit before terminating in subscriber network interface on shed.

**OREGON PUBLIC UTILITY COMMISSION  
UTILITY SAFETY REPORT**

DATES OF REVIEW: April 18, 2014 REPORT NO.: E14-39  
 UTILITY OPERATOR: CenturyLink  
 LOCATION OF REVIEW: 36849 Tovey Drive, Springfield  
 UTILITY REPRESENTATIVES: None present  
 OPUC REPRESENTATIVES: John Wallace/Gary Putnam

COVERAGE: It should not be assumed that this review discovered all violations, or that the recommendations, if followed would ensure compliance with the National Electrical Safety Code (NESC). Any included "remarks" or "recommendations" should not be construed as PUC Orders. The reader is referred to the latest edition of the NESC adopted in OAR 860-024-0010 for the minimum safety requirements for electric supply and telecommunication lines.

**NOTICE OF PROBABLE VIOLATIONS CITED:**

<b>1. Citation:</b>		Inadequate temporary installation of communication cable.	
<b>Reference:</b>		NESC Rules Number: 014, 311C and 352D1	
		<i>Locations</i>	<i>Pole Numbers</i>
a.	36849 Tovey Drive, Springfield	Not available	<p>Comments</p> <p>NESC does not allow temporary installation of communication cables to be ground laid.</p> <p>Temporary service to new home is connected to a paired cable that is stubbed up out of the gravel at the NW corner of the intersection Sunderman Road and Tovey Drive. Cable is ground laid north approximately 150 feet, then wrapped around Emerald People's Utility District pole 1602/349604, then continues west down driveway to 90948 Sunderman Road approximately 200 feet, wraps around Emerald People's Utility District pole 1602/349605, then continues south another 60' to the house.</p> <p>The resident said cable was installed in middle of January to serve their new home. She has contacted CenturyLink numerous times and they said their contractor C-2 Utilities will do the permanent installation, which is tentatively scheduled for next week. CenturyLink said the delay was caused by scheduling problems with C-2 Utilities and two CenturyLink employees retiring. The customer also said they can't finish their driveway because of the ground laid cable. <b>This installation is creating a hazard.</b></p>



Staff/601  
Brock/34

**REMARKS** (By OPUC Representative)

The programs reviewed during this inspection relate to NESC requirements for the construction, inspection, testing, repair, and quality control of line facilities to assure ongoing safety compliance. For general maintenance requirements refer to NESC Rules 121, 214, and 313.

This report was generated due to a report of ground-laid communication cable at the address indicated in the report.

The issue of ground-laid cable is an old one and one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to this report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to lay cable directly on grade, as long as the cable is appropriately marked, guarded, and located so that pedestrian or vehicular traffic is not obstructed. Conversely, the NESC makes no provision for temporary installations to be laid directly on grade. Staff would encourage CenturyLink to circulate this letter to all personnel to ensure that this sort of installation does not recur in the future.

On April 18, 2014, Staff investigated and concluded that this case involved communication cable laid on the ground to serve a new home. Because it is a new home and service, it cannot be construed as any sort of emergency installation. It is clearly a temporary service that CenturyLink should have buried at the outset. Staff concludes that the complaint was valid and that immediate corrective action by CenturyLink is needed.

**RECOMMENDATIONS:** The OPUC Safety Staff recommends CenturyLink perform the following actions:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

Prepared by: \_\_\_\_\_

Attachments: Photographs  
All Utility Letter

May 2, 2014

KENNETH MORGAN  
MANAGER FIELD PLANT OPERATIONS  
CENTURYLINK  
10 2<sup>ND</sup> STREET  
AUBURN, WASHINGTON 98002

RE: OPUC Report No. E14-39, CenturyLink (Springfield)

Enclosed is a copy of OPUC Safety Report No. E14-39, which cites probable violations of the National Electrical Safety Code (NESC) on your system.

This report was generated due to a report of ground-laid communication cable at the address indicated in the report.

The issue of ground-laid cable is an old one and one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to the report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to lay cable directly on grade, as long as the cable is appropriately marked, guarded, and located so that pedestrian or vehicular traffic is not obstructed. Conversely, the NESC makes no provision for temporary installations to be laid directly on grade. Staff would encourage CenturyLink to circulate this letter to all personnel to ensure that this sort of installation does not recur in the future.

On April 18, 2014, Staff investigated and concluded that this case involved communication cable laid on the ground to serve a new home. Because it is a new home and service, it cannot be construed as any sort of emergency installation. It is clearly a temporary service that CenturyLink should have buried at the outset. Staff concludes that the complaint was valid and that immediate corrective action by CenturyLink is needed.

In response to this report:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

If a time extension is needed, submit a written request stating the reason(s) for the delay and the proposed schedule to complete the work. If government permits are causing a delay, include the date the permits were applied for and a permitting agency contact person and telephone number. If you disagree with any cited probable violation, please furnish us a letter within 30 days requesting an informal conference.

Each electric supply and telecommunication operator (as defined in OAR 860-024-0001(5) in Oregon is responsible to construct, operate, and maintain its line facilities in compliance with the NESC. Refer to ORS 757.035 and OARs 860-024-0010 and 860-023-0005 for Oregon laws and rules regarding minimum OPUC safety standards. Particular focus should be given to NESC Rules 121, 214, 313, and OAR 860-024-0011, which address ongoing inspection and maintenance responsibilities.

Failure to comply with the OPUC safety regulations or NESC rules can result in Commission orders and/or civil penalties. Refer to ORS 757.990(1) for penalty amounts.

If you have any questions regarding this letter or the attached report, please contact me at the number listed below, or John Wallace at (503) 373-1016.

Gary Putnam  
Senior Utility Analyst  
Utility Safety, Reliability, and Security Division  
(503) 373-1832  
[Gary.Putnam@state.or.us](mailto:Gary.Putnam@state.or.us)

Attachments: Violation Report



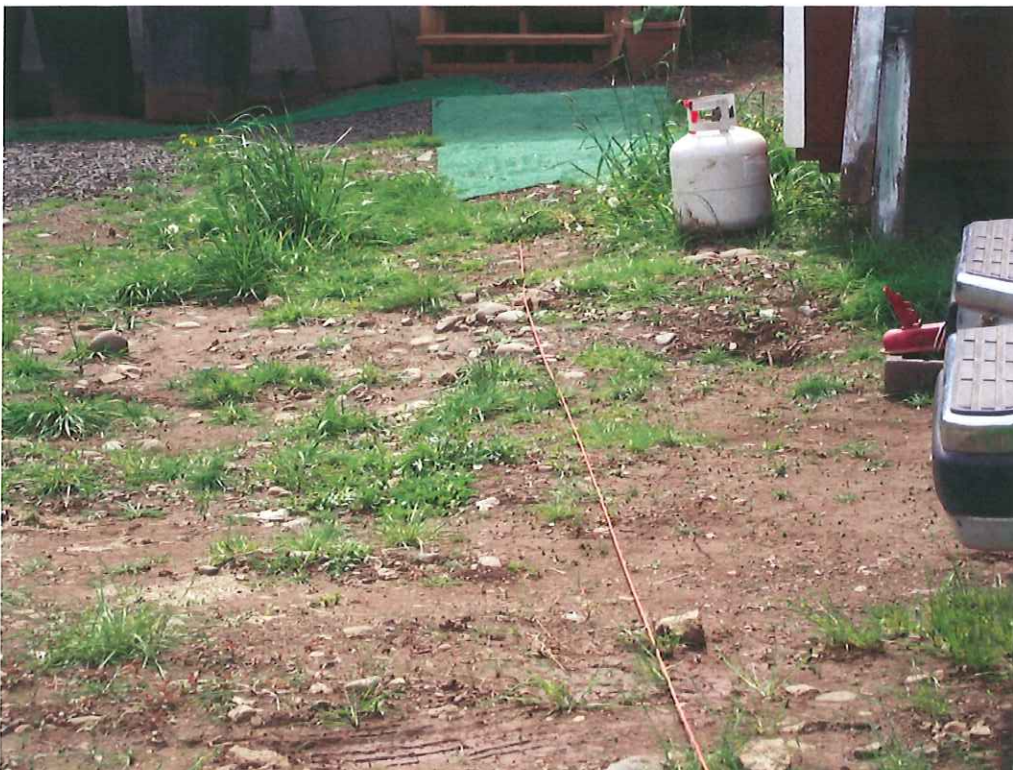
Probable violation 1a.:  
Temporary service to new home at 36849 Tovey Drive, Springfield is connected to a paired cable that's stub up out of street located at the NW corner of the intersection Sunderman Road and Tovey Drive.



Cable is ground laid north approximately 150 feet, then wrapped around Emerald People's Utility District pole 1602/349604.



Cable continues west down driveway to 90948 Sunderman Road approximately 200 feet.



Cable is wraps around Emerald People's Utility District pole 1602/349605, continues south another 60' to the customer's house.



Temporary cable is terminated at subscriber network interface.

**OREGON PUBLIC UTILITY COMMISSION  
UTILITY SAFETY REPORT**

Staff/601  
Brock/40

DATES OF REVIEW: April 23, 2014 REPORT NO.: E14-41  
 UTILITY OPERATOR: CenturyLink  
 LOCATION OF REVIEW: 2315 27<sup>th</sup> Street, Corvallis  
 UTILITY REPRESENTATIVES: None present  
 OPUC REPRESENTATIVES: John Wallace/Gary Putnam

COVERAGE: It should not be assumed that this review discovered all violations, or that the recommendations, if followed would ensure compliance with the National Electrical Safety Code (NESC). Any included "remarks" or "recommendations" should not be construed as PUC Orders. The reader is referred to the latest edition of the NESC adopted in OAR 860-024-0010 for the minimum safety requirements for electric supply and telecommunication lines.

**NOTICE OF PROBABLE VIOLATIONS CITED:**

<b>1. Citation:</b>	Inadequate emergency installation of communication cable.		
<b>Reference:</b>	NESC Rules Number: 014, 311C and 352D1		
	<i>Locations</i>	<i>Pole Numbers</i>	<i>Comments</i>
a.	2315 27 <sup>th</sup> Street, Corvallis	Not available	<p>NESC allows emergency installation of communication cables to be ground laid, however they shall be removed, replaced, or relocated, as desired, as soon as practical.</p> <p>Behind 2650 Roosevelt Drive, CenturyLink dropped a cable from the aerial wire down PacifiCorp pole 01311005/275906, CenturyLink # 2656/R, wrapped it around base of pole and spliced to a ground laid cable. That cable goes south approximately 100 feet through the neighbor's yard, is spliced into cable going up PacifiCorp pole 1105/275943, CenturyLink # 2650 R, and is attached to a cable serving 2315 27<sup>th</sup> Street.</p> <p>Customer says the cable has been ground laid since the first of year. Customer reports that CenturyLink said they were going to have to leave it this way because it too challenging to make permanent repairs.  <b>This installation is creating a hazard.</b></p>

**REMARKS** (By OPUC Representative)

The programs reviewed during this inspection relate to NESC requirements for the construction, inspection, testing, repair, and quality control of line facilities to assure ongoing safety compliance. For general maintenance requirements refer to NESC Rules 121, 214, and 313.

This report was generated due to a report of ground-laid communication cable at the address indicated in the report.

The issue of ground-laid cable is an old one and one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to this report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to lay cable directly on grade, as long as the cable is appropriately marked, guarded, and located so that pedestrian or vehicular traffic is not obstructed. Further, when an emergency installation is unavoidable, it should be remedied and made permanent in an expedited manner.

On April 18, 2014, Staff investigated and concluded that this case involved communication cable laid on the ground, in order to provide service during a disruption. Although this was clearly an emergency installation, the cable was not marked or guarded, nor has CenturyLink properly and promptly responded during the interim to provide a permanent installation. Staff concludes that the complaint was valid and that immediate corrective action by CenturyLink is needed.

**RECOMMENDATIONS:** The OPUC Safety Staff recommends CenturyLink perform the following actions:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

Prepared by: \_\_\_\_\_

Attachments: Photographs  
All Utility Letter



May 2, 2014

KENNETH MORGAN  
MANAGER FIELD PLANT OPERATIONS  
CENTURYLINK  
10 2<sup>ND</sup> STREET  
AUBURN, WASHINGTON 98002

RE: OPUC Report No. E14-41, CenturyLink (Corvallis)

Enclosed is a copy of OPUC Safety Report No. E14-41, which cites probable violations of the National Electrical Safety Code (NESC) on your system.

This report was generated due to a report of ground-laid communication cable at the address indicated in the report.

The issue of ground-laid cable is an old one and one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to this report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to lay cable directly on grade, as long as the cable is appropriately marked, guarded, and located so that pedestrian or vehicular traffic is not obstructed. Further, when an emergency installation is unavoidable, it should be remedied and made permanent in an expedited manner.

On April 18, 2014, Staff investigated and concluded that this case involved communication cable laid on the ground, in order to provide service during a disruption. Although this was clearly an emergency installation, the cable was not marked or guarded, nor has CenturyLink properly and promptly responded during the interim to provide a permanent installation. Staff concludes that the complaint was valid and that immediate corrective action by CenturyLink is needed.

In response to this report:

1. On or before May 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

If a time extension is needed, submit a written request stating the reason(s) for the delay and the proposed schedule to complete the work. If government permits are causing a delay, include the date the permits were applied for and a permitting agency contact person and telephone number. If you disagree with any cited probable violation, please furnish us a letter within 30 days requesting an informal conference.

Each electric supply and telecommunication operator (as defined in OAR 860-024-0001(5) in Oregon is responsible to construct, operate, and maintain its line facilities in compliance with the NESC. Refer to ORS 757.035 and OARs 860-024-0010 and 860-023-0005 for Oregon laws and rules regarding minimum OPUC safety standards. Particular focus should be given to NESC Rules 121, 214, 313, and OAR 860-024-0011, which address ongoing inspection and maintenance responsibilities.

Failure to comply with the OPUC safety regulations or NESC rules can result in Commission orders and/or civil penalties. Refer to ORS 757.990(1) for penalty amounts.

If you have any questions regarding this letter or the attached report, please contact me at the number listed below, or John Wallace at (503) 373-1016.

Gary Putnam  
Senior Utility Analyst  
Utility Safety, Reliability, and Security Division  
(503) 373-1832  
[Gary.Putnam@state.or.us](mailto:Gary.Putnam@state.or.us)

Attachments: Violation Report



Probable violation 1a.:  
Behind 2650 Roosevelt  
Drive, CenturyLink  
dropped a cable from the  
aerial wire down  
PacifiCorp pole  
01311005/275906,  
CenturyLink # 2656/R,  
and wrapped it around  
base of pole.



Cable is spliced to a  
ground laid cable.



Cable goes south approximately 100 feet through the neighbor's yard.



Cable is spliced into cable going up PacifiCorp pole 1105/275943, CenturyLink # 2650 R, and attaches to cable serving 2315 27th Street.

**OREGON PUBLIC UTILITY COMMISSION  
UTILITY SAFETY REPORT**

DATES OF REVIEW: April 23, 2014 REPORT NO.: E14-42  
 UTILITY OPERATOR: CenturyLink  
 LOCATION OF REVIEW: 3700 Jackson Street, Corvallis  
 UTILITY REPRESENTATIVES: None present  
 OPUC REPRESENTATIVES: John Wallace/Gary Putnam

COVERAGE: It should not be assumed that this review discovered all violations, or that the recommendations, if followed would ensure compliance with the National Electrical Safety Code (NESC). Any included "remarks" or "recommendations" should not be construed as PUC Orders. The reader is referred to the latest edition of the NESC adopted in OAR 860-024-0010 for the minimum safety requirements for electric supply and telecommunication lines.

**NOTICE OF PROBABLE VIOLATIONS CITED:**

<b>1. Citation:</b>	Inadequate vertical clearance of wires, cables and equipment above ground, roadways, rail or water surfaces.		
<b>Reference:</b>	NESC Rule Number: 232, Table 232-1		
	<i>Locations</i>	<i>Pole Numbers</i>	<i>Comments</i>
a.	3700 Jackson Street, Corvallis	1105/340420	Communication cable has 6'7" clearance above the ground, <b>creating a hazard.</b>

**REMARKS** (By OPUC Representative)

The programs reviewed during this inspection relate to NESC requirements for the construction, inspection, testing, repair, and quality control of line facilities to assure ongoing safety compliance. For general maintenance requirements refer to NESC Rules 121, 214, and 313.

This report was generated due to a complaint of low-hanging cable across the backyard at the address indicated in the report. Staff investigated and concluded that the complaint was valid and that corrective action is needed.

**RECOMMENDATIONS:** The OPUC Safety Staff recommends CenturyLink perform the following actions:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

Prepared by: \_\_\_\_\_

Attachments: Photographs

May 2, 2014

KENNETH MORGAN  
MANAGER FIELD PLANT OPERATIONS  
CENTURLINK  
10 2<sup>ND</sup> STREET  
AUBURN, WASHINGTON 98002

RE: OPUC Report No. E14-42, CenturyLink (Corvallis)

Enclosed is a copy of OPUC Safety Report No. E14-42, which cites probable violations of the National Electrical Safety Code (NESC) on your system.

This report was generated due to a complaint of low-hanging communication cables at the location indicated in the report.

On April 18, 2014, Staff investigated and concludes that the complaint is valid and that immediate corrective action by CenturyLink is needed.

In response to this report:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

If a time extension is needed, submit a written request stating the reason(s) for the delay and the proposed schedule to complete the work. If government permits are causing a delay, include the date the permits were applied for and a permitting agency contact person and telephone number. If you disagree with any cited probable violation, please furnish us a letter within 30 days requesting an informal conference.

Each electric supply and telecommunication operator (as defined in OAR 860-024-0001(5) in Oregon is responsible to construct, operate, and maintain its line facilities in compliance with the NESC. Refer to ORS 757.035 and OARs 860-024-0010 and 860-023-0005 for Oregon laws and rules regarding minimum OPUC safety standards. Particular focus should be given to NESC

OPUC Safety Report E14-42, Corvallis

Staff/601  
Brock/48

Rules 121, 214, 313, and OAR 860-024-0011, which address ongoing inspection and maintenance responsibilities.

Failure to comply with the OPUC safety regulations or NESC rules can result in Commission orders and/or civil penalties. Refer to ORS 757.990(1) for penalty amounts.

If you have any questions regarding this letter or the attached report, please contact me at the number listed below, or John Wallace at (503) 373-1016.

Gary Putnam  
Senior Utility Analyst  
Utility Safety, Reliability, and Security Division  
(503) 373-1832  
[Gary.Putnam@state.or.us](mailto:Gary.Putnam@state.or.us)

Attachments: Violation Report



Probable violation 1a.:  
Communication cable has  
7'1" clearance above the  
ground, creating a hazard  
at 3700 Jackson Street,  
Corvallis.



Communication cable has  
6'7" clearance above the  
ground, creating a hazard  
at 3700 Jackson Street,  
Corvallis..



**OREGON PUBLIC UTILITY COMMISSION  
UTILITY SAFETY REPORT**

Staff/601  
Brock/50

DATES OF REVIEW: April 23, 2014 REPORT NO.: E14-43  
 UTILITY OPERATOR: CenturyLink  
 LOCATION OF REVIEW: Heatherdale Mobile Village 950 Airport Road, Space 100, Albany  
 UTILITY REPRESENTATIVES: None present  
 OPUC REPRESENTATIVES: John Wallace/Gary Putnam

COVERAGE: It should not be assumed that this review discovered all violations, or that the recommendations, if followed would ensure compliance with the National Electrical Safety Code (NESC). Any included "remarks" or "recommendations" should not be construed as PUC Orders. The reader is referred to the latest edition of the NESC adopted in OAR 860-024-0010 for the minimum safety requirements for electric supply and telecommunication lines.

**NOTICE OF PROBABLE VIOLATIONS CITED:**

<b>1. Citation:</b>		Inadequate emergency installation of communication cable.	
<b>Reference:</b>		NESC Rules Number: 014, 311C and 352D1	
		<i>Locations</i>	<i>Pole Numbers</i>
a.	Heatherdale Mobile Village, 950 Airport Road, Space 100, Albany		<p>NESC allows emergency installation of communication cables to be ground laid, however they shall be removed, replaced, or relocated, as desired, as soon as practical.</p> <p>Two communication cables come out of pedestal behind carport for space 100, and then either ground-laid or tied off to fence for approximately 100 feet going east. Cable is located on the north side of mobile home in space 100. The two cables terminate in a pedestal behind space 92. Judging from the amount of vegetation growing over ground-laid portion, it appears this installation has been in place for a long period of time. <b>This installation is creating a hazard.</b></p>

Staff/601  
Brock/51

**REMARKS** (By OPUC Representative)

The programs reviewed during this inspection relate to NESC requirements for the construction, inspection, testing, repair, and quality control of line facilities to assure ongoing safety compliance. For general maintenance requirements refer to NESC Rules 121, 214, and 313.

This report was generated due to a report of ground-laid communication cable at the address indicated in the report.

The issue of ground-laid cable is an old one and one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to this report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to lay cable directly on grade, as long as the cable is appropriately marked, guarded, and located so that pedestrian or vehicular traffic is not obstructed. Further, when an emergency installation is unavoidable, it should be remedied and made permanent in an expedited manner.

On April 18, 2014, Staff investigated and concluded that this case involved communication cable laid on the ground or tied off to a nearby fence, in order to provide service during a disruption. Although this was clearly an emergency installation, the cable was not marked or guarded, nor has CenturyLink properly and promptly responded during the interim to provide a permanent installation. Staff concludes that the complaint was valid and that immediate corrective action by CenturyLink is needed.

**RECOMMENDATIONS:** The OPUC Safety Staff recommends CenturyLink perform the following actions:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

Prepared by: \_\_\_\_\_

Attachments: Photographs  
All Utility Letter

May 2, 2014

KENNETH MORGAN  
MANAGER FIELD PLANT OPERATIONS  
CENTURYLINK  
10 2<sup>ND</sup> STREET  
AUBURN, WASHINGTON 98002

RE: OPUC Report No. E14-43, CenturyLink (Albany)

Enclosed is a copy of OPUC Safety Report No. E14-43, which cites probable violations of the National Electrical Safety Code (NESC) on your system.

This report was generated due to a report of ground-laid communication cable at the address indicated in the report.

The issue of ground-laid cable is an old one and one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to this report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to lay cable directly on grade, as long as the cable is appropriately marked, guarded, and located so that pedestrian or vehicular traffic is not obstructed. Further, when an emergency installation is unavoidable, it should be remedied and made permanent in an expedited manner.

On April 18, 2014, Staff investigated and concluded that this case involved communication cable laid on the ground, in order to provide service during a disruption. Although this was clearly an emergency installation, the cable was not marked or guarded, nor has CenturyLink properly and promptly responded during the interim to provide a permanent installation. Staff concludes that the complaint was valid and that immediate corrective action by CenturyLink is needed.

In response to this report:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

If a time extension is needed, submit a written request stating the reason(s) for the delay and proposed schedule to complete the work. If government permits are causing a delay, include the date the permits were applied for and a permitting agency contact person and telephone number. If you disagree with any cited probable violation, please furnish us a letter within 30 days requesting an informal conference.

Each electric supply and telecommunication operator (as defined in OAR 860-024-0001(5) in Oregon is responsible to construct, operate, and maintain its line facilities in compliance with the NESC. Refer to ORS 757.035 and OARs 860-024-0010 and 860-023-0005 for Oregon laws and rules regarding minimum OPUC safety standards. Particular focus should be given to NESC Rules 121, 214, 313, and OAR 860-024-0011, which address ongoing inspection and maintenance responsibilities.

Failure to comply with the OPUC safety regulations or NESC rules can result in Commission orders and/or civil penalties. Refer to ORS 757.990(1) for penalty amounts.

If you have any questions regarding this letter or the attached report, please contact me at the number listed below, or John Wallace at (503) 373-1016.

Gary Putnam  
Senior Utility Analyst  
Utility Safety, Reliability, and Security Division  
(503) 373-1832  
[Gary.Putnam@state.or.us](mailto:Gary.Putnam@state.or.us)

Attachments: Violation Report



Probable violation 1a.:  
Two communication  
cables comes out of  
pedestal behind carport for  
space 100 in Heatherdale  
Mobile Home Park



Two cables are either  
ground laid or tied off to  
fence going approximately  
100 feet east, located on  
the north side of mobile  
home in space 100.



Two cables terminates in pedestal behind space 92. Judging from the amount of vegetation growing over ground laid portion it appears this installation has been in place a long time.

**OREGON PUBLIC UTILITY COMMISSION  
UTILITY SAFETY REPORT**

Staff/601  
Brock/56

DATES OF REVIEW: April 23, 2014 REPORT NO.: E14-44  
 UTILITY OPERATOR: CenturyLink  
 LOCATION OF REVIEW: 2929 Highland Drive, Corvallis  
 UTILITY REPRESENTATIVES: None present  
 OPUC REPRESENTATIVES: John Wallace/Gary Putnam

COVERAGE: It should not be assumed that this review discovered all violations, or that the recommendations, if followed would ensure compliance with the National Electrical Safety Code (NESC). Any included "remarks" or "recommendations" should not be construed as PUC Orders. The reader is referred to the latest edition of the NESC adopted in OAR 860-024-0010 for the minimum safety requirements for electric supply and telecommunication lines.

**NOTICE OF PROBABLE VIOLATIONS CITED:**

<b>1. Citation:</b>	Inadequate vertical clearance of wires, cables and equipment above ground, roadways, rail or water surfaces. Communication cables have inadequate attachment to support structure.		
<b>Reference:</b>	NESC Rule Number: 232, Table 232-1, 012C, 014B and 239A		
	<i>Locations</i>	<i>Pole Numbers</i>	<i>Comments</i>
a.	2929 Highland Drive, Corvallis	Between Pacific Pole # 1105/234240 CenturyLink inventory # A0948125 and Pacific Pole # 1105/234340	At the intersection of NW Highland Drive and NW Conifer Boulevard, lashing wire is broken, allowing cable to drop down to 9 feet above the ground. A new temporary cable is tied off to messenger with a rope near PacifiCorp pole 1105/234240 CenturyLink inventory # A0948125. Cable was damaged in January, 2014, and new temporary cable was installed, which is supported in temporary rollers going north four spans to PacifiCorp pole 1105/234441. Cable has 6'2" clearance above edge of road between pole 1105/234340 and pole 1105/234441.

Staff/601  
Brock/57

**REMARKS** (By OPUC Representative)

The programs reviewed during this inspection relate to NESC requirements for the construction, inspection, testing, repair, and quality control of line facilities to assure ongoing safety compliance. For general maintenance requirements refer to NESC Rules 121, 214, and 313.

This report was generated due to a complaint of low-hanging communication cables at the location indicated in the report.

The issue of emergency and temporary installations is one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to this report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to make installations where the normal overhead clearances may be decreased, per NESC Rule 230A2a. When an emergency installation is unavoidable, it should be remedied and made permanent in an expedited manner.

On April 18, 2014, Staff investigated and concluded that this case involved communication cable damaged in January, 2014. This was clearly an emergency installation, although the reduced clearance standards have not been met. Further, CenturyLink has not properly and promptly responded during the interim to provide a permanent installation that meets the minimum clearance required. Staff concludes that the complaint was valid and that immediate corrective action by CenturyLink is needed.

**RECOMMENDATIONS:** The OPUC Safety Staff recommends CenturyLink perform the following actions:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

Prepared by: \_\_\_\_\_

Attachments: Photographs  
All Utility Letter



May 2, 2014

KENNETH MORGAN  
MANAGER FIELD PLANT OPERATIONS  
CENTURLINK  
10 2<sup>ND</sup> STREET  
AUBURN, WASHINGTON 98002

RE: OPUC Report No. E14-44, CenturyLink (Corvallis)

Enclosed is a copy of OPUC Safety Report No. E14-44, which cites probable violations of the National Electrical Safety Code (NESC) on your system.

This report was generated due to a complaint of low-hanging communication cables at the location indicated in the report.

The issue of emergency and temporary installations is one that has been previously addressed by the OPUC, in the form of an All Utility Letter, sent to the utility industry on May 19, 2003. A copy of that letter is attached as Attachment B to this report. Study of that letter will show that it is sometimes acceptable, in an emergency situation, to make installations where the normal overhead clearances may be decreased, per NESC Rule 230A2a. When an emergency installation is unavoidable, it should be remedied and made permanent in an expedited manner.

On April 18, 2014, Staff investigated and concluded that this case involved communication cable damaged in January, 2014. This was clearly an emergency installation, although the reduced clearance standards have not been met. Further, CenturyLink has not properly and promptly responded during the interim to provide a permanent installation that meets the minimum clearance required. Staff concludes that the complaint was valid and that immediate corrective action by CenturyLink is needed.

In response to this report:

1. On or before June 6, 2014 submit correspondence to the OPUC Staff confirming correction of probable violation 1a, cited as a hazardous condition.

If a time extension is needed, submit a written request stating the reason(s) for the delay and proposed schedule to complete the work. If government permits are causing a delay, include the date the permits were applied for and a permitting agency contact person and telephone number. If you disagree with any cited probable violation, please furnish us a letter within 30 days requesting an informal conference.

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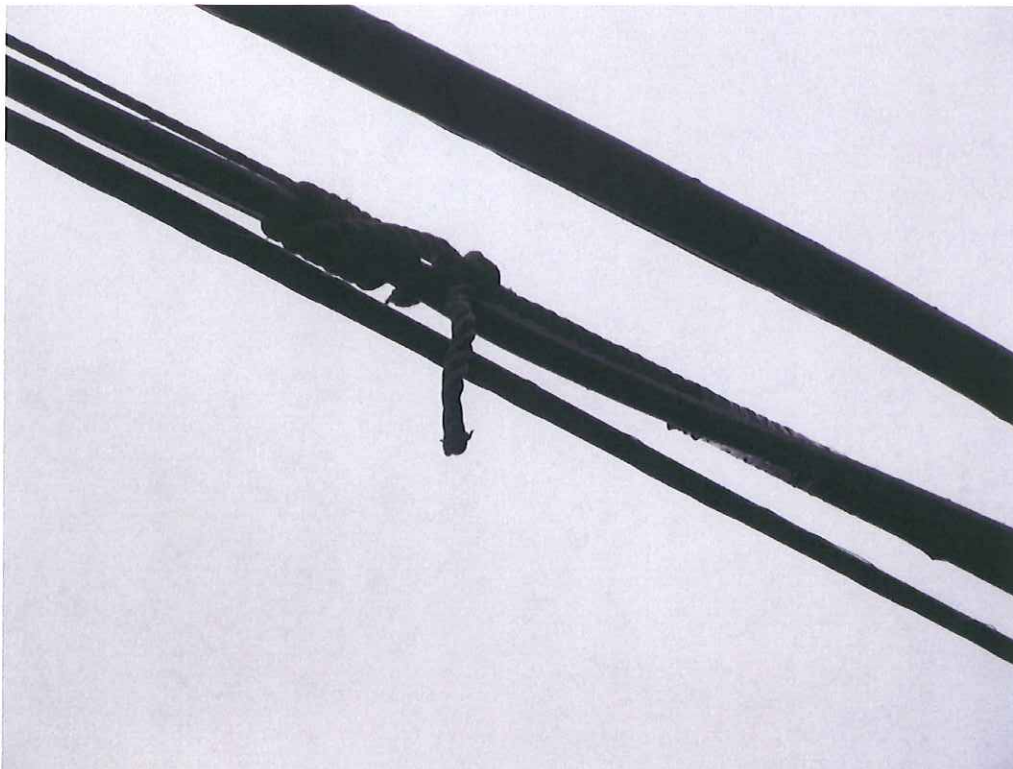
If you have any questions regarding this letter or the attached report, please contact me at the number listed below, or John Wallace at (503) 373-1016.

Gary Putnam  
Senior Utility Analyst  
Utility Safety, Reliability, and Security Division  
(503) 373-1832  
[Gary.Putnam@state.or.us](mailto:Gary.Putnam@state.or.us)

Attachments: Violation Report



Probable violation 1a.:  
At the intersection of NW Highland Drive and NW Conifer Boulevard lashing wire is broken allowing cable to drop down to 9 feet above the ground.



New temporary cable is tied off to messenger with a rope near PacifiCorp pole 1105/234240 CenturyLink inventory # A0948125.



Cable was damaged in January 2014 and a new temporary cable was installed, which is supported in temporary rollers going north four spans to PacifiCorp pole 1105/234441.



New temporary cable is laying hard on tree limbs in several locations.



Cable has 6'2" clearance  
above edge of road  
between pole 1105/234340  
and pole 1105/234441.

CASE: UM 1354  
WITNESS: MALIA BROCK

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 602**

**Exhibits in Support  
Of Rebuttal Testimony**

**REDACTED  
June 3, 2014**

**STAFF EXHIBIT 602**

**IS CONFIDENTIAL AND SUBJECT TO PROTECTIVE**

**ORDER NO. 08-116. YOU MUST HAVE SIGNED**

**APPENDIX B OF THE PROTECTIVE ORDER IN**

**DOCKET UM 1354 TO RECEIVE THE**

**CONFIDENTIAL VERSION**

**OF THIS EXHIBIT.**

CASE: UM 1354  
WITNESS: MITCHELL MOORE

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 700**

**Rebuttal Testimony**

**June 3, 2014**



**CERTAIN INFORMATION CONTAINED ON PAGE 5 OF  
STAFF EXHIBIT 700 OF UM 1354  
IS CONFIDENTIAL AND SUBJECT TO PROTECTIVE  
ORDER NO. 08-116 IN UM 1354.  
YOU MUST HAVE SIGNED  
APPENDIX B OF THE PROTECTIVE ORDER  
TO RECEIVE THE  
CONFIDENTIAL VERSION  
OF THIS EXHIBIT.**

1 **Q. PLEASE STATE YOUR NAME.**

2 A. My name is Mitchell Moore.

3 **Q. ARE YOU THE SAME MITCHELL MOORE WHO PREVIOUSLY**  
4 **SUBMITTED TESTIMONY IN THIS DOCKET?**

5 A. Yes.

6 **Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?**

7 A. Yes. I prepared Exhibit Staff/701, consisting of 3 pages.

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

9 A. My rebuttal testimony responds to the reply testimony of Mr. John Felz  
10 regarding the presence of competition in Qwest Corporation, dba CenturyLink  
11 QC's (Qwest's) service territory. I will also respond to Mr. Felz's reply testimony  
12 relating to Qwest's request for a waiver of certain statutes and rules.

13 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

14 A. My testimony is organized as follows:

15 **I. Competitive Issues**

16 In this section, I will address the ways in which the Company has failed to  
17 substantiate its claim of "ubiquitous" and "pervasive" competition in its  
18 service territory. I will also reiterate Staff's finding that significant portions  
19 of Qwest's markets- particularly rural residential, small business statewide,  
20 and the elderly population - have either limited or no alternative to Qwest's  
21 service.

22  
23  
24

1        **II. Waiver of Statutes and Rules**

2        In this section, I will address CenturyLink's arguments in support of a  
3        waiver of statutes and rules that Staff opposes. I will discuss the  
4        Commission's obligation and responsibility to continue to monitor the state  
5        and health of the Company and the network, to ensure that transactions  
6        between CenturyLink affiliates are non-discriminatory, and to continue to  
7        oversee future mergers and acquisitions.

1 **I. COMPETITIVE ISSUES**

2  
3 **Q. IN QWEST'S REPLY TESTIMONY, MR. FELZ OBSERVES THAT MR.**  
4 **MOORE "FOCUSES SIGNIFICANT PORTIONS OF HIS TESTIMONY ON**  
5 **ATTEMPTING TO DEMONSTRATE THAT SOME SUBSET OF (QWEST'S)**  
6 **CUSTOMERS HAVE LIMITED OR NO COMPETITIVE ALTERNATIVES."**  
7 **DOES THIS CORRECTLY CHARACTERIZE STAFF'S TESTIMONY?**

8 A. No. However, my testimony provided an example that demonstrates that there  
9 are areas of the state where Qwest's retail residential and most small business  
10 customers have either limited or no competitive alternatives. In particular, my  
11 testimony demonstrated that an unknown, but possibly significant, number of  
12 customers in rural areas either have no landline alternative or no reliable  
13 wireless alternative, or both. In addition, my testimony demonstrated that a  
14 significant number of Oregon residential customers and a majority of small  
15 business customers view wireless as a complementary, rather than a  
16 substitutable, service. And for those customers, even within densely populated  
17 urban areas, there is at best only a single landline alternative.

18 **Q. WHY DID YOU LOOK FOR AN EXAMPLE THAT SHOWS A SUBSET OF**  
19 **QWEST RETAIL CUSTOMERS HAVING LIMITED OR NO COMPETITIVE**  
20 **ALTERNATIVES?**

21 A. Because in its opening testimony in support of its petition, Qwest asserts that it  
22 faces "pervasive" and "ubiquitous" competition in "virtually all of its markets."<sup>1</sup>  
23 This assertion is the primary basis on which Qwest argues that it should be

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<sup>1</sup> CTL/100, Felz/2, line 9; CTL/100, Felz/8, line 1

1 granted unrestrained freedom to set prices for all of its services. My testimony -  
2 in addition to establishing that many Qwest retail residential and most small  
3 business customers have either limited or no telephony alternatives - also  
4 demonstrated that the data and arguments that Qwest supplied in the  
5 testimony in support of its petition did not establish Qwest's claim of pervasive  
6 and ubiquitous competition in its service territory.

7 **Q. DOES QWEST IN ITS REPLY TESTIMONY PROVIDE ANY ADDITIONAL**  
8 **DATA OR ARGUMENTS IN SUPPORT OF THIS CLAIM?**

9 A. No, it does not.

10 **Q. DOES QWEST IN ITS REPLY TESTIMONY PROVIDE ANY EVIDENCE TO**  
11 **REFUTE STAFF'S ASSERTION THAT ALTERNATIVES FOR RETAIL**  
12 **RESIDENTIAL AND SMALL BUSINESS CUSTOMERS ARE EITHER**  
13 **LIMITED OR NON-EXISTENT?**

14 A. No, it does not.

15 **Q. WHAT ARGUMENTS REGARDING COMPETITION DOES THE COMPANY**  
16 **MAKE IN ITS REPLY TESTIMONY?**

17 A. Mr. Felz's reply testimony does not advance Qwest's claim that it faces  
18 "pervasive" and "ubiquitous" competition, but seems to take issue with a few  
19 areas of Staff's analysis, arguing that Staff has not definitively established that  
20 sufficient competition does not exist.

21 **Q. IS IT STAFF'S BURDEN TO DEMONSTRATE THE PRESENCE OR**  
22 **ABSENCE OF COMPETITION IN THE CONTEXT OF THIS DOCKET?**

1 A. No. However, a granular analysis of each of its exchanges would have been a  
2 potential way for the Company to demonstrate that it faces competition. It is  
3 the Company's burden to demonstrate that sufficient competition exists within  
4 its service territory to ensure just and reasonable rates, and thereby justify its  
5 petition seeking unrestrained pricing flexibility.

6 **Q. WHAT ISSUES HAS QWEST RAISED WITH STAFF'S ANALYSIS?**

7 A. In my reply testimony, I argued that Qwest's living unit statistic, showing that  
8 Qwest provides voice service to only [REDACTED] of the living units in its  
9 service territory to which it has facilities and is "ready to serve," is misleading in  
10 that it conflates residential, and small, medium and large business into a single  
11 market. In addition, the statistic masks the number of locations that subscribe  
12 to an alternative form of service from either Qwest the ILEC, or a Qwest  
13 affiliate. Mr. Felz takes issue with the fact that I only provided a single example  
14 – the PUC building, which gets its VoIP phone service over DS1's provided by  
15 the Qwest CLEC, but which would be counted as one of the locations that  
16 Qwest does not provide voice service and for which Qwest is "ready to serve."  
17 A subsequent data request response from Qwest reveals that there are a total  
18 of 4,994 locations that subscribe to some alternative form of CenturyLink  
19 service, but not voice service.<sup>2</sup> Regardless, Qwest's analysis regarding the  
20 percentage of "living units" for which it provides traditional voice service does  
21 not provide any meaningful information about the extent of telecommunications  
22 choices available to the various classes of Qwest customers. A statistic that

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<sup>2</sup> See Exhibit Staff/701, MOORE/1-2

1 merges all customers into a single market contains the flawed premise that the  
2 various types and modes of competitive providers are available to all of  
3 Qwest's customers and my testimony demonstrates that is not the case.

4 **Q. HOW DOES MR FELZ RESPOND TO THE BROADBAND CABLE MAP**  
5 **SHOWING SIGNIFICANT AREAS THROUGHOUT QWEST'S SERVING**  
6 **AREA WITHOUT A LANDLINE ALTERNATIVE?**

7 A. Mr. Felz acknowledges that "there are areas that are without a cable company  
8 providing voice service," but argues that "there are likely few customers in  
9 many of these areas," and that "therefore, definitive conclusions about the  
10 availability of cable telephony alternatives in (Qwest's) serving area cannot be  
11 reached without also understanding where the potential customers are  
12 located."<sup>3</sup>

13 **Q. DOES THE COMPANY PROVIDE ANY INFORMATION THAT WOULD HELP**  
14 **THE COMMISSION OR STAFF IDENTIFY WHERE THE POTENTIAL**  
15 **CUSTOMERS ARE LOCATED?**

16 A. No. In a data request response,<sup>4</sup> Qwest acknowledged that it did not know how  
17 many customers within its serving area are without a landline alternative.  
18 However, if you accept Mr. Felz' requirement about needing to know where the  
19 potential customers are located, it follows that the Commission could not make  
20 a determination on the extent to which competitive alternatives are available  
21 and the ability of competition to ensure just and reasonable rates with the  
22 information the Company has provided.

---

<sup>3</sup> CTL/200, Felz/12, lines15-22

<sup>4</sup> See Exhibit Staff/701, MOORE/3

1 **Q. WHAT ABOUT THE COMPANY'S CONCERN WITH STAFF'S EVALUATION**  
2 **OF LANDLINE ALTERNATIVES?**

3 A. The Company agrees with Staff's assessment regarding the economics of  
4 competition in rural areas and states that "investment economics makes  
5 ubiquitous competing wireline networks impossible..."<sup>5</sup>

6 **Q. REGARDING WIRELESS SERVICE AS A COMPETITIVE OPTION, DOES**  
7 **MR. FELZ'S TESTIMONY ACCURATELY CHARACTERIZE STAFF'S VIEW?**

8 A. No. The Company witness states my testimony "appears to suggest that unless  
9 wireless is a substitute for all customers in all areas, its impact as a competitive  
10 alternative to (Qwest's) service is diminished." Further, he characterizes my  
11 testimony as "dismissing the impact of wireless" ....and that it "ignores the  
12 market dynamic that is occurring."<sup>6</sup> The Company's understanding of my  
13 testimony is incorrect. My testimony is focused on analyzing the extent of  
14 competition in Qwest markets – not the impact of competition on Qwest's  
15 business. My point is that there are a significant number of customers –  
16 including the elderly, as well as small businesses, and customers in rural areas  
17 – who view landline voice service as essential. For these customers, wireless is  
18 not an alternative service, but a complementary service. They cannot be  
19 expected to "vote with their feet" and move to a wireless provider if Qwest's  
20 prices are too high, or its service quality degrades. My testimony provides  
21 significant cause for concern about the availability of wireless service in rural

---

<sup>5</sup> CTL/200, Felz/13, line 13

<sup>6</sup> CTL/200, Felz/14, lines 8-14



1 areas. I also point out those residential customers who “cut the cord” tend to be  
2 younger or poorer.

3

4 **II. WAIVER OF STATUTES AND RULES**

5

6 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

7 A. In this section, I respond to Company witness John Felz’ comments in support  
8 of waiver of statutes and rules that Staff opposes. Staff agrees that waiver of a  
9 large number of rules and statutes requested in the Company’s petition is  
10 within the public interest and serves to fulfill the statutory objective in ORS  
11 759.255(2)(d) to simplify regulation. However, the Commission has the  
12 obligation and responsibility to continue to monitor the state and health of the  
13 Company and the network, to ensure that transactions between CenturyLink  
14 affiliates are non-discriminatory and to continue to oversee future mergers and  
15 acquisitions.

16 **Q. WHAT IS STAFF’S POSITION REGARDING QWEST’S REQUEST TO HAVE**  
17 **THE COMMISSION WAIVE SEVERAL FINANCIAL REPORTING STATUTES**  
18 **AND RULES?**

19 A. In its petition Qwest seeks a waiver from the following statutes and rules  
20 related to financial reporting:

- 21
- 22 • ORS 759.120 Form and manner of accounts prescribed by the  
Commission
  - 23 • ORS 759.125 Records and accounts prescribed by Commission

- 1           • ORS 759.130 Closing date of accounts
- 2           • Condition 11 in Commission Order No. 11-095 Form O and Form I
- 3           • OAR 860-027-0050 Uniform system of accounts for large
- 4           telecommunications utilities
- 5           • OAR 860-027-0070 Annual report requirements for electric, large
- 6           telecommunications, gas, and steam heat utilities.

7           Staff supports a partial waiver of these rules to the extent allowed by Condition  
8           11 in Order No. 11-095. This Order, in which the Commission approved the  
9           merger between CenturyLink and Qwest, includes among its conditions the  
10          requirement that the Company annually submit the Form O and Form I. Staff  
11          agrees in this proceeding that the Form I could be submitted every three years.  
12          However, annual reporting of the standard Form O provides critical financial  
13          and network investment information for the Commission to be able to monitor  
14          the state and health of Qwest's network and the financial health of its business.  
15          The Form O report information is necessary for Staff and the Commission to  
16          monitor the health of the network, a critical task given Qwest's carrier of last  
17          resort function in its service territory. Staff also maintains that the report Form  
18          O does not constitute an unreasonable regulatory burden on the Company  
19          because it is information the Company must produce and maintain in the  
20          course of operating its business.

21          **Q. PLEASE CLARIFY STAFF'S POSITION WITH REGARD TO A WAIVER OF**  
22          **ORS 759.135 - DEPRECIATED ACCOUNTS; UNDEPRECIATED**  
23          **INVESTMENT ALLOWED IN RATES; CONDITIONS.**

1 A. This statute requires the utility to maintain proper depreciation accounts and to  
2 depreciate property according to the depreciation rates approved by the  
3 Commission. The statute also allows undepreciated investments to be included  
4 in rates under certain circumstances. Staff supports a full waiver of this  
5 statute, and agrees that the Company does not need to provide depreciation  
6 rate studies to the Commission. However, waiver of this statute should not be  
7 understood to impact the requirement to report plant depreciation as requested  
8 in the Form O.

9 **Q. WHAT IS QWEST'S RESPONSE TO STAFF'S POSITION REGARDING THE**  
10 **WAIVER OF FINANCIAL STATUTES AND RULES?**

11 A. In his reply testimony, Mr. Felz correctly states that Staff had previously agreed  
12 to reduced financial reporting in 2004 but rescinded that agreement in the  
13 merger proceeding UM 1484. Since more than 3 years have passed since the  
14 merger, Mr. Felz reasons that the increased oversight is no longer appropriate  
15 and the Commission should at least restore the waivers that were agreed to in  
16 the existing Price Plan. Staff disagrees and believes the financial reporting is  
17 still necessary. Mr. Felz does not refute Staff's assertion that reporting the  
18 Form O does not constitute an unreasonable regulatory burden.

19 **Q. WHY IS RETAINING THE FORM I IMPORTANT?**

20 A. Staff agrees in this proceeding to reduce the reporting interval of the Form I  
21 from yearly to every three years. The Form I provides accounting information  
22 at a level of detail that would be necessary to conduct a general rate case.  
23 Staff is in the process of developing a new cost model for determining Oregon

1 Universal Service Support. The information contained in the Form I may be  
2 needed to develop that cost model. If Qwest is not required to report the  
3 information, the internal Company mechanisms for gathering the information  
4 would be extremely difficult to retrieve because the Company may not have  
5 sufficient reason or incentive to maintain the information. It would be extremely  
6 costly to recompile the information if it were not maintained. For this reason, it  
7 is prudent and necessary for the Company to file the Form I at least once every  
8 three years.

9 **Q. PLEASE COMMENT ON QWEST'S REASONING FOR WAIVER OF**  
10 **STATUTES AND RULES RELATED TO SALES, MERGERS AND**  
11 **ACQUISITIONS**

12 A. Qwest is seeking a waiver of ORS 759.375, ORS 759.380 and OAR 860-027-  
13 0025, which require Commission approval over mergers and acquisitions. Mr.  
14 Felz argues that since three years have passed since the merger closed, the  
15 former Qwest, Embarq and CenturyTel entities are fully integrated into a  
16 consolidated CenturyLink, it has satisfied all the applicable merger conditions  
17 and has demonstrated that it is committed to serving its Oregon customers,  
18 and that, therefore, any uncertainties that may have existed at the time of the  
19 CenturyLink/Qwest merger no longer pertain; thus there is no reason not to  
20 restore a waiver of these rules to the Price Plan.

21 Staff disagrees with this reasoning. Any potential future mergers and  
22 acquisitions may present their own form of uncertainty or risk and it would  
23 simply not be prudent or within the public interest for the Commission to give

1 up its responsibility to mitigate any risks or uncertainties that may accompany  
2 future mergers and ensure that those transactions are in the public interest.

3 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

4 A. Yes.

CASE: UM 1354  
WITNESS: MITCHELL MOORE

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 701**

**Exhibits in Support  
Of Rebuttal Testimony**

**June 3, 2014**

Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 122  
Respondent: John Felz  
Response Date: March 26, 2014

STAFF-122

How many non-residential units that Qwest Corporation is "ready to serve," do not have Qwest voice service, purchase some other service (including Special Access) service from Qwest Corporation? Please include in your answer non-residential units purchasing services such as VoIP, ISDN-PRI, DS1, DS3, OC(n), or Ethernet.

**RESPONSE:**

There are 3,040 Oregon non-residential living units that do not purchase voice service from CenturyLink QC but do purchase some other service from CenturyLink QC.

Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 123  
Respondent: John Felz  
Response Date: March 26, 2014

STAFF-123

How many non-residential units that Qwest Corporation is "ready to serve," do not have Qwest voice service, purchase some other service (including Special Access) from a Qwest affiliate? Please include in your answer non-residential units purchasing services such as VoIP, ISDN-PRI, DS1, DS3, OCn, or Ethernet.

**RESPONSE:**

There are 1,954 Oregon non-residential living units that do not purchase voice service from CenturyLink QC but do purchase some other service from a CenturyLink QC affiliate.



Oregon  
Docket No. UM 1354  
Response to Staff Data Request No. 68  
Respondent: John Felz  
Response Date: September 16, 2013

STAFF-68

Regarding Exhibit 2 to Exhibit B to the Petition, do ***all customers*** within any given wire center listed as having access to broadband service on that exhibit actually have access to broadband service? If the answer is no, please provide any information or estimates the company may have regarding the percentage of customers within the respective wire centers who actually have access to broadband service.

**RESPONSE:**

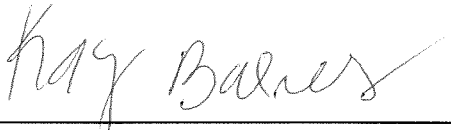
CenturyLink does not have information to determine or estimate the percentage of customers within CenturyLink's wire centers that have broadband availability from a competitor. However, Confidential Attachment 68 shows the percentage of customers within each of CenturyLink's wire centers that have broadband availability from CenturyLink.

CERTIFICATE OF SERVICE

UM 1354

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 3rd day of June, 2014 at Salem, Oregon



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UM 1354  
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