



CARLA M. BUTLER

April 23, 2014

Oregon Public Utility Commission
Attn: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

RE: UM 1354 – Price Plan

Dear Filing Center:

Enclosed for filing please find an original and five (5) copies of Qwest Corporation d/b/a CenturyLink QC's Reply Testimony of John M. Felz and Victoria M. Hunnicutt, along with a certificate of service.

Confidential pages 11 and 12, and Exhibit CTL/201, of Mr. Felz's Testimony are printed on yellow paper and will be provided on hard copy, and sent via U.S. Mail.

If you have any questions, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in black ink that reads "Carla M. Butler".

Carla M. Butler
Paralegal

Enclosures
cc: Service List

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BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1354

In the Matter of the Petition of QWEST
CORPORATION d/b/a CenturyLink QC for
Approval of Price Plan Pursuant to ORS 759.255

REPLY TESTIMONY

OF

JOHN M. FELZ

ON BEHALF OF

CENTURYLINK QC

APRIL 23, 2014

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I. IDENTIFICATION OF WITNESS

1
2
3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is John M. Felz and my business address is 5454 W. 110th Street, Overland
5 Park, KS.
6

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

8 A. I am employed by CenturyLink as Director – State Regulatory Operations.
9

10 **Q. ARE YOU THE SAME JOHN M. FELZ WHO SUPPLIED DIRECT TESTIMONY**
11 **IN THIS PROCEEDING ON JANUARY 23, 2014?**

12 A. Yes.
13

14 **II. PURPOSE OF TESTIMONY**
15

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

17 A. The purpose of my reply testimony is to respond to the opening testimonies of the
18 following parties: Staff witnesses Mr. Bruce Hellebuyck, Ms. Malia Brock and Mr. Mitch
19 Moore; Integra witness Mr. Douglas Denney; and Citizens' Utility Board of Oregon
20 ("CUB") witness Mr. Bob Jenks. I will respond to issues raised by these parties with
21 respect to CenturyLink QC's Amended Petition for Revision of Price Plan filed in this
22 docket on January 23, 2014 and my Direct Testimony supporting the Petition. My
23 testimony is organized into sections to address issues in the other parties' testimonies
24 related to Service Quality, Competition, Pricing Flexibility and Waivers of Rules and
25 Statutes.
26

27 **III. SERVICE QUALITY**

28 **Q. WHAT MODIFICATIONS TO SERVICE QUALITY REPORTING DID**
29 **CENTURYLINK QC SEEK IN ITS MODIFIED PRICE PLAN PETITION?**

30 A. CenturyLink QC affirmed that it will continue to be subject to the Retail
31 Telecommunications Service Standards for Large Telecommunications Utilities identified

1 in OAR 860-023-055. However, CenturyLink QC sought the following exceptions from
2 the rule with respect to reporting requirements:

- 3 1. CenturyLink QC will provide reports on a quarterly basis instead of monthly.
- 4 2. CenturyLink QC will provide only exception information for any measures that did not
5 meet the established standard during the quarter.

6
7 **Q. SO CENTURYLINK QC IS NOT SEEKING ANY CHANGES TO COMMISSION**
8 **SERVICE QUALITY STANDARDS OR RELIEF FROM COMPLYING WITH**
9 **THOSE STANDARDS?**

10 A. No. CenturyLink QC is not seeking any modifications to the Commission's service quality
11 standards specified in OAR 860-023-055. Nor is CenturyLink QC seeking relief from
12 complying with the standards that exist. Rather, CenturyLink QC was simply seeking to
13 streamline its service quality reporting by providing exception only reports on a quarterly
14 basis.

15
16 **Q. COULD YOU PLEASE RESPOND TO THE CONCERNS RAISED BY STAFF**
17 **WITNESS BROCK CONCERNING VENDOR SUPPORT FOR CENTURYLINK**
18 **QC'S CENTRAL OFFICE SWITCHES (STAFF 300/BROCK/20-22)?**

19 A. Staff produced letters from the vendors supporting the central office switches currently
20 deployed in CenturyLink QC's Oregon network – Nortel switches supported by
21 GENBAND and Lucent switches supported by Alcatel – Lucent. These letters outline the
22 current status of hardware and software support available for each vendor's switches. Staff
23 is concerned that the changes to ongoing support of switch hardware and software outlined
24 in the vendor letters could hamper CenturyLink QC's ability to provide adequate service
25 going forward. While CenturyLink QC appreciates Staff's concerns, the company has
26 taken measures to ensure the necessary support is in place for its switches to allow
27 continued provision of high quality service to customers for the foreseeable future.

28
29 **Q. ARE CENTURYLINK QC'S OREGON CENTRAL OFFICES OPERATING ON**
30 **THE LATEST SOFTWARE RELEASE AVAILABLE FROM THE SWITCH**
31 **VENDORS?**

1 A. Yes. Confidential Exhibit CTL/201 to my Reply Testimony shows each of the
2 CenturyLink QC central office switches, the switch type and the software generic that the
3 switch is currently operating under. As shown on the exhibit, all of the Alcatel-Lucent
4 supported 5ESS switches are running on the latest software generic load of 5E16.2, all of
5 the GENBAND supported DMS 100 and 200 switches are running on the latest software
6 generic load of SN09, and all of the DMS 10 switches are running on the latest software
7 generic load of 602.20.

8

9 **Q. WHAT HAVE THE SWITCH VENDORS COMMUNICATED WITH RESPECT**
10 **TO THE SUPPORT THEY WILL PROVIDE FOR THE SWITCHES CURRENTLY**
11 **IN SERVICE FOR CENTURYLINK QC?**

12 A. Alcatel-Lucent will provide software “bug fix” support for 5ESS switches with the latest
13 available software release (i.e. 5E16.2) through 2014.¹ In addition, Alcatel-Lucent will
14 provide technical support services on a contract basis through at least 2020. GENBAND is
15 providing support for the DMS switches with the latest available software release (i.e.
16 SN09 or 602.2) through December 31, 2016.²

17

18 **Q. DOES CENTURYLINK QC HAVE CONTRACTS IN PLACE WITH ALCATEL-**
19 **LUCENT AND GENBAND FOR SWITCH HARDWARE AND SOFTWARE**
20 **SUPPORT?**

21 A. Yes. CenturyLink QC has technical support contracts in place with both Alcatel-Lucent
22 and GENBAND. These contracts provide the ability for CenturyLink QC to obtain real
23 time vendor technical support for consultation and technical assistance in resolving any
24 switching issues that arise.

25

26 **Q. WHAT INTERNAL RESOURCES DOES CENTURYLINK QC DEDICATE TO**
27 **RELIABILITY OF ITS NETWORK?**

28 A. CenturyLink’s Network Reliability Operations Center organization is responsible for the
29 reliability and stability of all network elements used in the provision of service to our

¹ See Alcatel-Lucent Letter, Staff/302, pages 4-6.

² See GENBAND Letter, Staff/302, pages 7-9.

1 customers. Through this organization and other technical support personnel throughout the
2 company's Network organization, CenturyLink QC resources are well equipped to provide
3 the expertise to ensure network reliability. In fact, CenturyLink QC's switching assets are
4 primarily supported internally, with vendor support only utilized when additional expertise
5 is needed.

6
7 **Q. CAN YOU RESPOND TO STAFF'S CONCERNS ABOUT THE AVAILABILITY**
8 **OF REPLACEMENT PARTS FOR SWITCH COMPONENTS THAT FAIL?**

9 A. Yes. CenturyLink QC has several options available to replace failed switch components
10 including:

- 11 1) Although the vendors have discontinued manufacture of new switches, many new
12 Original Equipment Manufacturer (OEM) switch hardware components can still be
13 ordered from Alcatel-Lucent or GENBAND.
- 14 2) Alcatel-Lucent refurbishes used switch components and applies a like new warranty on
15 that equipment.
- 16 3) CenturyLink maintains its own internal inventory of switch component parts from
17 switches that have been retired or replaced across the company's service territory.
- 18 4) Numerous third-party vendors make switch component parts available for the Alcatel-
19 Lucent and GENBAND switches utilized by CenturyLink QC in Oregon.

20
21 **Q. HAVE BOTH SWITCH VENDORS RECOGNIZED THAT CARRIERS WILL**
22 **NEED TIME TO MOVE FROM AN EXISTING TDM NETWORK TO AN IP**
23 **NETWORK?**

24 A. Yes. Alcatel-Lucent states:

25 "ALU understands our customers require their 5ESS Switches to effectively operate
26 in the North American wireline telecommunications network for the foreseeable
27 future."³

28 And GENBAND states:

29 "GENBAND is committed to seamless transformation to IP networks . . . and we
30 are already working with many customers in implementing their migration. This

³ See Alcatel-Lucent Letter, Staff/302, pages 4-6.

1 includes carrying forward the DMS . . . line peripherals into these transformations
2 . . . to allow our carrier customers time, and a phased capital outlay, to implement
3 a universal all-IP subscriber access network.”⁴
4

5 **Q. DID STAFF EXPRESS CONCERN OVER THE COMPANY’S INVESTMENT AND**
6 **EXPENSE SPENDING TRENDS IN OREGON?**

7 A. Yes. Staff witness Mr. Hellebuyck presents an analysis of the company’s 1) capital
8 additions, 2) operating and maintenance expense, and 3) depreciation expense from 2003
9 through 2013. Mr. Hellebuyck presents a graph of these three components and suggests
10 that the reductions in capital spending and operating and maintenance expenses are
11 indicative of “obsolescence” of CenturyLink QC’s Oregon network.
12

13 **Q. HOW DO YOU RESPOND TO THE CONCERNS RAISED BY MR.**
14 **HELLEBUYCK REGARDING THE LEVELS OF INVESTMENT AND EXPENSES**
15 **CENTURYLINK QC HAS COMMITTED TO IN OREGON?**

16 A. While CenturyLink QC acknowledges that the absolute levels of capital additions,
17 expenses and depreciation have declined during the period 2003 to 2013, the company
18 disagrees with the conclusion that this is indicative of obsolescence in the company’s
19 Oregon network for the following reasons:

- 20 1) The analysis does not consider the impacts of declines in CenturyLink QC’s
21 customer base during the period analyzed.
- 22 2) The analysis does not consider the extent to which improvements in technology,
23 productivity and automation may have positively impacted capital additions and
24 operating expenses, resulting in lower costs.
- 25 3) The depreciation expense analysis does not recognize that a significant change in
26 depreciation rates occurred during the period analyzed that impacted the trend.
- 27 4) Several categories of expenses that were included in Staff’s expense analysis are
28 not related to network or customer service and should therefore not be considered in
29 any analysis of whether the company is devoting adequate resources to the
30 provision of quality service.

⁴ See GENBAND Letter, Staff/302, pages 7-9.

1 I explain each of these reasons in greater detail below.
2

3 **Q. HOW DOES CENTURYLINK QC'S DECLINING CUSTOMER BASE IMPACT**
4 **THE LEVELS OF CAPITAL ADDITIONS AND OPERATING EXPENSES IN**
5 **OREGON?**

6 A. During the period from 2003 to 2013 reflected in Mr. Hellebuyck's analysis of capital
7 additions and operating expenses, CenturyLink QC has experienced a decline of 63.6% in
8 its retail access lines. This significant loss of customers means that the company has fewer
9 trouble reports to respond to, fewer service orders to fulfill and as a result, it has
10 necessarily taken steps to adjust its resources to align with its smaller customer base. It is
11 an unreasonable expectation that a company would continue to direct the same level of
12 resources as if it were experiencing no changes in demand. A more appropriate analysis of
13 capital additions and operating expenses would consider the trend in these costs on a per
14 access line basis. I will provide such an analysis in my testimony below.
15

16 **Q. ARE THERE OTHER FACTORS THAT MAY HAVE CONTRIBUTED TO THE**
17 **DECLINING TREND IN CENTURYLINK QC'S CAPITAL ADDITIONS AND**
18 **OPERATING EXPENSES IN OREGON?**

19 A. Yes. Improvements in technology, productivity and automation can result in efficiencies
20 and be a driver for cost reductions. Lower vendor costs for certain equipment, increased
21 productivity from new or enhanced computer systems and increased automation of
22 functions drive reductions in costs. Mr. Hellebuyck's analysis focuses on the absolute
23 reductions in capital additions and operating expense and does not consider the impact to
24 which the efficiencies discussed here may have contributed to the highlighted trend.
25

26 **Q. WERE THERE CHANGES THAT IMPACTED THE DEPRECIATION EXPENSE**
27 **TREND INCLUDED IN STAFF'S ANALYSIS?**

28 A. Yes. In 2006, CenturyLink QC implemented changes in certain depreciation rates resulting
29 in a significant reduction in depreciation expense levels in 2006 as compared with the 2005
30 level. After this reduction in depreciation expense experienced in 2006, and a small
31 increase in 2007 as depreciation rates were refined, the depreciation expense level

1 remained consistent. The reductions in depreciation expense during the period analyzed by
2 Mr. Hellebuyck are largely the result of depreciation rate changes and not a reflection of
3 obsolescence as suggested by Mr. Hellebuyck.
4

5 **Q. IS MR. HELLEBUYCK'S ANALYSIS OF TOTAL OPERATING EXPENSES A**
6 **VALID APPROACH FOR EVALUATING THEIR CONCERNS ABOUT**
7 **"EXPENDITURE RELATED OBSOLESCENCE"?**

8 A. No. A significant portion of the expenses included in Mr. Hellebuyck's expense analysis
9 are not related to network or customer service functions that Mr. Hellebuyck seems to be
10 concerned about. Specifically, the total operating expense used in Mr. Hellebuyck's
11 analysis includes amounts for access expense, depreciation and amortization expense,
12 corporate operations expense and other operating expense which are not related to network,
13 maintenance or customer service functions. Including these expense categories, which
14 reflect significant declines during the period analyzed for entirely appropriate reasons,
15 distorts the analysis and contributes to an incorrect conclusion that the company is reducing
16 expenses associated with its network and customer service functions. Specifically, noted
17 below are the expense categories that should be excluded from Mr. Hellebuyck's analysis
18 and the rationale for such exclusion. I have included Exhibit CTL/205 with my testimony
19 that documents the analysis presented in this discussion.
20

- 21 • Access expense, which represents amounts paid by CenturyLink QC to other carriers
22 for termination of local and long distance traffic, declined by 66.5% during the period
23 from 2003 to 2013 due to changes in intercarrier compensation resulting from the
24 FCC's Transformation Order. The trend of access expense provides no meaningful
25 information about whether CenturyLink QC is committing resources to maintain its
26 network and customer service functions and should be excluded from Mr. Hellebuyck's
27 analysis.
- 28 • Depreciation and amortization expense declined by 54.3% during the period from 2003
29 to 2013 principally due to changes in depreciation rates as explained above.
30 Depreciation and amortization are non-cash expenses and as such, should be analyzed
31 separately from other operating expenses.

- 1 • Corporate operations and other operating expenses declined by 61.9% during the period
2 from 2003 to 2013. Since all of the costs in these expense categories are by definition
3 general and administrative type costs, they are not network or customer service related
4 costs and should not be included in Mr. Hellebuyck's analysis.

5
6 **Q. IF THE EXPENSE CATEGORIES YOU JUST DISCUSSED ARE REMOVED**
7 **FROM MR. HELLEBUYCK'S ANALYSIS, CAN YOU COMMENT ON THE**
8 **REMAINING EXPENSE CATEGORIES?**

9 A. Yes. The expense categories remaining include plant specific expenses, provisioning and
10 network operations expenses and customer operations expenses. CenturyLink QC offers
11 the following analysis of the trends reflected in these expense categories:

- 12 • Plant specific expenses, which include the bulk of the costs most directly related to
13 maintenance and operation of the company's network, declined by only 17% during
14 the period from 2003 to 2013. When these expenses are viewed on a per line basis
15 that takes into account CenturyLink QC's declining access line counts, the analysis
16 demonstrates that CenturyLink QC has increased spending on plant related expenses
17 by 127.9% on a per line basis when comparing 2013 with 2003.
- 18 • Provisioning and network operations expenses, which also include costs related to
19 maintenance and operation of the company's network, declined by only 1.2% during
20 the period from 2003 to 2013. When these expenses are viewed on a per line basis
21 that takes into account CenturyLink QC's declining access line counts, the analysis
22 demonstrates that CenturyLink QC has increased spending on provisioning and
23 network operations expenses by 171.4% on a per line basis when comparing 2013
24 with 2003.
- 25 • Customer operations expenses, which include the costs of performing customer
26 related activities, declined by 41.9% during the period from 2003 to 2013. When
27 these expenses are viewed on a per line basis that takes into account CenturyLink
28 QC's declining access line counts, the analysis demonstrates that CenturyLink QC
29 has increased spending on customer related expenses by 59.7% on a per line basis
30 when comparing 2013 with 2003.

1 **Q. WHAT DO THE TRENDS IN CAPITAL ADDITIONS DEMONSTRATE WHEN**
2 **ANALYZED ON A PER LINE BASIS?**

3 A. Capital additions measured on a per access line reflect variations from year to year, but
4 generally reflect a relatively consistent level of new investment considering the dynamics
5 of the marketplace that CenturyLink QC operates in. When comparing 2013 capital
6 additions on a per access line basis to the same measure from 2003, CenturyLink QC's
7 spending actually increased by nearly 30%.

8
9 **Q. IS THERE ADDITIONAL EVIDENCE THAT CENTURYLINK IS COMMITTED**
10 **TO INVESTING IN ITS NETWORK IN OREGON?**

11 A. Yes. In conjunction with the merger of CenturyLink and Qwest, the company committed
12 to spend \$45 million in broadband deployment over a five year period ending December
13 31, 2015. CenturyLink followed through on its commitment, completing the initial \$45
14 commitment in only 18 months. And, CenturyLink has not stopped there – it has spent
15 nearly \$100 million on broadband expansion for the three year period from 2011 through
16 2013, more than doubling its initial commitment. While the focus of this investment is
17 broadband expansion, there are network upgrades that result such as extension of fiber
18 facilities deeper in the network and increased capacity on transport routes that are
19 beneficial for all CenturyLink customers, even if they choose not to subscribe to
20 broadband.

21
22 **Q. COULD YOU SUMMARIZE YOUR TESTIMONY RESPONDING TO STAFF'S**
23 **"OBSOLESCENCE" CONCERNS?**

24 A. Yes. CenturyLink QC switches have the latest software load and the necessary support to
25 ensure continued operation of the network is in place to support the continued provision of
26 quality service to the company's Oregon customers. CenturyLink QC has extensive
27 internal resources with the necessary training and experience to provide the primary
28 support for the company's network and has the necessary arrangements in place for vendor
29 support to supplement its internal resources when required. In addition, CenturyLink QC
30 has multiple options available for replacement hardware when required. CenturyLink QC's
31 capital addition and operating expense trends are the result of rational business practices

1 and are not reflective of obsolescence in the company's Oregon network as suggested by
2 Staff. Finally, CenturyLink QC is not seeking any modifications to the Commission's
3 service quality standards nor is the company seeking relief from complying with the
4 standards. Rather, CenturyLink QC is only seeking to streamline its service quality
5 reporting.

6
7 **IV. COMPETITION**
8

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

10 A. In this section of my testimony, I will address the testimonies of Staff witness Mr. Moore
11 and CUB witness Mr. Jenks with respect to competition.
12

13 **Q. HOW WOULD YOU CHARACTERIZE MR. MOORE'S POSITION WITH**
14 **RESPECT TO THE NATURE AND EXTENT OF COMPETITION IN**
15 **CENTURYLINK QC'S OREGON SERVICE TERRITORY?**

16 A. While Mr. Moore recognizes that “. . .many consumers have choices for their
17 telecommunications needs and that many are taking advantage of those options. . .”⁵ he
18 nonetheless focuses significant portions of his testimony on attempting to demonstrate that
19 some subset of CenturyLink QC's customers have limited or no competitive alternatives.
20 Mr. Moore offers the following conclusion with respect to his analysis of competitive
21 options available to residential customers:

22 “Essentially, most customers may choose between Qwest and a single cable company
23 for landline service, and, if they are inclined to see wireless as a substitutable service,
24 many have several wireless options. However, the data show that in rural areas a
25 significant number of consumers are without a landline alternative and many without
26 a wireless alternative. In addition, there are consumers without any alternative to
27 Qwest service at all.”⁶
28

29 **Q. PLEASE RESPOND TO MR. MOORE'S DISCUSSION OF CENTURYLINK QC'S**
30 **ACCESS LINES TRENDS?**

⁵ See Staff/400, Moore/29, lines 8-9.

⁶ Staff/400, Moore/29, lines 11-17.

1 A. Mr. Moore presents an analysis of access lines that includes residential, business, other,
2 unbundled network elements, and private line and wideband for 2002, 2008 and 2012.⁷
3 Staff concludes that total access lines decreased by only 5% between 2002 and 2012. This
4 assessment largely results from the inclusion of private line and wideband data information
5 which according to Mr. Moore's analysis increased from 232,363 in 2002 to 925,243 in
6 2012. Based on this analysis, Mr. Moore suggests that many of CenturyLink QC's lines
7 are just shifting to new product categories and do not represent competitive losses.
8 CenturyLink has two concerns with Mr. Moore's analysis and conclusion. First, Mr.
9 Moore's inclusion of private line and wideband data quantities with traditional voice access
10 lines assumes that services like a DS1 or DS3 are comparable to a residential or business
11 voice line when they are clearly not. Second, CenturyLink QC is not able to verify the
12 private line and wideband data presented in Mr. Moore's analysis for 2002 as the company
13 did not file data for private line, special access or wideband data in the Form O for either
14 2002 or 2003 and has been unable to locate this information in its records. However, based
15 on a comparison to information available for 2004, the private line and wideband data for
16 2002 presented in Mr. Moore's analysis appears unreasonably low. Additionally,
17 CenturyLink noted differences between the company's Form O information for 2008 and
18 Staff's analysis for several line items. I have completed an analysis (see Exhibit CTL/204)
19 similar to that provided in Mr. Moore's testimony using information from CenturyLink
20 QC's Form O for 2004, 2008 and 2012. Although CenturyLink QC does not agree that
21 inclusion of private line and wideband data in the analysis is appropriate, the information
22 presented in Exhibit CTL/204 reflects a 34% decline in lines from 2004 to 2012 compared
23 to Mr. Moore's analysis suggesting only a 5% decrease.

24
25 **Q. HOW DO YOU RESPOND TO STAFF'S DISCUSSION OF THE LIVING UNIT**
26 **ANALYSIS PRESENTED IN CENTURYLINK QC'S OPENING TESTIMONY?**

27 A. In my opening testimony, I provided in Exhibit CTL/102 an analysis of the living units that
28 CenturyLink QC has facilities deployed to and is "ready to serve" compared to the living
29 units with CenturyLink voice service. This analysis demonstrated that CenturyLink QC is
30 providing voice service to only XXX% of the living units that it is ready to serve. Mr.

⁷ Staff/400, Moore 17.

1 Moore takes issue with this analysis arguing that it is “likely that many” of the businesses
2 included in the living unit counts purchase some alternative CenturyLink service that
3 provides them with voice service.⁸ Mr. Moore provides only a single example of how the
4 Commission’s voice service is provided via a DS1 facility to suggest that CenturyLink
5 QC’s analysis masks the extent of CenturyLink QC’s market share in the business markets.
6 This single example provided by Mr. Moore does not discount CenturyLink’s QC’s
7 analysis that demonstrates it is providing voice service to only XXX% of the locations to
8 which it has deployed facilities.

9
10 **Q. MR. MOORE'S TESTIMONY INCLUDES A MAP WHICH OVERLAYS**
11 **CENTURYLINK QC EXCHANGE BOUNDARIES ON THE OREGON**
12 **BROADBAND MAP CABLE COMPANY DATA. COULD YOU COMMENT ON**
13 **MR. MOORE’S CONCLUSION FROM THE MAP?**

14 A. Mr. Moore asserts that the map shows there are “significant areas within Qwest’s service
15 territory that are not served by a competing landline provider.”⁹ While CenturyLink
16 acknowledges the map shows areas that are not served by a cable company, the map
17 provides no information about the households that exist in those areas shown as not served
18 by a cable company. In other words, while there are areas that are without a cable
19 company providing voice service, there are likely few customers in many of these areas.
20 Therefore, definitive conclusions about the availability of cable telephony alternatives in
21 CenturyLink QC’s serving area cannot be reached without also understanding where the
22 potential customers are located.

23
24 **Q. DO YOU HAVE A CONCERN WITH STAFF’S EVALUATION OF LANDLINE**
25 **COMPETITIVE ALTERNATIVES?**

26 A. Based on several statements in Staff witness Moore’s testimony, it appears Staff has an
27 expectation that multiple landline competitors need to be available for a market to be
28 considered competitive.

⁸ Staff/400, Moore/17, lines 7-11.

⁹ Staff/400, Moore/28, lines 3-5.

1 “While there are a number of cable providers operating in Qwest’s service territory,
2 these providers do not overlap territories and compete with each other, leaving
3 residential and business customers with only one landline alternative.”¹⁰
4

5 “Qwest’s data shows that out of 82 wire centers, only eight of them have more than
6 one cable provider. Even in the eight wire centers with more than one cable provider,
7 it is not likely that individual consumers have more than one alternative to choose
8 from since cable providers do not generally have overlapping service.”¹¹
9

10 **Q. IS IT A REASONABLE EXPECTATION THAT ONE OR MORE LANDLINE**
11 **COMPETITIVE ALTERNATIVES ARE GOING TO BE AVAILABLE TO ALL**
12 **AREAS OF CENTURYLINK QC’S SERVICE TERRITORY?**

13 A. No. Investment economics makes ubiquitous competing wireline networks impossible and
14 Staff acknowledges that competitors must make investments that will turn a profit:

15 “The cost of providing service dictates where competitors will go to offer service.
16 Competitive providers are not providing service in areas where the cost of providing the
17 service makes selling the service unprofitable.”¹²
18

19 In spite of this recognition, Staff nonetheless appears to be holding CenturyLink QC to a
20 standard of demonstrating competition in every area of its service territory, even in those
21 areas that it acknowledges competitors are unlikely to enter. This expectation completely
22 ignores the capital intensive economics of telecommunications networks.
23

24 It is axiomatic that rational investors invest only where they believe the investment will
25 generate enough revenue to pay for itself and generate a profit commensurate with the
26 investment risk. Consequently, non-incumbent carriers and cable companies build their
27 networks where they believe they can attract sufficient customers purchasing sufficient
28 services at sufficient rates that the network will pay for itself and generate a profit
29 appropriate to the risk of not recovery the investment. They will not build where too few
30 customers will buy service or the customers buying service won’t pay enough for services
31 to pay for the network and the risk of investing in it. A corollary of this axiom is that a
32 competitor will not overbuild CenturyLink’s network with a new network unless the
33 competitor is convinced the over-build will pay for itself and make an appropriate profit.

¹⁰ Staff/400, Moore/13, lines 10-13.

¹¹ Staff/400, Moore/26, lines 12-16.

¹² Staff/400, Moore/11, lines 1-4.

1

2 **Q. COULD YOU RESPOND TO MR. MOORE’S POSITION WITH RESPECT TO**
3 **WHETHER WIRELESS SERVICE CAN BE CONSIDERED A REASONABLE**
4 **SUBSTITUTE FOR LANDLINE SERVICE?**

5 A. Mr. Moore acknowledges that wireless service is perceived as a reasonable substitute for
6 many customers given the percentage of customers who have “cut the cord.” However,
7 similar to his discussion of landline competitive alternatives, Mr. Moore nonetheless
8 appears to suggest that unless wireless is a substitute for all customers in all areas, its
9 impact as a competitive alternative to CenturyLink QC’s service is diminished.
10 CenturyLink QC recognizes that there may be some customers that do not view wireless
11 service to be a perfect substitute for wireline service, and some of these customers may not
12 want to give up their wireline phone under any circumstances. However, simply
13 dismissing the impact of wireless because not all customers consider it to be a substitute for
14 wireline service ignores the market dynamic that is occurring. Based on CenturyLink QC
15 specific information compiled by Centris that 39%¹³ of the residential customers utilize
16 only wireless for their voice service, a statistic that is entirely consistent with the 36.8%¹⁴
17 of wireless only households reflected in the independent study completed by the Centers
18 for Disease Control, a significantly large percentage of customers have found that wireless
19 service is an effective substitute for CenturyLink QC’s wireline service. And coupled with
20 the fact that another 15.7%¹⁵ of households nationally are “wireless mostly” and use their
21 wireless phone for nearly all calling, it is very likely that the percentage of wireless only
22 households will continue to increase.

23

24 **Q. COULD YOU RESPOND TO THE TESTIMONY OF STAFF AND CUB WITH**
25 **RESPECT TO THE ASSERTIONS THAT CERTAIN CUSTOMER GROUPS ARE**
26 **LESS LIKELY TO RELY ON WIRELESS ONLY FOR THEIR VOICE SERVICE?**

27 A. Yes. Staff witness Mr. Moore (Staff/400, Moore/22-23) and CUB witness Mr. Jenks
28 (CUB/100, Jenks 7-9) refer to studies from the National Health Interview Survey and

¹³ See Direct Testimony of John M. Felz, CTL/100, Felz/12.

¹⁴ *Centers for Disease Control and Prevention, National Center for Health Statistics, Wireless Substitution: State-level Estimates From the National Health Interview Survey, 2012, released December 18, 2013, Table 1.*

¹⁵ See CTL/100, Felz/34, line 6.

1 AARP to suggest that the likelihood of customers willing to disconnect wireline service in
2 favor of wireless declines by demographic age group. While CenturyLink QC has no basis
3 to dispute the data presented in these studies, even assuming that more elderly customers
4 are less inclined to “cut the cord,” the percentage of customers who have chosen to do so is
5 so significant that it cannot be ignored. Staff and CUB’s position suggests that a
6 competitive analysis needs to be completed by demographic market segment and if
7 competition is not even across demographic segments, it somehow invalidates or
8 diminishes the overall conclusion of the nature and extent of competition. Customers
9 value different aspects of competitive alternatives that may be available to them for their
10 voice service, and differences in value across customer segments should not be a reason to
11 suggest that the market is not competitive.
12

13 **Q. DOES CUB PRESENT OTHER CONCERNS ABOUT THE NATURE AND**
14 **EXTENT OF COMPETITIVE ALTERNATIVES PRESENTED BY**
15 **CENTURYLINK QC?**

16 A. Yes. CUB witness Mr. Jenks asserts that CenturyLink QC “. . . is actually involved in two
17 telecommunications markets – the competitive market, which is where most customers
18 participate and which is not regulated by this Commission, and the legacy monopoly
19 market.” CUB further states that its concerns are for the residential customers “. . . that are
20 participating in the legacy monopoly market, who are not exercising their consumer choice
21 in the competitive marketplace. . .” CUB concludes that because all customers are not
22 willing or able to be part of the competitive marketplace, they need the protection of
23 traditional price cap regulation.
24

25 **Q. DOES CENTURYLINK QC AGREE WITH CUB’S POSITION THAT THE**
26 **COMPANY OPERATES IN A MONOPOLY ENVIRONMENT?**

27 A. No. Mr. Jenks references to “monopoly” markets and “regulatory compact” are concepts
28 that at one time served as effective models for telecommunications regulation, but are no
29 longer relevant in today’s competitive marketplace. The regulatory compact allowed the
30 achievement of universal service policy goals through a “compact” between regulators and
31 utilities that the utilities would construct and operate telephone networks to provide service

1 universally throughout their “monopoly” franchised territories and in turn would be
2 provided the opportunity to recover their costs of providing service and earn a reasonable
3 rate of return on their investment. Regulators used their authority over the monopolies’
4 ratemaking to establish rate structures that created “implicit subsidies” that allowed the
5 provision of universal service at an affordable rate.

6
7 However, with the advent of competition, fostered through the Telecommunications Act of
8 1996, the regulatory compact is no longer an effective mechanism for regulating companies
9 like CenturyLink QC. The concept of a monopoly for telecommunications service is no
10 longer valid, and the regulatory rate structures based on implicit subsidies that worked in a
11 monopoly environment are being eroded with the continued expansion of competitors into
12 CenturyLink QC’s markets.

13
14 The assertion by CUB that CenturyLink QC operates in monopoly market and should be
15 subject to monopoly era pricing controls is simply not borne out by the extent and impact
16 of competition that is outlined in my Direct Testimony. The fact that there may be some
17 small subset of customers that have few or no competitive alternatives for CenturyLink
18 QC’s voice services should not result in the application of restrictive pricing regulation for
19 the company.

20 21 **V. PRICING FLEXIBILITY**

22 23 **Q. HOW WOULD YOU SUMMARIZE STAFF’S POSITION ON THE COMPANY’S** 24 **PROPOSAL TO ELIMINATE PRICE CAPS IN ITS PRICE PLAN?**

25 A. Staff opposes CenturyLink QC’s proposal to eliminate price caps in its modified Price
26 Plan. Staff’s position is generally represented in the following statements from Staff
27 witness Mr. Hellebuyck:

28 “While the market is becoming more competitive, not all customers have access to a
29 range of competitive alternatives for all the services they need due to geographic,
30 demographic, and other differences among customers.”¹⁶
31

¹⁶ See Staff/100, Hellebuyck/7, lines 15-18.

1 “Rather than leap to a total reliance on competition to provide price safeguards as the
2 Company advocates, the Commission should adopt a plan which contains safeguards
3 (e.g., price caps) which will ensure that the plan is operating in the public interest.”¹⁷
4

5 **Q. DOES CENTURYLINK QC AGREE WITH STAFF’S ASSESSMENT THAT**
6 **COMPETITION HAS NOT YET DEVELOPED TO A LEVEL THAT SUPPORTS**
7 **ELIMINATION OF PRICE CAPS?**

8 A. No. CenturyLink QC has presented information that demonstrates competitive alternatives
9 to the company’s regulated voice services are available from numerous providers across the
10 majority of CenturyLink QC’s Oregon serving territory. Nonetheless, Staff concludes that
11 not “all” customers in CenturyLink QC’s territory have access to a range of competitive
12 alternatives and therefore, price caps are necessary to discipline CenturyLink QC’s pricing.
13 While CenturyLink QC recognizes that there are areas within its Oregon service territory
14 where customers may have few or no competitive voice options, the pervasive competition
15 throughout the state provides protection for customers for all areas, even those with more
16 limited competition.
17

18 **Q. HOW DOES THE PRESENCE OF MULTIPLE ALTERNATIVE PROVIDERS IN**
19 **AN AREA THAT MIGHT BE CONSIDERED SUFFICIENTLY COMPETITIVE BY**
20 **STAFF PROVIDE DISCIPLINE OVER CENTURYLINK’S PRICING ACTIONS IN**
21 **AN AREA WITH FEW OR NO ALTERNATIVE VOICE SERVICE OPTIONS?**

22 A. The discipline provided in the more competitive area limits CenturyLink QC’s market
23 power and constrains its prices throughout the state, including the areas with more limited
24 competition. This concept is reinforced by CenturyLink QC’s Price Plan commitment that
25 it will not geographically deaverage the rates for basic service under the plan any further
26 than they were on the effective date of the plan.¹⁸ Since CenturyLink QC’s current rate
27 structure for basic service reflects three rate groups with a limited price range between the
28 lowest and highest rates, this commitment would prevent CenturyLink QC from increasing
29 rates in the less competitive areas by a different amount than it applies to the competitive
30 areas. Further, this commitment would prevent CenturyLink QC from considering any

¹⁷ See Staff/100, Hellebuyck/7, line 21 to Hellebuyck/8, line 1.

¹⁸ See CTL/109, Felz/3, Section III.B.3 of CenturyLink QC’s modified Price Plan.

1 pricing initiative that would seek to apply different rate changes within an exchange, such
2 as differentiating prices between the more populated central area of the exchange and the
3 more sparsely populated areas within an exchange.
4

5 **Q. HOW DOES COMPETITION DISCIPLINE CENTURYLINK QC'S PRICING?**

6 A. If customers are unhappy with CenturyLink QC prices or service quality, they may easily
7 move to a competitor's services—whether cable, another CLEC, wireless or VoIP. This is
8 the way competitive markets work, and this disciplines CenturyLink QC's prices. If
9 CenturyLink QC sets rates too high or provides poor service quality, then customers will
10 simply leave CenturyLink QC for another option. In this way, the competitive market
11 protects Oregon retail consumers.
12

13 For example, the threat of a customer "cutting the cord" constrains CenturyLink QC's local
14 exchange prices. If CenturyLink QC sets local exchange rates too high, many customers
15 will simply disconnect their wireline phone and use their wireless phones for all calls.
16 Many customers already use their wireless phone for most calls, and a rate increase that
17 consumers perceive to be unreasonable would cause CenturyLink QC to lose more
18 customers to the competition, exerting pressure on CenturyLink QC to provide a
19 competitive response, including the consideration of a reduction of rates. As a result,
20 competition protects CenturyLink QC's Oregon customers from unreasonable rate
21 increases, where "unreasonable" is determined by the market.
22

23 **Q. STAFF STATES THAT A PRICE PLAN WITHOUT PRICE CAPS WOULD NOT**
24 **ENSURE JUST AND REASONABLE RATES. DOES CENTURYLINK QC**
25 **AGREE?**

26 A. No. There are adequate controls in place to ensure rates remain just and reasonable without
27 rate caps. First, as discussed previously, CenturyLink QC faces significant competition to
28 its regulated voice services from a variety of alternative providers across most of its
29 Oregon service territory and there is every expectation that the competition will continue to
30 intensify. The company's commitment to maintain the existing levels of deaveraging
31 ensures the market disciplines CenturyLink QC's pricing initiatives across its entire service

1 territory, even in those areas that may have fewer competitive alternatives. This helps
2 ensure CenturyLink QC maintains rates that are just and reasonable. Second, CenturyLink
3 QC's proposed Price Plan retained the existing provisions (see Section VII.B.2a of Exhibit
4 CTL/109) related to the Commission's ability to open an investigation of the price plan at
5 any time to determine if adjustments or termination of the plan is required by the public
6 interest provisions of ORS 759.255(2) which includes ensuring prices that are just and
7 reasonable. As a result, the Commission has the necessary mechanism to review
8 CenturyLink QC's rates to ensure they remain just and reasonable.

9
10 **Q. DO THE PRICE CAPS FOR BASIC SERVICE RATES IN STAFF'S PROPOSED**
11 **"OREGON PLAN" PROVIDE SUFFICIENT PRICING FLEXIBILITY FOR THE**
12 **COMPANY?**

13 A. No. Staff's proposal allows increases for residential basic service rates of up to \$2 on the
14 effective date of the plan and another \$1 increase in the third year of the plan. Basic
15 business rates would be allowed to increase by up to \$4 on the effective date of the plan.
16 While this additional pricing flexibility would provide some benefits, it is not sufficient to
17 address several issues that are pressuring CenturyLink QC's basic service rates.

18
19 First, CenturyLink QC's basic residential local service rates have not been increased since
20 2002 and are the second lowest in comparison to rates in other states in the former Qwest
21 operating areas.¹⁹

22
23 Second, CenturyLink QC is experiencing reductions to its support received from the
24 Oregon Universal Service Fund (OUSF) which is designed to provide support in high-cost
25 areas to ensure basic telephone service is available at an affordable rate. CenturyLink QC's
26 support has declined significantly due to the loss of retail access lines over time. In
27 addition, there has been increasing pressure to reduce the size of the fund from Staff and
28 competitors. As a result of negotiations in Docket UM 1481, CenturyLink QC entered into a
29 stipulated agreement to reduce its support over a three year period starting in January 2014. This
30 agreement does not reduce CenturyLink QC's COLR obligations, but significantly reduces its

¹⁹ See Exhibit CTL/202 for a comparison of the average basic residential rates (includes primary line rate plus EAS) in the 14 state legacy Qwest operating area.

1 support to serve high cost areas of the state. Based on testimony provided in Phase II of
2 Docket UM-1481, Staff supported the concept that the company should be allowed to
3 increase local rates to offset OUSF reductions.²⁰
4

5 Finally, the FCC's recent announcement of the results of its urban rate survey for voice
6 services affirms that CenturyLink QC's Oregon basic residential rates are low in
7 comparison to other areas of the country. Based on their rate survey, the FCC announced
8 that the local "rate floor" would be set at \$20.46.²¹ The FCC adopted a rate floor in the
9 *USF/ICC Transformation Order* "to ensure that states are contributing to support and
10 advance universal service and that consumers are not contributing to the Fund to support
11 customers whose rates are below a reasonable level."²² The FCC initially established an
12 effective date of July 1, 2014²³ for the new urban rate floor, but has accepted comments on
13 the implementation timeframes and is expected to provide additional direction on the issue
14 at its April 23, 2014 open meeting.
15

16 **Q. IS CENTURYLINK QC DIRECTLY IMPACTED BY THE FCC'S LOCAL RATE**
17 **FLOOR FOR OREGON?**

18 A. No. Under the FCC's rules, ILECs who receive federal high cost loop or high cost model
19 support are required to increase their rates to the new FCC floor by the effective date or
20 face a reduction in their support. Because CenturyLink QC does not receive federal high
21 cost loop or high cost model support for Oregon, there is no direct impact to the company
22 from the actions taken by the FCC. Nonetheless, the FCC's has established a national
23 benchmark local rate that can be used for comparability to determine a reasonable level for
24 Oregon.
25

26 **Q. DOES CENTURYLINK SUPPORT A PHASED APPROACH TO**
27 **IMPLEMENTATION OF THE FCC'S LOCAL RATE FLOOR?**

²⁰ See Staff testimony in Docket UM-1481, dated December 10, 2012, Staff/100, White/29, lines 6-12.

²¹ The FCC's rate floor includes local end-user rates plus state regulated fees including state universal service fund charges and mandatory extended area service charges.

²² *USF/ICC Transformation Order*, 26 FCC Rcd at 17751, para. 238.

²³ Rate in effect as of June 1, 2014.

1 A. Yes. CenturyLink joined with other members of the ITTA and the United States Telecom
2 Association (“US Telecom”) and filed comments to support two modifications to the
3 FCC’s rate floor adoption. First, the comments supported an extension of the effective date
4 until January 2, 2015²⁴ for the initial certification of compliance with the new rate floor
5 with subsequent adjustments to the local rate floor made annually on January 2. In
6 addition, the comments supported capping the annual increase in the rate floor at \$2.²⁵

7
8 **Q. DO THE RATE CAP INCREASES FOR RESIDENTIAL BASIC SERVICE**
9 **PROPOSED BY STAFF IN THE OREGON PLAN PROVIDE THE FLEXIBILITY**
10 **NEEDED TO ACHIEVE THE FCC’S INITIAL LOCAL RATE FLOOR OF \$20.46?**

11 A. No, not for all CenturyLink QC exchanges. I have prepared Exhibit CTL/203 which
12 demonstrates that 39 of the 66 CenturyLink QC Oregon exchanges would not reach the
13 \$20.46 cap with application of the \$3 increase proposed in Staff’s Oregon Plan.

14
15 **Q. PLEASE PROVIDE CENTURYLINK QC’S POSITION ON THE REMAINDER OF**
16 **THE PRICE CAPS PROPOSED BY STAFF IN THE “OREGON PLAN”?**

17 A. CenturyLink QC opposes the price caps proposed by Staff in the Oregon Plan for the
18 following service categories:

- 19 • Toll Restriction/Call Trace/Unlisted Numbers.
- 20 • DS-1 and ISDN-PRI Services.
- 21 • Other Retail Services.

22 CenturyLink QC believes the competitive marketplace will provide appropriate discipline
23 on the company’s pricing activities for these services, and arbitrarily established price caps
24 are therefore unnecessary. Furthermore, for the other retail services category, Staff’s
25 proposed Oregon Plan actually reduces the pricing flexibility provided in CenturyLink
26 QC’s current Price Plan. The current Price Plan allows for annual increase of 50% not to
27 exceed to 200% in a five-year period, but the Oregon Plan reduces that flexibility to 25%
28 annually. As recognized by Staff, CenturyLink QC has not applied the maximum increases

²⁴ Rate in effect as of December 1, 2014.

²⁵ See Reply Comments of ITTA and USTelecom on the Petition for Extension of Time to Comply with the New Rate Floor, WC Docket No. 10-90, filed March 31, 2014.

1 allowed in this category, and in doing so has demonstrated that it is the market that drives
2 its pricing decisions and not the establishment of arbitrarily determined rate caps.
3 CenturyLink QC believes rather than further restricting pricing flexibility in this category,
4 the Commission should eliminate the price cap as it is no longer needed to discipline the
5 company's pricing for these services.

6
7 **Q. ARE YOU AWARE OF STUDIES THAT HAVE EVALUATED IMPACTS IN**
8 **OTHER STATES WHERE THE TYPE OF PRICING FLEXIBILITY PROPOSED**
9 **BY CENTURYLINK QC IN THIS CASE HAS BEEN GRANTED?**

10 A. Yes. A study of telecommunications deregulation across the country was completed by the
11 National Regulatory Research Institute (NRRI) and published in April 2013.²⁶ The key
12 conclusion of the study is found in the following quote:

13
14 “It is too early to judge accurately the long-term effects of deregulation on carriers
15 and consumers, but the early experience from the states that deregulated between
16 2006 and 2012 shows that, with some exceptions, *the dire impacts on pricing and*
17 *service availability forecasted by opponents of the legislation have not yet appeared.*
18 While there have been some reports of price increases by deregulated carriers and
19 reductions in service quality as carriers reduce the maintenance of their embedded
20 copper plant, the vast majority of consumers still have access to local and long-
21 distance calling services from a variety of carriers, using multiple access
22 technologies.”²⁷

23 The NRRI study also provides an important finding from a Cato Institute study:

24 “A Cato Institute study published in the fall 2012 issue of *Regulation* points out that
25 while critics have argued that the monopoly power of the incumbent providers would
26 result in large price increases should state laws remove commission oversight of retail
27 pricing, these dire predictions have not materialized.

28 Trends in telephone price indices show that state regulators were correct in
29 concluding that competition would discipline the price of telephone service. Indeed,
30 prices for telephone service, including both wireless service (which has never been

²⁶ See Telecommunications Deregulation: Updating the Scorecard for 2013, Sherry Lichtenberg, Ph.D., National Regulatory Research Institute, April 2013 (NRRI Telecommunications Deregulation Report – 2013 Scorecard”); available at <http://www.nrri.org/documents/317330/0e3a5988-6f57-492d-8ce5-70926cfe68f4?version=1.5>).

²⁷ NRRI Telecommunications Deregulation Report – 2013 Scorecard, page 34, emphasis added.

1 subject to price controls) and landline service, have fallen consistently in real terms
2 since the mid-1990s.²⁸

3
4 **Q. DID THE NRRI STUDY PROVIDE AN ASSESSMENT OF RECENT STATE**
5 **DEREGULATION INITIATIVES?**

6 A. Yes. Following are quotes from the study relative to impacts of recent specific
7 deregulation initiatives in Florida and Wisconsin and more general information on survey
8 results from other states:

9 “The impact of the reduction of telecommunications oversight on Florida consumers
10 appears to have been minor so far. According to Beth Salak, Director of the Office of
11 Telecommunications, “We have seen no significant negative impacts from the
12 commission's changed responsibilities.” The primary ILEC in Florida, AT&T, has
13 continued to offer basic service, although prices have increased. Prices for Lifeline
14 service have also increased, due to reductions in the amount carriers receive from the
15 FCC and reductions in Universal Service Funding. Carriers have not left the state or
16 reduced service.”²⁹

17
18 “As in Florida, Wisconsin has seen few (if any) consumer problems caused by the
19 deregulation of telecommunications. Commission staff continues to monitor the
20 number and type of complaints received but has seen no increase in volumes or types
21 of concerns. Carriers have not left the market or dropped basic landline service or
22 required customers to purchase product bundles rather than standalone local wireline
23 service in rural or hard-to-serve portions of the state.”³⁰

24 “The 35 states/municipalities responding to the NRRI survey reported experiences
25 similar to those of Florida and Wisconsin, primarily minor price increases and the
26 elimination of some basic service requirements. No state reported that a carrier had
27 withdrawn service from a location they deemed “unprofitable” or had forced
28 customers to move from traditional wireline service to wireless only or to another
29 carrier. Finally, there has been no spike in customer complaints, including
30 complaints regarding slamming, billing, or failure to provide service.”³¹

31
32 **Q. DID THE NRRI STUDY COMMENT ON THE EXPERIENCE IN CALIFORNIA**
33 **AFTER PRICING REGULATION WAS REMOVED THAT WAS RAISED AS A**
34 **CONCERN IN THE TESTIMONIES OF STAFF AND CUB?**

²⁸ Jeffrey A. Eisenach and Kevin M. Caves, *What Happens When Local Phone Service is Deregulated?* Fall 2012, available at http://www.aei.org/files/2012/09/26/-eisenach-cato-phone-deregulation-paper_09341082848.pdf

²⁹ NRRI Telecommunications Deregulation Report – 2013 Scorecard, page 36.

³⁰ NRRI Telecommunications Deregulation Report – 2013 Scorecard, page 37.

³¹ NRRI Telecommunications Deregulation Report – 2013 Scorecard, page 38.

1 A. Yes. The NRRI study presents the California situation as an aberration from the general
2 experience described in the quotes above:

3 “On the opposite side of the equation, wireline prices in California have increased
4 dramatically since the state's major wireline carriers were price deregulated in 2006.
5 According to a 2010 report by the California Public Utility Commission (CPUC), the rate
6 for basic service has increased over 100% in the course of five years, going from \$10.94
7 in 2005 to \$23.00 in 2010.”³²
8

9 **Q. CAN YOU RESPOND TO CUB’S POSITION THAT CENTURYLINK SHOULD
10 PROIIVDE CUSTOMER BENEFITS TO OFFSET RISING
11 TELECOMMUNICATIONS COSTS?**

12 A. CUB’s position is that the company be required to provide a public benefit offset for its
13 proposed pricing flexibility³³ is not a requirement of the statute governing price regulation
14 plans (ORS 759.255). CenturyLink is seeking additional pricing flexibility based on a
15 demonstration that it operates in a competitive market and its pricing should be disciplined
16 by that competitive marketplace and not by regulation. To require that CenturyLink QC
17 essentially “buy” pricing flexibility through offsetting public benefits applies a requirement
18 that is not contemplated by the Oregon statutes.
19

20 **VI. WAIVERS OF RULES AND STATUTES**
21

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

23 A. In this section of my testimony, I will respond to the positions of Staff and Integra on
24 several CenturyLink QC’s proposed waivers of statutes and rules. I will address only the
25 proposed statute and rule waivers for which parties oppose CenturyLink QC’s proposed
26 waivers.
27

28 **Q. PLEASE COMMENT ON STAFF’S POSITION REGARDING CENTURYLINK
29 QC’S REQUEST TO WAIVE SEVERAL FINANCIAL REPORTING STATUTES
30 AND RULES?**

³² NRRI Telecommunications Deregulation Report – 2013 Scorecard, page 35.

³³ See CUB/100, Jenks/4, lines 5-11.

1 A. CenturyLink QC sought waivers from the following related statutes and rules associated
2 with financial reporting:

- 3 • ORS 759.120 Form and manner of accounts prescribed by Commission.
- 4 • ORS 759.125 Records and accounts prescribed by Commission.
- 5 • ORS 759.130 Closing date of accounts.
- 6 • Condition 11 in Commission Order No. 11-095 – Form O and Form I
- 7 • OAR 860-027-0050 Uniform system of accounts for large telecommunications
8 utilities.
- 9 • OAR 860-027-0070 Annual report requirements for electric, large
10 telecommunications, gas, and steam heat utilities.

11
12 Staff’s general position on these statutes and rules is that CenturyLink QC should continue
13 to file the Commission’s Annual Report Form O annually and the Oregon Separated
14 Results of Operations Report Form I every three years. Staff explains that they use the
15 information from the Form O “. . . to determine applicable OUSF support; monitor and
16 observe the current state and health of the Company and the network; respond to fact-based
17 inquiries from Commissioners; and make recommendations regarding the continued
18 suitability of the Price Plan.” They also assert that the reporting is not burdensome for the
19 company because the company must maintain the same information for its own purposes in
20 managing its business.

21
22 As documented in its initial Price Plan, CenturyLink QC had at least partial waivers for
23 several of these statutes and rules resulting from Commission Order No. 06-514 or
24 correspondence between CenturyLink QC and the Commission from May 4, 2004 through
25 December 21, 2004. Included were waivers of sections of Form O and agreements
26 allowing replacement of other Form O sections and the entire Form I reporting. However,
27 as a condition of merger approval, the Commission reimposed in merger condition 11 the
28 requirement to provide the standard Form O and Form I reports. While Commission Staff
29 has subsequently stated that Form I will only be required every three years, the net result of
30 these actions has been to reimpose much of the regulatory burden that the company and the
31 Commission had previously agreed was not necessary. To the extent the Commission

1 desired increased reporting to monitor the impacts of the merger on the companies, that
2 need is no longer appropriate as we are three years past the close of the merger. The
3 Commission should at least restore the waivers that were agreed to between the
4 Commission and the company in the existing Price Plan.

5
6 **Q. WITH RESPECT TO CENTURYLINK QC'S REQUEST TO WAIVE OAR 860-022-**
7 **0025(2) WHAT DID STAFF RECOMMEND?**

8 A. Staff supports the company's request for waiver of sections b) and c) of this rule which
9 require the company to identify the number of customers affected by proposed rate changes
10 and the resulting change in annual revenue and the reasons for the proposed rate changes.
11 However, Staff does not support a waiver of section a) of the rule which requires the
12 company to file a statement indicating any the change in existing rates. CenturyLink QC
13 accepts Staff's position on this requested waiver and agrees that it will continue to comply
14 with section a) of OAR 860-022-0025(2).

15
16 **Q. CAN YOU COMMENT ON STAFF OPPOSITION TO A WAIVER OF OAR 860-**
17 **022-0035 DEALING WITH SPECIAL CONTRACTS?**

18 A. Yes. Although CenturyLink QC filed for a waiver of this rule and associated statute (ORS
19 759.250) in its May 3, 2013 petition for revision of the Price Plan, after discussions with
20 Staff, CenturyLink QC understood that the Commission did not have the authority to waive
21 the statute or rule. Therefore, CenturyLink QC did not seek a waiver of either the statute or
22 rule requiring filing of special contracts with the Commission in its latest Price Plan filing
23 made on January 23, 2014 which is the subject of this proceeding.

24
25 **Q. STAFF AND INTEGRA OPPOSE CENTURYLINK QC'S REQUEST FOR**
26 **WAIVER OF STATUTES AND RULES RELATED TO SALES, MERGERS AND**
27 **ACQUISITIONS (ORS 759.375, ORS 759.380 AND OAR 860-027-0025). PLEASE**
28 **RESPOND TO THE POSITIONS OF STAFF AND INTEGRA ON THIS ISSUE.**

29 A. CenturyLink QC is seeking restoration of the waiver from these statutes and rules that was
30 granted in the company's Price Plan approved in Order 08-408. Condition 18 of the
31 Commission's Order 11-095 in the CenturyLink/Qwest merger removed the waivers.

1 CenturyLink QC agreed to be subject to the Commission's review of the
2 CenturyLink/Qwest merger because the acquiring company, CenturyLink did not have a
3 waiver from these statutes and rules. Further, CenturyLink understood that the relative size
4 of the entities involved in the merger introduced a level of uncertainty on the part of the
5 Commission and other parties. The Commission ultimately approved the merger, subject
6 to a number of conditions. In the three years since the merger closed, the former Qwest,
7 Embarq and CenturyTel entities are fully integrated into a consolidated CenturyLink that
8 has satisfied all the applicable Oregon merger conditions and has demonstrated that it is
9 committed to serving its Oregon customers. Therefore, CenturyLink believes the
10 uncertainties that existed at the time of the CenturyLink/Qwest merger have been addressed
11 and there is no reason not to eliminate Condition 18 and return this waiver to the Price
12 Plan. Moreover, CenturyLink's competitors that now garner larger shares of the voice
13 telephony market are not subject to this requirement.

14
15 **Q. STAFF AND INTEGRA OPPOSE CENTURYLINK QC'S REQUEST FOR**
16 **WAIVERS OF AFFILIATE INTEREST CONTRACT REQUIREMENTS (ORS**
17 **759.390, ORS 759.393, AND OAR 860-027-0100). PLEASE RESPOND TO STAFF'S**
18 **POSITION.**

19 A. The Commission previously granted CenturyLink QC waivers of affiliate interest statutes
20 and rules in the current Price Plan and the company is simply proposing to continue those
21 waivers. Both Staff and Integra express concern that wholesale contracts between
22 CenturyLink QC and its CLEC affiliates for services such as interconnection, traffic
23 exchange, tandem switching, transport and special access, should be available for
24 Commission review. The fact is that CenturyLink QC is obligated under Section 252 of the
25 Telecommunications Act of 1996 (Act) to file interconnection agreements with the
26 Commission for approval. The Act also requires that CenturyLink offer terms for
27 interconnection services on a non-discriminatory basis. Finally, for services that are
28 tariffed, such as special access, any such services that CenturyLink QC provides to its
29 affiliates, must be provided on the same tariffed rates, terms and conditions that it makes
30 available to all other customers of the service.

31

1 **Q. STAFF OPPOSES CENTURYLINK QC'S PROPOSED WAIVER OF OAR 860-023-**
2 **0055 - RETAIL TELECOMMUNICATIONS SERVICE STANDARDS FOR LARGE**
3 **TELECOMMUNICATIONS UTILITIES. PLEASE RESPOND TO STAFF'S**
4 **POSITION ON THIS PROPOSED WAIVER.**

5 A. CenturyLink QC would like to clarify that its proposal was for a partial waiver of this rule
6 related only to reporting. CenturyLink QC affirmed that it will continue to be subject to the
7 specific service standards identified in OAR 860-023-055. However, CenturyLink QC
8 sought exceptions from the reporting requirements of the rule to allow reporting on a
9 quarterly basis instead of monthly, and reporting of exceptions only. CenturyLink QC's
10 rationale for its proposed partial waiver of this rule is provided in the service quality
11 section of my testimony.

12

13 **Q. DID INTEGRA EXPRESS CONCERNS ABOUT CENTURYLINK QC'S**
14 **PROPOSED RULE WAIVER FOR RETAIL SERVICE QUALITY REPORTING?**

15 A. Yes. Integra wants to ensure that CenturyLink QC's proposed retail service quality
16 reporting changes do not impact wholesale service quality reporting. CenturyLink QC
17 affirms that nothing in its proposed modifications to retail service quality reporting will
18 impact its wholesale service quality reporting. As Integra notes, CenturyLink's obligations
19 with respect to wholesale service quality reporting are governed by the CenturyLink
20 Performance Assurance Plan ("CPAP") that cannot be modified without negotiations with
21 its wholesale customers and Commission approval. CenturyLink's proposed modifications
22 to retail service quality reporting will not impact its ability to provide monthly wholesale
23 service quality reporting, including incorporation of required retail comparables.

24

25 **Q. COULD YOU ADDRESS INTEGRA'S CONCERNS ABOUT CENTURYLINK**
26 **QC'S PROPOSED RULE WAIVER OF OAR 860-022-0042(4) ASSOCIATED WITH**
27 **THE PRIVILEGE TAX?**

28 A. Yes. Integra wants to ensure that if CenturyLink QC's waiver request is granted, and the
29 company is allowed to fully pass through government imposed privilege taxes, Integra's
30 wholesale rates would not increase. It is my understanding that the current wholesale rates
31 do not include a mark-up for recovery of privilege taxes of 4% or less. However,

1 CenturyLink QC does apply privilege taxes in excess of 4% to wholesale services which
2 meet the definition of “local exchange access.” Therefore, if CenturyLink QC’s waiver is
3 granted, CenturyLink QC would not seek to increase wholesale rates but would apply the
4 full privilege tax for wholesale services purchased in those areas with tax rates greater than
5 4%.

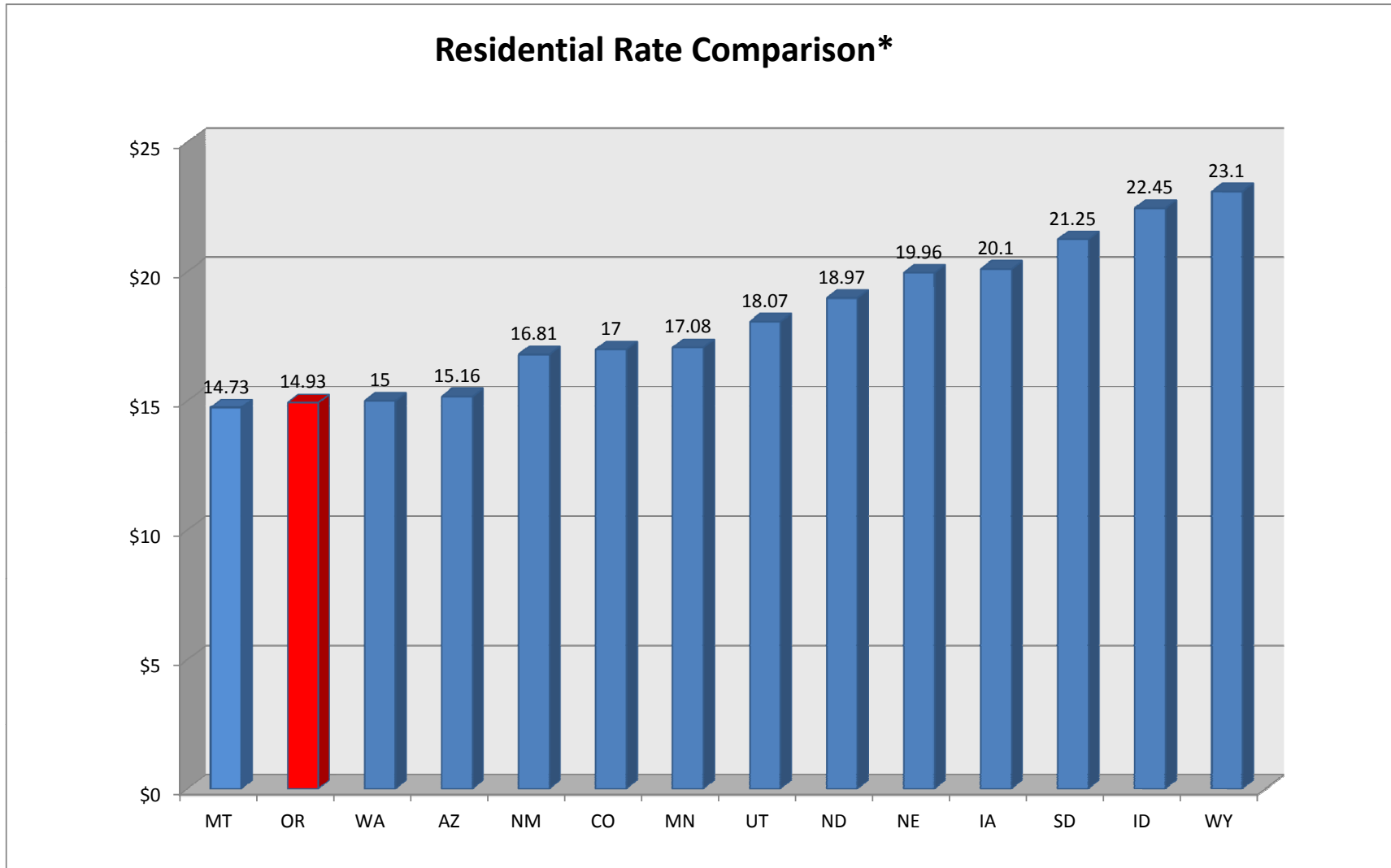
6
7 **VII. SUMMARY**
8

9 **Q. COULD YOU PLEASE SUMMARIZE YOUR REPLY TESTIMONY?**

10 A. Yes. CenturyLink QC’s proposed Price Plan modifications seeking elimination of price
11 caps is supported by the pervasive competition documented in my Direct Testimony.
12 Although Staff and CUB argue that competitive alternatives are not available to all
13 customers in specific geographic or demographic market segments, the pervasive
14 competition throughout CenturyLink QC’s service territory provides protection for
15 customers for all areas, even those with more limited competition. The pricing discipline
16 provided in the more competitive areas limits CenturyLink QC’s market power and
17 constrains its prices throughout the state. This concept is reinforced with CenturyLink
18 QC’s commitment that it will not geographically deaverage the rates for basic service under
19 the plan any further than they were on the effective date of the plan. The combination of
20 pricing discipline provided by competition and the commitment to maintaining a local rate
21 structure that reflects the same level of geographic deaveraging helps ensure that rates will
22 remain just and reasonable without the imposition of price caps. Further, CenturyLink
23 QC’s modified Price Plan retains the existing provision that allows the Commission to open
24 an investigation of the Price Plan at any time to determine if adjustments or termination of
25 the plan is required by the public interest provisions of ORS 759.255(2).

26
27 **Q. DOES THIS CONCLUDE YOUR REPLY TESTIMONY?**

28 A. Yes, it does.



Exchange	1FR Rate	EAS Res	Total Res Rate	Oregon Plan Increase	Total	Total Plus OUSF Surcharge	FCC Local Rate Floor Reached?
Albany	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	N
Ashland	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	N
Astoria	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Baker City	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Bend	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Cannon Beach	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	N
Central Point	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	N
Corvallis	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Dallas	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	N
Eugene-Springfield	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Florence	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Grants Pass	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	N
Hermiston	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Independence-Monmouth	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	N
Jefferson	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	N
Klamath Falls	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Medford	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	N
Milton-Freewater	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	N
Newport	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Nyssa	\$13.80	\$0.60	\$14.40	\$3.00	\$17.40	\$18.88	N
Oakland-Sutherlin	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	N
Ontario	\$12.80	\$0.60	\$13.40	\$3.00	\$16.40	\$17.79	N
Oregon Slope	\$14.80	\$0.60	\$15.40	\$3.00	\$18.40	\$19.96	N
Pendleton	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Phoenix-Talent	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	N
Portland	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	N
Rainier	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	N
Redmond	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	N
Roseburg	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Salem	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Seaside	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Springfield	\$12.80	\$2.20	\$15.00	\$3.00	\$18.00	\$19.53	N
St. Helens	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Stanfield	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	N
Toledo	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	N
Umatilla	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	N
Vale	\$13.80	\$1.10	\$14.90	\$3.00	\$17.90	\$19.42	N
Warrenton	\$12.80	\$1.28	\$14.08	\$3.00	\$17.08	\$18.53	N
Westport	\$13.80	\$1.28	\$15.08	\$3.00	\$18.08	\$19.62	N
Athena-Weston	\$14.80	\$1.28	\$16.08	\$3.00	\$19.08	\$20.70	Y
Blue River	\$14.80	\$2.20	\$17.00	\$3.00	\$20.00	\$21.70	Y
Burlington	\$13.80	\$4.97	\$18.77	\$3.00	\$21.77	\$23.62	Y
Camp Sherman	\$14.80	\$2.20	\$17.00	\$3.00	\$20.00	\$21.70	Y
Cottage Grove	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y
Culver	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y
Falls City	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y

Exchange	1FR Rate	EAS Res	Total Res Rate	Oregon Plan Increase	Total	Total Plus OUSF Surcharge	FCC Local Rate Floor Reached?
Gold Hill	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y
Jacksonville	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y
Junction City	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y
Lake Oswego	\$12.80	\$4.97	\$17.77	\$3.00	\$20.77	\$22.54	Y
Lapine	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y
Leaburg	\$14.80	\$2.20	\$17.00	\$3.00	\$20.00	\$21.70	Y
Lowell	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y
Madras	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y
Mapleton	\$14.80	\$1.28	\$16.08	\$3.00	\$19.08	\$20.70	Y
Marcola	\$14.80	\$2.20	\$17.00	\$3.00	\$20.00	\$21.70	Y
North Plains	\$12.80	\$4.97	\$17.77	\$3.00	\$20.77	\$22.54	Y
Oak Grove-Milwaukie	\$12.80	\$4.97	\$17.77	\$3.00	\$20.77	\$22.54	Y
Oakridge	\$14.80	\$2.20	\$17.00	\$3.00	\$20.00	\$21.70	Y
Oregon City	\$12.80	\$4.97	\$17.77	\$3.00	\$20.77	\$22.54	Y
Prineville	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y
Rogue River	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y
Siletz	\$14.80	\$1.28	\$16.08	\$3.00	\$19.08	\$20.70	Y
Sisters	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y
Veneta	\$13.80	\$2.20	\$16.00	\$3.00	\$19.00	\$20.62	Y
Woodburn-Hubbard	\$12.80	\$4.97	\$17.77	\$3.00	\$20.77	\$22.54	Y

FORM O:	<u>Yr 2004</u>	<u>Yr 2008</u>	<u>Yr 2012</u>	<u>% decline</u> <u>2008-</u> <u>2012</u>	<u>% decline</u> <u>2004-</u> <u>2012</u>
Residential	802,454	535,329	295,072	-45%	-63%
Business	284,557	246,233	182,148	-26%	-36%
Other (incl sw access)	10,909	6,592	2,596	-61%	-76%
Subtotal	<u>1,097,920</u>	<u>788,154</u>	<u>479,816</u>	-39%	-56%
UNEs	273,410	84,941	57,447	-32%	-79%
Pvt line & wideband	845,643	1,130,293	925,243	-18%	9%
Grand Total	<u><u>2,216,973</u></u>	<u><u>2,003,388</u></u>	<u><u>1,462,506</u></u>	-27%	-34%

CenturyLink QC Oregon Expense and Capital Additions Analysis

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	% Increase (Decrease)
Expenses:												
Plant Specific Expenses	\$113,404,359	\$131,608,454	\$139,093,526	\$129,034,152	\$110,011,350	\$100,595,824	\$95,489,059	\$89,747,240	\$82,937,762	\$96,397,584	\$94,081,095	-17.0%
Provisioning/Network Ops	\$45,409,711	\$44,900,802	\$43,091,442	\$41,128,032	\$40,758,014	\$45,743,154	\$39,079,912	\$33,906,001	\$33,988,037	\$42,444,152	\$44,858,164	-1.2%
Access Expense	\$40,168,071	\$38,127,911	\$39,461,707	\$37,880,702	\$35,878,622	\$37,219,903	\$34,979,634	\$30,179,673	\$14,257,738	\$15,445,745	\$13,471,689	-66.5%
Depr & Amort Expense	\$251,918,645	\$255,507,390	\$255,729,991	\$148,179,820	\$158,678,520	\$156,052,084	\$144,665,523	\$140,895,325	\$143,266,134	\$144,638,747	\$115,146,589	-54.3%
Customer Ops Expense	\$123,356,895	\$116,109,627	\$116,436,146	\$112,456,943	\$109,052,787	\$112,541,848	\$103,159,847	\$89,426,381	\$82,649,108	\$74,411,138	\$71,696,494	-41.9%
Corp Ops/Other Op Expense	<u>\$113,692,302</u>	<u>\$77,880,062</u>	<u>\$71,764,130</u>	<u>\$69,921,247</u>	<u>\$67,344,587</u>	<u>\$50,593,720</u>	<u>\$52,094,441</u>	<u>\$60,348,332</u>	<u>\$64,022,404</u>	<u>\$48,496,289</u>	<u>\$43,296,294</u>	-61.9%
Total	\$687,949,983	\$664,134,246	\$665,576,942	\$538,600,896	\$521,723,880	\$502,746,533	\$469,468,416	\$444,502,952	\$421,121,183	\$421,833,656	\$382,550,324	-44.4%
Capital Additions	\$118,091,927	\$96,625,725	\$77,076,105	\$75,012,124	\$63,472,510	\$75,745,105	\$45,259,777	\$52,997,918	\$75,321,710	\$59,675,710	\$55,749,192	-52.8%
YE Retail Access Lines	1,141,521	1,062,063	1,022,236	955,226	873,001	773,869	674,271	596,992	528,333	469,335	415,550	-63.6%
Per YE retail Access Line:												
Plant Specific Expenses	\$99	\$124	\$136	\$135	\$126	\$130	\$142	\$150	\$157	\$205	\$226	127.9%
Provisioning/Network Ops	\$40	\$42	\$42	\$43	\$47	\$59	\$58	\$57	\$64	\$90	\$108	171.4%
Customer Ops Expense	\$108	\$109	\$114	\$118	\$125	\$145	\$153	\$150	\$156	\$159	\$173	59.7%
Capital Additions	\$103	\$91	\$75	\$79	\$73	\$98	\$67	\$89	\$143	\$127	\$134	29.7%

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM 1354

IN THE MATTER OF THE PETITION OF QWEST
CORPORATION D/B/A CENTURYLINK QC FOR
APPROVAL OF PRICE PLAN PURSUANT TO
ORS 759.255

REPLY TESTIMONY
OF
VICTORIA HUNNICUTT
ON BEHALF OF
CENTURYLINK QC

April 23, 2014

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1 **I. IDENTIFICATION OF WITNESS**

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

5 A. My name is Victoria Hunnicutt. My business address is 1801 California Street, Denver,
6 Colorado. I am employed by CenturyLink QC as a Director supporting retail service
7 quality advocacy.

8
9 **Q. PLEASE SUMMARIZE YOUR FORMAL EDUCATIONAL BACKGROUND.**

10 A. I have earned a Bachelor of Science in Electrical Engineering from the University of
11 Virginia. In addition, I have taken numerous telecommunications seminars and classes
12 including graduate courses in Telecommunications Management.

13
14 **Q. PLEASE SUMMARIZE YOUR EMPLOYMENT EXPERIENCE WITH**
15 **CENTURYLINK QC.**

16 A. I have been employed by CenturyLink QC (formerly, Qwest Corporation and USWest)
17 since 1998. My original position was with the transport modeling team in the Pricing and
18 Regulatory Matters department as a Cost Analyst. In 1999, I assumed responsibility for the
19 Collocation Cost Model, programming the model and producing the cost studies for the
20 various CenturyLink QC cost dockets. In 2003, I began working on analyses and
21 documentation as part of the Loop Modeling team. In 2004, I began work as a technical
22 analyst and developer in the Public Policy department. Starting in 2006, I began providing

1 technical and cost analyses, along with, subject matter expert support on collocation issues
2 for QCC (the CLEC entity) in regulatory proceedings which lead to witnessing for QC in
3 TRRO and Area Code Relief hearings. In my current position, I provide guidance, support,
4 and assist with advocacy for retail service quality for CenturyLink's 37-state region.

5

1 **II. PURPOSE OF REPLY TESTIMONY**

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Q. WHAT IS THE PURPOSE OF YOUR REPLY TESTIMONY?

A. The purpose of my testimony is to respond to the Opening Testimony of Staff witness Ms. Malia Brock regarding CenturyLink QC’s retail service quality performance in Oregon. In this testimony, I will address the retail service quality measures discussed by Ms. Brock and performance results over the course of the current Price Plan. I also address the requested changes to service quality reporting and why the continued use of the sliding 12-month standard for the Trouble Report Rate measure is appropriate. Finally, I have included an incomplete section addressing service quality complaints. Due to time constraints, I did not receive the complaint data supporting Ms. Brock’s testimony prior to the reply testimony filing date and, therefore, was unable to analyze or reply to that issue in this testimony.

1 **III. RETAIL SERVICE QUALITY STANDARDS**

2
3 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

4 A. In this section I will reply to Ms. Brock’s assertions including her interpretations of the
5 measures, her assessment of CenturyLink QC’s performance, and her performance trending
6 analyses.

7 **A. Commitments Met**

8 **Q. DO YOU CONCUR WITH MS. BROCK’S DESCRIPTION OF THE**
9 **COMMITMENTS MET MEASURE (BROCK PAGE 6 LINE 3)?**

10 A. Yes, I agree that the Commitments Met for Service measure is a good indicator of
11 technician staffing levels.

12 **Q. WITH RESPECT TO THE COMMITMENTS MET PERFORMANCE, DO YOU**
13 **AGREE WITH MS. BROCK’S COUNTER TO CENTURYLINK QC’S**
14 **“ASSERTION THAT IT IS EXCEEDING THE COMMISSION’S STANDARDS IN**
15 **MANY SERVICE QUALITY MEASURES” [STAFF/300, BROCK/10, LINE 14]?**

16 A. No, I do not agree. CenturyLink QC consistently *exceeded* the standard during the date
17 range of the current Price Plan as demonstrated by the chart, below. A number of other
18 measures, discussed herein, are also exceeding the Commission’s standard.

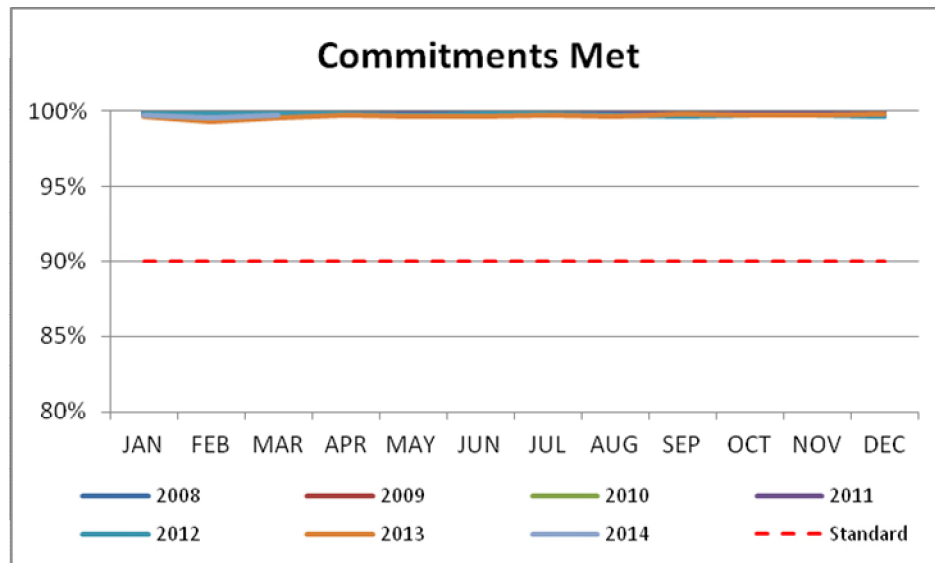


Figure 1: Commitments Met Performance

The performance results range from 99.34% to 99.93% (tenths and hundredths digits displayed to show the minute change in performance over the five year period).

Q. WHAT DOES THE COMMITMENTS MET PERFORMANCE CHART, ABOVE, INDICATE ABOUT CENTURYLINK QC'S SERVICE QUALITY IN THIS AREA?

A. As Ms. Brock stated, the Commitments Met for Service metric is a good indicator of technician staffing levels. If the 90% standard indicates *adequate* staffing levels, then the staffing levels indicated by a consistent, greater-than-99% performance result *exceeds* expectations.

Q. DOES MS. BROCK AGREE WITH YOUR POSITION THAT CENTURYLINK QC'S PERFORMANCE EXCEEDS THE STANDARDS FOR THIS MEASURE?

A. Yes, although Ms. Brock does not elaborate on how good CenturyLink QC performance is with respect to this measure, she simply acknowledges that CenturyLink QC's "performance in relation to standards surrounding Provisioning, Commitments Met, and

1 Held Orders have continued to meet or exceed standards” [Staff/300, Brock/11, lines 12 -
2 15].

3 **B. Provisioning**

4 **Q. DO YOU CONCUR WITH MS. BROCK’S DESCRIPTION OF THE**
5 **PROVISIONING MEASURE (BROCK PAGE 6 LINE 10)?**

6 A. Yes, I believe that the Provisioning measure is a good indicator of staffing levels, as well
7 as, infrastructure availability.

8 **Q. WITH RESPECT TO THE COMMITMENTS MET PERFORMANCE, DO YOU**
9 **AGREE WITH MS. BROCK’S COUNTER TO CENTURYLINK QC’S**
10 **“ASSERTION THAT IT IS EXCEEDING THE COMMISSION’S STANDARDS IN**
11 **MANY SERVICE QUALITY MEASURES” [STAFF/300, BROCK/10, LINE 14]?**

12 A. No, I do not agree. This is another measure where CenturyLink QC has consistently
13 *exceeded* the standard during the date range of the current Price Plan as demonstrated by
14 the chart, below.

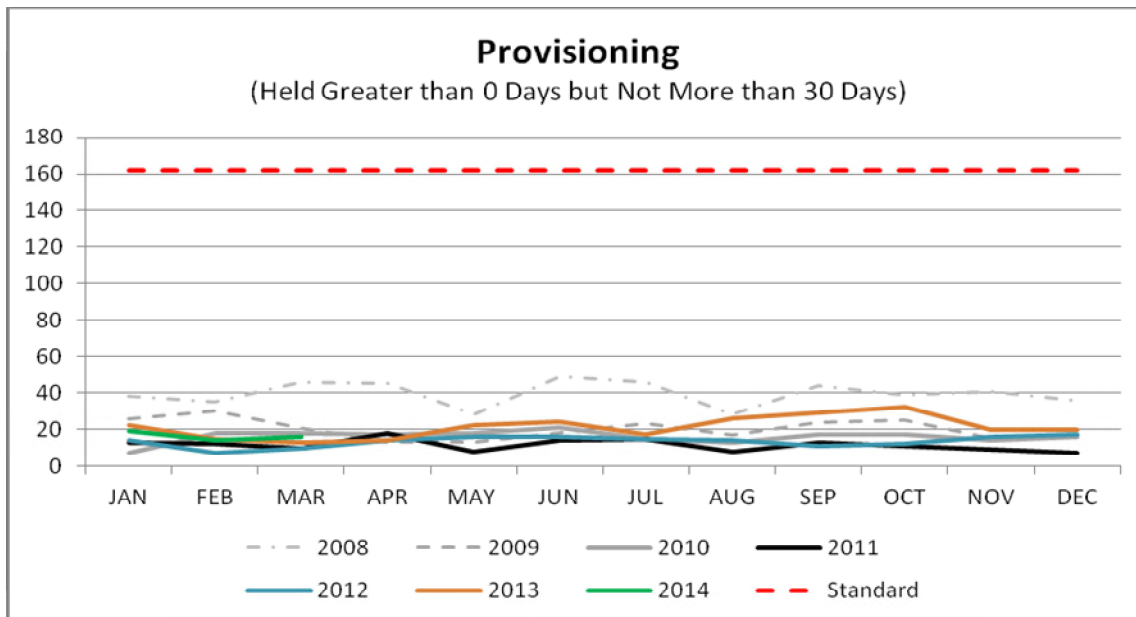


Figure 2: Provisioning Performance

1
2
3 **Q. WHAT DOES THE PROVISIONING PERFORMANCE CHART, ABOVE,**
4 **INDICATE ABOUT CENTURYLINK QC'S SERVICE QUALITY IN THIS AREA?**

5 A. As Ms. Brock stated, the Provisioning measure is a good indicator of staffing levels, as
6 well as, infrastructure availability. During the six year period since the adoption of the
7 current Price Plan, the number of held orders (less than 31 days) in one month ranged from
8 a maximum of 49 (less than one-third of the standard) down to a minimum of 7 (less than
9 5% of the standard). If the 162 count standard indicates *adequate* staffing levels and
10 infrastructure availability, then the consistently low count *exceeds* staffing and
11 infrastructure expectations.

1 **Q. DOES MS. BROCK AGREE WITH YOUR POSITION THAT CENTURYLINK**
2 **QC'S PERFORMANCE EXCEEDS THE COMMISSION'S STANDARDS FOR**
3 **THIS MEASURE?**

4 A. Yes, in passing. Ms. Brock does not go into the same detail on those measures where
5 CenturyLink QC's performance excels, but simply acknowledges that the company's
6 "performance in relation to standards surrounding Provisioning, Commitments Met, and
7 Held Orders have continued to meet or exceed standards" [Staff/300, Brock/11, lines 12 -
8 15] possibly indicating little to no significance for these three measures in relation to the
9 other stipulated measures.

10 **C. Primary Held Orders**

11 **Q. DO YOU CONCUR WITH MS. BROCK'S DESCRIPTION OF THE PRIMARY**
12 **HELD ORDERS GREATER THAN 30 DAYS MEASURE (BROCK PAGE 6 LINE**
13 **10)?**

14 A. No, I do not agree that Primary Held Order Greater than 30 Days measure is a good
15 indicator of technician staffing levels, but rather a reflection of facility availability.

16 **Q. DO YOU AGREE WITH MS. BROCK'S DESCRIPTION OF THE STANDARD**
17 **FOR THE PRIMARY HELD ORDER GREATER THAN 30 DAYS MEASURE**
18 **[STAFF/300, BROCK/6, LINE 17]?**

19 A. No. Ms. Brock's description of the standard for this measure does not correlate with Staff
20 Exhibit 301 at page 5 where the rule states the number of primary held orders must not

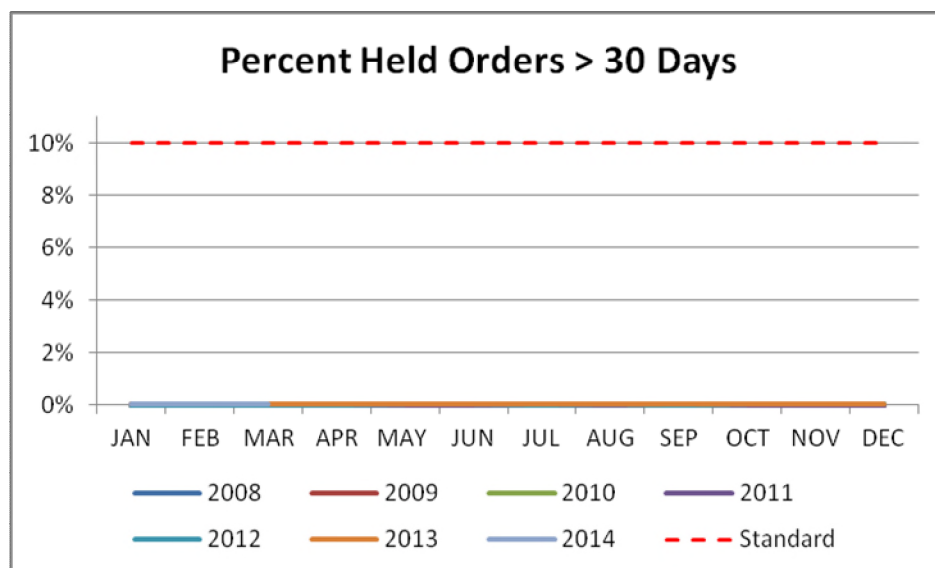
1 exceed a standard of 10% of the total monthly held orders for lack of facilities [OAR 860-
2 023-0055(4)(b)(B)(ii)].

3 **Q. WITH RESPECT TO THE PRIMARY HELD ORDERS PERFORMANCE, DO**
4 **YOU AGREE WITH MS. BROCK’S COUNTER TO CENTURYLINK QC’S**
5 **“ASSERTION THAT IT IS EXCEEDING THE COMMISSION’S STANDARDS IN**
6 **MANY SERVICE QUALITY MEASURES” [STAFF/300, BROCK/10, LINE 14]?**

7 A. No, I do not agree. This is another measure where CenturyLink QC has consistently
8 *exceeded* the standard during the date range of the current Price Plan as demonstrated by
9 the charts, below.

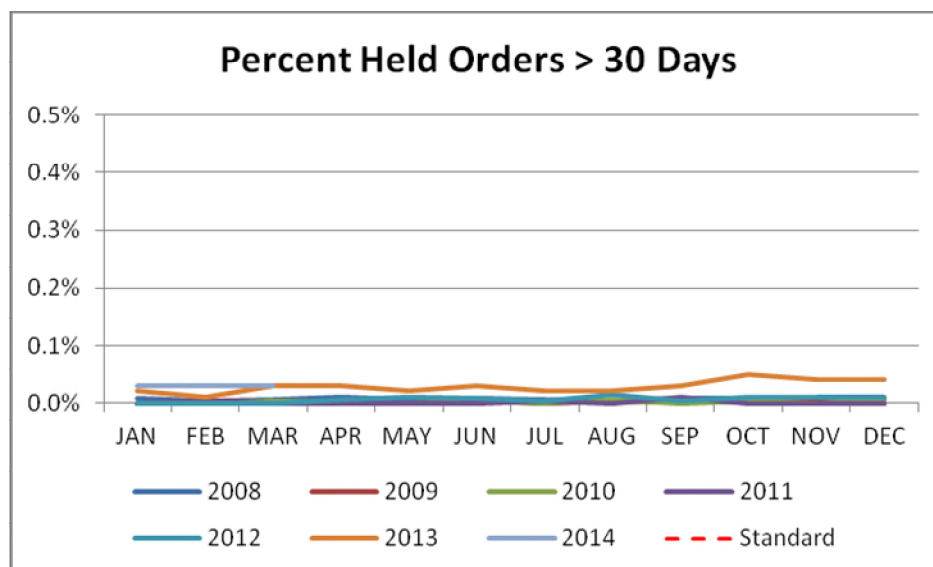
10 **Q. HAS CENTURYLINK QC MET THIS 10% STANDARD FOR THE PRIMARY**
11 **HELD ORDER GREATER THAN 30 DAYS MEASURE?**

12 A. Yes, CenturyLink QC did better than meeting the standard, the company consistently
13 *exceeded* the standard as demonstrated by the chart, below.



1 **Figure 3: Percent Held Orders > 30 Days Performance with Standard**

2 In order to discern the lines in the chart, above, the scale of the vertical axis must be
3 dropped from the 10% standard to 0.5% (1/2 of 1 percent) as in the chart, below.



4 **Figure 4: Percent Primary Held Orders > 30 Days Performance**

5
6 **Q. WHAT DO THE PRIMARY HELD ORDER PERFORMANCE CHARTS, ABOVE,**
7 **INDICATE ABOUT CENTURYLINK QC'S SERVICE QUALITY IN THIS AREA?**

8 A. As Ms. Brock stated, the Provisioning and Held Order measures are good indicators of
9 infrastructure availability. During the six year period, the number of held orders (less than
10 31 days) in one month ranged from a maximum of 49 (less than one-third of the standard)
11 down to a minimum of 7 (less than 5% of the standard). If the 162 count standard (two per
12 wire center per month) [OAR 860-023-0055(4)(b)(B)(i)] indicates *adequate* infrastructure
13 availability, then the consistently low count *exceeds* infrastructure expectations.

1 **Q. DOES MS. BROCK AGREE WITH YOUR POSITION THAT CENTURYLINK**
2 **QC'S PERFORMANCE EXCEEDS THE COMMISSION'S STANDARDS FOR**
3 **THIS MEASURE?**

4 A. Yes, Ms. Brock leaves open to interpretation whether CenturyLink QC has met or exceeded
5 the standard without any data to support any interpretation. Although Ms. Brock does not
6 elaborate on how well CenturyLink QC performance is with respect to this measure, she
7 simply acknowledges that CenturyLink QC's "performance in relation to standards
8 surrounding Provisioning, Commitments Met, and Held Orders have continued to meet or
9 exceed standards". [Staff/300, Brock/11, lines 12 - 15]

10 **D. Trouble Reports**

11 **Q. DO YOU CONCUR WITH MS. BROCK'S DESCRIPTION OF THE TROUBLE**
12 **REPORT RATE (TRR) MEASURE [STAFF/300, BROCK/7, BEGINNING AT LINE**
13 **16]?**

14 A. I agree with some of her statements regarding the Trouble Report Rate measure including
15 her paraphrased summary of the wire center level thresholds as a function of the in-service
16 access line counts, as well as, the service level objective (standard) of less than four missed
17 thresholds within the last twelve months to assess whether the service provider meets the
18 standard. Further, I agree that the TRR performance is a good indicator of the overall
19 health of the network. But, I do not agree with Ms. Brock's assertion that the TRR
20 thresholds and standard levels are used to gauge staffing levels.

1 **Q. COULD YOU ELABORATE AS TO WHY YOU DO NOT AGREE WITH MS.**

2 **BROCK'S CORRELATION OF TRR PERFORMANCE TO STAFFING LEVELS?**

3 A. Yes. Beginning with the definition of "Trouble Report" [OAR 860-023-0055(1)(n)] which
4 states it is a "report of a malfunction that affects the functionality and reliability of retail
5 telecommunications service on existing access lines, switching equipment, circuits, or
6 features made up to and including the network interface, to a large telecommunications
7 utility by or on behalf of that large telecommunications utility's customer." It follows that
8 the Trouble Report *Rate* is the rate at which these malfunction reports occur. To maintain
9 an apples-to-apples comparison across the state, this rate is per 100 working access lines.
10 To extend this rate calculation to "gauge staffing levels" would be a misuse of the
11 calculation. As Ms. Brock stated, the rate of troubles in the network is a function of the
12 equipment and facilities *currently* comprising the network irrespective and independent of
13 the number of technicians currently employed by the service provider. For example, if the
14 equipment were not robust and the overall health and stability of the network was poor,
15 there would be a significant number of trouble reports generated by the unstable and
16 unreliable network if there were only one technician for the whole state of Oregon or if
17 there were one technician per access line. There is no correlation between the level of
18 staffing and the rate at which trouble reports are received.

1 **Q. WITH RESPECT TO THE TROUBLE REPORT RATE MEASURE, DO YOU**
2 **AGREE WITH MS. BROCK'S ASSESSMENT OF CENTURYLINK QC'S TRR**
3 **PERFORMANCE [STAFF/300, BROCK/13, BEGINNING AT LINE 9]?**

4 A. No, I do not. After admonishing CenturyLink QC's for analyzing of Repair Clearing Time
5 performance results at the state level [Staff/300, Brock/12, lines 11-12], which is not the
6 basis for the service level objective assessment per the rule and, therefore, not reported at
7 that level, Ms. Brock similarly analyzes CenturyLink QC's TRR on a basis other than how
8 the measure is evaluated and reported. Specifically, Ms. Brock states that the "number of
9 wire centers exceeding the monthly Trouble Report Rate (TRR) over the length of the
10 Current [*Plan*] was higher than Staff anticipated" [Staff/300, Brock/13, lines 8-11] when
11 the basis for the service level objective assessment is not the mere count of missed months
12 but the number of wire center level misses in a sliding 12-month period as stated by Ms.
13 Brock. [Staff/300, Brock/8, lines 3-7]

14 **Q. IN MS. BROCK'S EXHIBIT AND TESTIMONY, WHAT IS THE SERVICE**
15 **LEVEL OBJECTIVE FOR THE TROUBLE REPORTS [STAFF/301, BROCK/6]?**

16 A. The Trouble Reports Service Level Objective [OAR 860-023-0055(5)(b)(A&B)] states that
17 a large telecommunications utility must maintain the monthly trouble report rate so that it
18 does not exceed the threshold (2 per 100 working lines for wire centers with more than
19 1,000 access lines, or 3 per 100 working lines for wire centers with 1,000 or less access
20 lines) *more than three times during a sliding 12-month period.* [emphasis added]

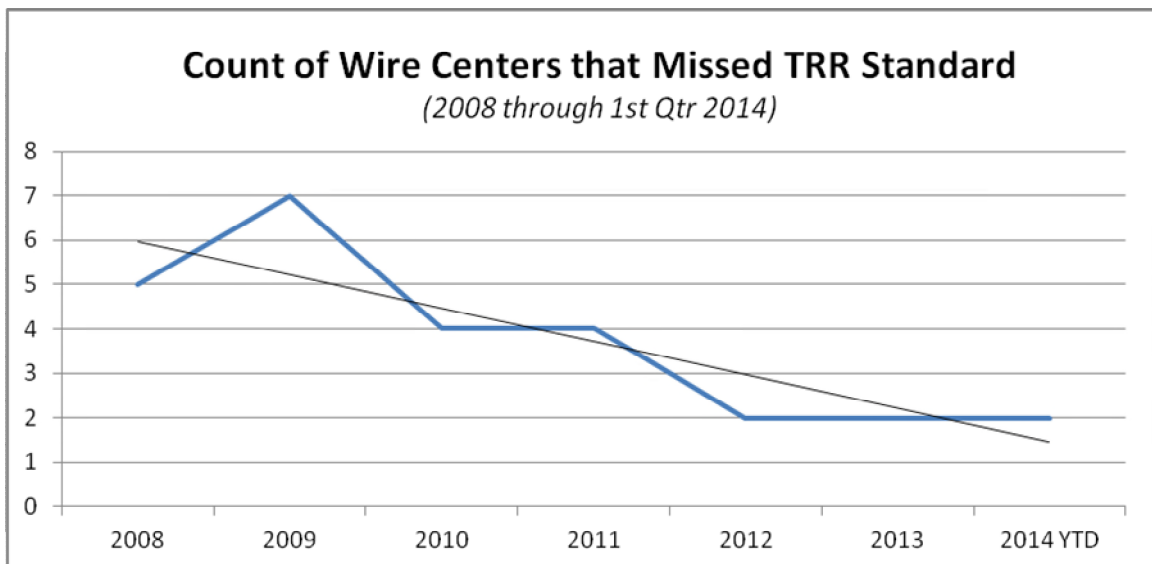
1 **Q. KEEPING WITH THE TROUBLE REPORT RATE SERVICE LEVEL**
 2 **OBJECTIVE (STANDARD), DO YOU HAVE AN ASSESSMENT OF**
 3 **CENTURYLINK QC'S PERFORMANCE?**

4 A. Yes. The following table lists the number of wire centers that missed the sliding 12-month
 5 standard by year beginning January 2008 through the first quarter of 2014. For
 6 perspective, it also shows the percent of wire centers that met the TRR in those same years.

	2008	2009	2010	2011	2012	2013	2014 YTD
Wire Center Miss Count	5	7	4	4	2	2	2
Percent of Wire Centers that Met the Standard	94%	91%	95%	96%	98%	98%	98%

7 **Table 1: Number of Wire Centers that Missed the TRR Standard by Year.**

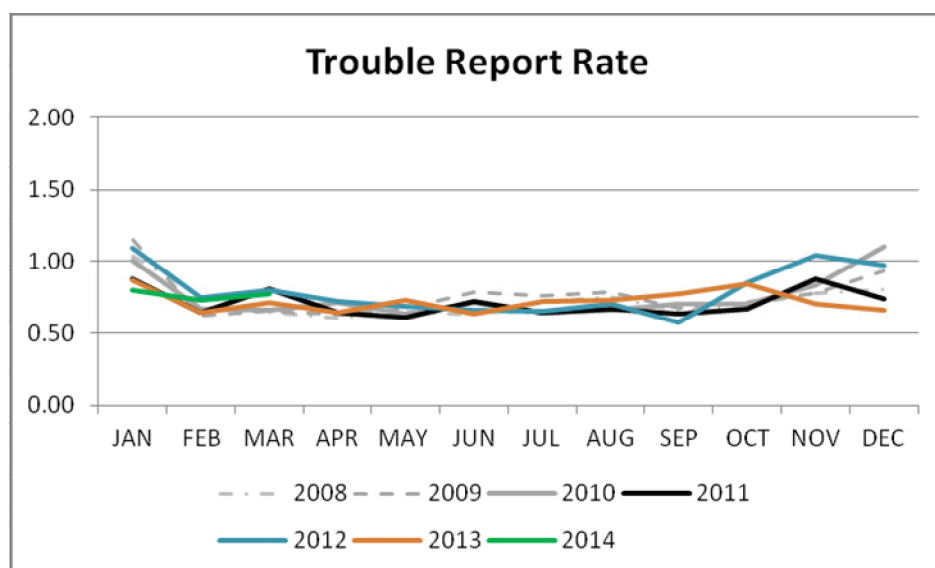
8 A graph of this data, below, shows the improving nature as the TRR trend line slopes
 9 toward zero.



10
 11 **Figure 5: Wire Centers Missing the TRR Standard by Year with Linear Trend Line**

1
2 **Q. IS IT HELPFUL TO VIEW THE TRR PERFORMANCE AT THE STATE LEVEL?**

3 A. Absolutely. Although it is not the Commission standard for service level objective
4 assessment, the chart does provide insight into CenturyLink QC's network. For example,
5 the following chart shows the overall, state-level performance results beginning January
6 2008 through the first quarter of 2014.



7
8 **Figure 6: Trouble Report Rate (State Level Performance)**

9 From this perspective, two key network characteristics are apparent. The chart
10 demonstrates minimal influence of seasonal weather events in Oregon (e.g., snow, ice,
11 winter storms, flooding, landslides, mudslides, etc.). Secondly at the state level, the overall
12 robust character of the network remains relatively stable around and below 1 trouble report
13 per 100 working access lines regardless of the severe weather events that occurred during
14 the study period. This stability and overall health is achieved through maintenance and

1 investment in the network. (For a more detailed reply to network maintenance and
2 investment criticisms, please see Mr. Felz's reply testimony.)

3 **Q. ARE SOME WIRE CENTERS MORE SUSCEPTIBLE TO HIGHER TROUBLE**
4 **REPORT RATE PERFORMANCE?**

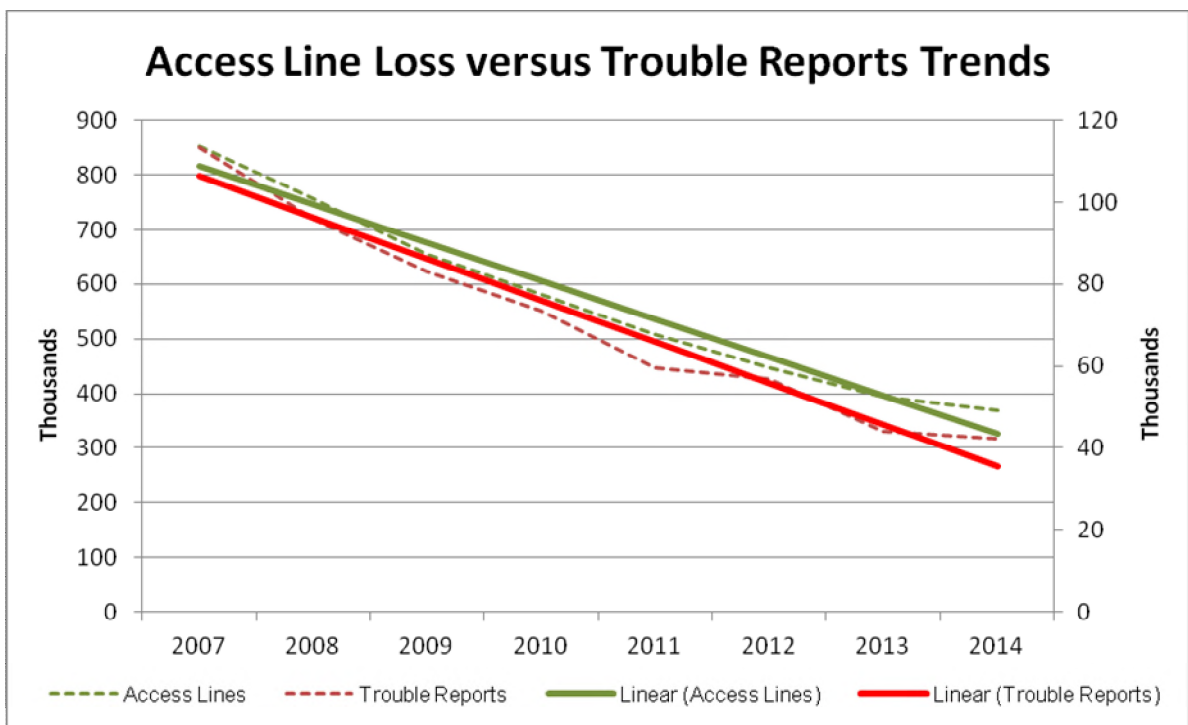
5 A. Absolutely. As mentioned above, Trouble Report Rate is the number of trouble reports per
6 100 working access lines without regard to the amount, length, and exposure of the
7 facilities to serve the 100 working access lines. Because of this, it is important to stress
8 that the TRR performance reveals the *overall* reliability and stability of a network as it
9 reflects the frequency with which trouble occurs in that network. Some portions of the
10 network are more susceptible to the environment than others. Further, long-haul exposed
11 facilities generally serve low density areas. For example, a mountainous area like
12 Oakridge requires longer distances of aerial cable, which is more vulnerable to
13 environmental conditions providing a higher failure probability and serve a much smaller
14 number of working access lines than in a city like Portland that has short runs that are
15 buried or protected from the environment and serve a much larger number of working
16 access lines. The result is long-haul facility runs exposed to ever changing environmental
17 conditions increase the potential for trouble distributed over a small number of working
18 access lines. In other words, wire centers that cover large geographic areas compared to
19 the low number of access lines served.

20 In addition, wire centers with few access lines, an incident of trouble is more likely to
21 cause the exchange to exceed the 2- or 3-per-100 trouble report rate threshold because the
22 trouble is more likely to impact multiple lines (e.g., remote terminals, long-haul cables,

1 etc.) in a low access line count base. These characteristics associated with some Oregon
2 wire centers make the 3-per-100 threshold exceedingly difficult to achieve every month.

3 **Q. DO YOU HAVE ANY ADDITIONAL COMMENTS RELATING TO THE**
4 **TROUBLE REPORT MEASURE AND THE COMPANY'S NETWORK?**

5 A. Yes. As mentioned, above, the trend since 2008 of the number of wire centers missing the
6 TRR standard is decreasing demonstrating improvements in the network. The following
7 graph of access line loss versus trouble reports also indicates the network improvements by
8 demonstrating the trouble report reduction trend exceeds that of the company's access line
9 loss.



1 This steady reduction in trouble reports is due to the ongoing maintenance and investment
2 in the company's network through the years. Had the company not maintained its
3 equipment, the trouble report trend line would slope away from zero.

4 **E. Repair Clearing Time**

5 **Q. DO YOU CONCUR WITH MS. BROCK'S DESCRIPTION OF THE REPAIR**
6 **CLEARING TIME MEASURE [STAFF/300, BROCK/7, BEGINNING AT LINE**
7 **16]?**

8 A. No, not completely. Ms. Brock states that the "standard measures the number of repairs
9 cleared within the 48 hour clearing time standard" which is a bit confusing. [Staff/300,
10 Brock/7, line 1] Like the TRR standard discussed above, it is not a measure of a flat
11 number of misses, but a clearance rate measured on a percentage basis. In other words, it is
12 a mean-time-to-repair (MTTR) measure that "establishes the clearing time for all trouble
13 reports from the time the customer reports the trouble to the large telecommunications
14 utility until the trouble is resolved" per the rule, OAR 860-023-0055(6). [Staff/301, Brock/
15 6] More specifically, Repair Clearing Time is a timeliness measurement to assess the
16 average time it takes the technician to arrive at the customer premises (if applicable), assess
17 the cause of the trouble, clear the trouble and close the ticket from the time the ticket was
18 opened. The standard was to clear 95% of the troubles within a 48-hour window.

1 **Q. DO YOU CONCUR WITH MS. BROCK’S ASSESSMENT THAT THE REPAIR**
2 **CLEARANCE STANDARD CONVEYS ABOUT CENTURYLINK QC’S SERVICE**
3 **QUALITY PERFORMANCE?**

4 A. No, I do not agree with all of the factors she lists. [Staff/300, Brock/7, line 11] She begins
5 by correctly stating that the standard is indicative of “timely repairs”. But, maintenance
6 levels, general condition of the plant, and the condition and maintenance of the central
7 office switches have no correlation to how quickly the technician clears the trouble.
8 Factors including maintenance levels, general condition of the plant, and the condition and
9 maintenance of the central office switches are indicative to the number of trouble reports
10 (TRR) and not the *result* of the calculation which is a *time* measure. Ms. Brock represented
11 the conveyance of this measurement perfectly when she stated that the results were created
12 to convey the “information regarding the *timeliness of repairs.*” [Staff/300, Brock/12, line
13 8] [emphasis added] Timeliness of repairs conveys no information regarding general
14 condition or maintenance of the plant either within the central office or out in the field.
15 The only reason the number of troubles is included in this rate calculation is to average the
16 number of troubles cleared within the time frame over the total numbers of troubles. From
17 a mathematical point of view, with “troubles” in both the numerator and the denominator,
18 “troubles” is cancelled out of both (numerator and denominator) leaving only the *clearance*
19 *rate* within the designated window of time. When making a determination based upon
20 performance results, it is imperative that the limitations of the result are understood.

1 Later in my reply testimony, I will discuss in detail how this time calculation not only
2 conveys the technician's timeliness of repairs but includes inherent impediments that are
3 not within the control of the technician.

4 **Q. YOU STATE THAT THE STANDARD "WAS" TO CLEAR 95% OF THE**
5 **TROUBLE WITHIN A 48-HOUR WINDOW. HAS THIS STANDARD BEEN**
6 **MODIFIED?**

7 A. Yes, the change was effective the last week in January 2014. The current standard is to
8 clear 90% of the troubles within two business days which allows for some weekend relief.

9 **Q. GIVEN THE RECENT CHANGE TO THE MEASUREMENT STANDARD AND**
10 **THE WEEKEND RELIEF GRANTED FOR THE CALCULATION, IS IT**
11 **APPROPRIATE TO ASSESS PERFORMANCE BASED UPON THE PREVIOUS**
12 **ITERATION OF THE MEASUREMENT?**

13 A. Sure, as long as one is mindful that the outcome of these discussions is regarding service
14 quality performance going forward. And, therefore, any assessment of historical
15 performance should also take into consideration the impacts of the new standard and
16 calculation change by applying it, to the extent it can be applied, to historical performance.

17 **Q. KEEPING WITH THE PREVIOUS AND CURRENT REPAIR CLEARING TIME**
18 **STANDARDS, DO YOU HAVE AN ASSESSMENT OF CENTURYLINK QC'S**
19 **PERFORMANCE?**

20 A. Yes. A 95% repair clearance in 48 hours is difficult to meet under the most optimum of
21 circumstances. From 2008 through 1st quarter of 2014, CenturyLink QC met the rate

1 center repair clearing standard in 453 of 600 opportunities to succeed, or 76%, of the time.

2 The majority of the missed months were within five percentage points of the standard
3 Measuring that historical time period again with the new standard for 90%, CenturyLink
4 would have met the standard in 561 of 600 opportunities, or 94%, for the same date range.
5 This analysis does not include the weekend exemption relief as that would require an
6 enormous undertaking to properly calculate. Adding the weekend exclusion relief would
7 only improve on the number of rate centers meeting the new standard going forward.

8 While the percent of troubles cleared in 48 hours has not substantially met the standard
9 during the past six years, there are a number of issues that must be taken into consideration
10 when evaluating this performance. First, to focus only on the result of this measure, one
11 overlooks an important dynamic taking place regarding the service provided by
12 CenturyLink QC in Oregon. Over the years, as noted above, the level of trouble reports
13 has been in decline in excess of access line loss. In addition, speaking to the overall health
14 of the network, it reflects the fact that fewer and fewer customers incur troubles in the first
15 place. Speaking as a customer myself, in lieu of a fast repair time, I would prefer to not
16 experience the trouble in the first place. Further, as the denominator (troubles) is reduced,
17 the performance rate becomes less and less useful as a measure due to low volumes.
18 Conversely, as the number of troubles is increased, the company's ability to meet the
19 standard is increased because the number of opportunities to succeed is increased and the
20 misses are diluted by the success. For example, if there is only 1 trouble ticket, the
21 company either met or missed the standard (100% or 0%). If there are two trouble tickets,
22 the company has one chance to meet the standard (100%) and twice as many chances to

1 miss (0%, 50%), etc. As the number of repair tickets increases, there is more opportunity
2 to meet the standard. This is an adverse impact to a beneficial outcome in that the number
3 of customers experiencing troubles in the first place is declining.

4 **Q. YOU MENTIONED THAT THE REPAIR CLEARING TIME REFLECTS THE**
5 **AVERAGE TIME IT TAKES TO ARRIVE, ASSESS, CLEAR AND CLOSE THE**
6 **TICKET. IS THIS AVERAGE TIME TO REPAIR PERFORMANCE**
7 **ADVERSELY IMPACTED MORE SO IN RURAL AREAS VERSUS URBAN**
8 **AREAS?**

9 A. Absolutely. Rural areas, as mentioned in the TRR Q&A section, have long hauls (for
10 facilities and drive time) increasing the time to access and assess the troubles. Depending
11 on the magnitude of the source of the trouble, the technician may have hours to travel to get
12 replacement parts. In addition, long facility runs take longer to isolate the source of the
13 trouble. Given this, it is understandable how the rural wire centers could have a longer
14 mean-time-to-repair than urban high-density, short facility-run wire centers.

15 **Q. WHAT OTHER FACTORS ADVERSELY IMPACT REPAIR CLEARANCE TIME**
16 **PERFORMANCE?**

17 A. There are a number of forces beyond the control of the technicians that adversely impact
18 this measure's performance results. This time-to-clear metric can be adversely impacted
19 by weather events, road conditions or other circumstances beyond the control of the utility
20 that delay or prevent the technician from reaching the customer premise and clearing the
21 trouble within the specified timeframe. Additional not-so-obvious factors that impact
22 response and clear times include drive time as a factor of distance, general road conditions,

1 traffic, reduction in customer density (drive longer to clear fewer troubles), and spikes in
2 trouble volumes beyond the control of the company (e.g., major facility cut by third party
3 requiring resource).

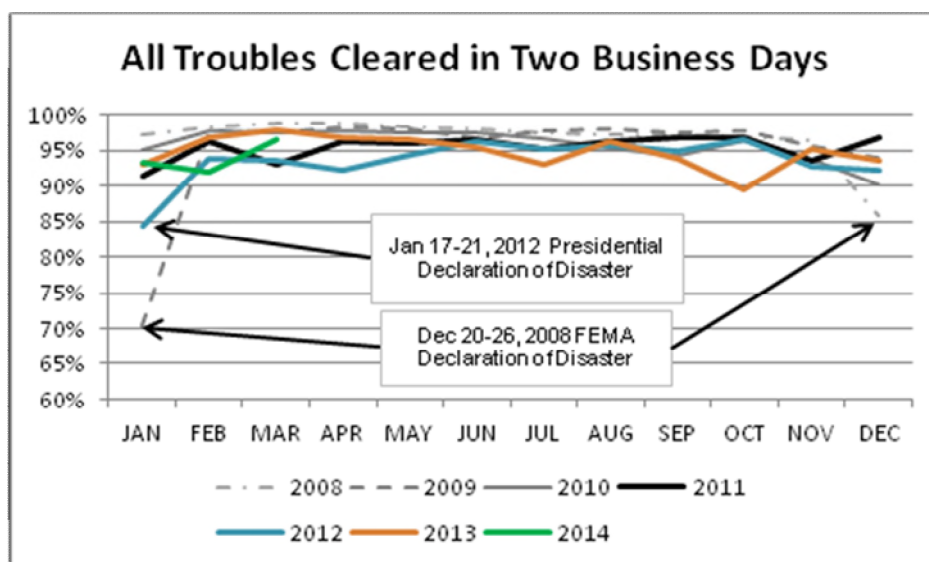
4 **Q. IT APPEARS YOU ARE DISMISSING THE REPAIR CLEARANCE TIME**
5 **MEASURE, IS THIS TRUE?**

6 A. No, not at all. My intent is not to dismiss or make excuses. CenturyLink QC strives to
7 meet the service level objectives. Having said that, much has changed since the time this
8 measure was created and the proper perspective should be kept in mind when assessing this
9 measure including the limits of the measure addressed above. The same perspective that
10 allowed for the recent modification to the standard and calculation at the beginning of the
11 year should be sought when assessing past, pre-modification performance.

12 At the time the measure was created, the ILEC service provider held the majority of the
13 access lines in the state thus having the benefit of economies of scale in order to meet the
14 objective. It is much more efficient to repair a group of tickets in a localized area versus
15 the same number of tickets over a larger area. The landline was the only form of
16 communication. Now, there are other options for cellular and satellite phones to the
17 internet with email and online chatting. The “communication in case of emergency”, or
18 lifeline, does not solely depend on landline facilities as it once did. It should be noted that,
19 should a customer have a medical or other emergency requirement and depend on their
20 landline, if notified, their record is flagged and that trouble ticket gets priority for service
21 outages.

1 **Q. IS IT HELPFUL TO VIEW THE REPAIR CLEARING TIME PERFORMANCE AT**
2 **THE STATE LEVEL?**

3 It is. Although it is not the Commission standard for service level objective assessment,
4 there is much information about the impediments outside the control of the company that
5 CenturyLink QC technicians have to overcome to meet the standard. In addition, due to
6 these external forces that can impede or prevent the technician from getting to the customer
7 premises, this measurement is adversely impacted by seasonal events unlike TRR.



8
9 **Figure 7: Repair Clearance Time Summarized at the State Level**

10 The low performance results during the 2008-2009 winter and January 2012 were a result
11 of severe weather events that resulted in government disaster declarations. The trouble
12 clearance rate during these two periods took a significant hit due to delays beyond the
13 control of the company. As a result of the storms, the state-level performance result was
14 significantly below the 95% threshold as were the performance results at the wire center
15 level for those wire centers impacted by the storms.

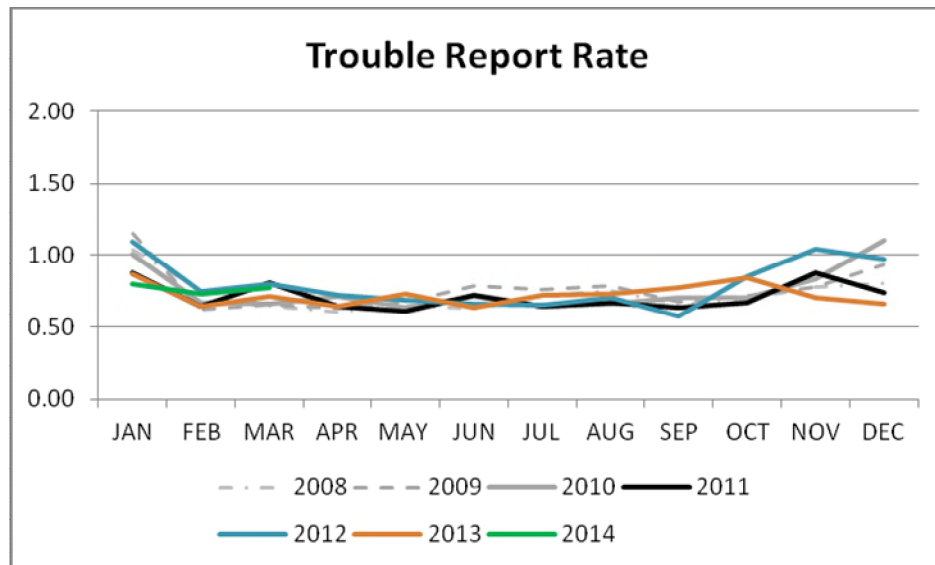


Figure 8: Trouble Report Rate Performance Summarize at the State Level

Compare the tens of percentage point drops of the MTTR measure to the overall minimal impact on the TRR (an increase of a fraction of a percentage point), above, during the same weather events, again, attesting to the overall health and robust nature of the network.

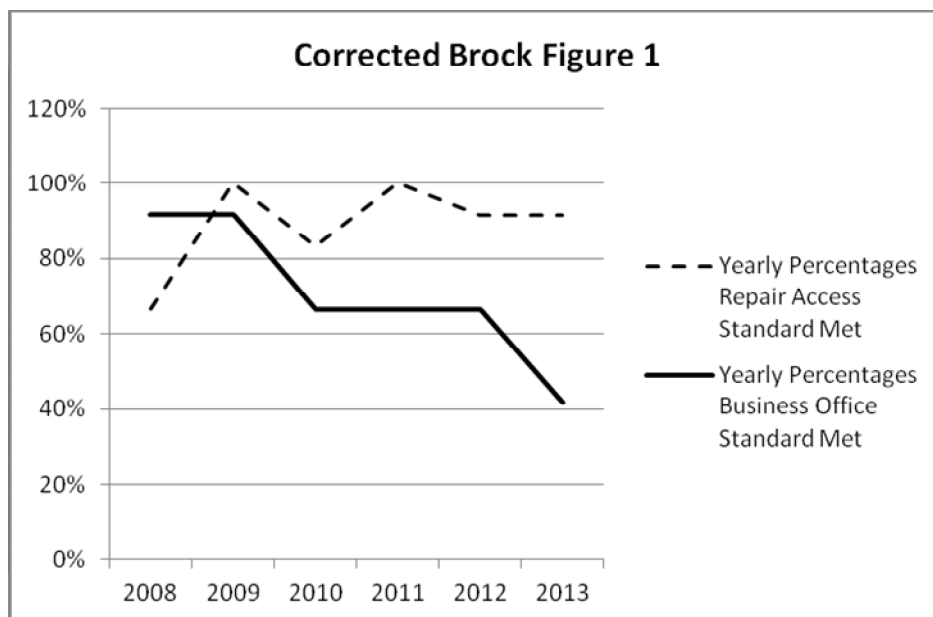
F. Business Office and Repair Service Access Time

Q. DO YOU CONCUR WITH MS. BROCK'S DESCRIPTION OF THE BUSINESS OFFICE AND REPAIR SERVICE ACCESS TIME MEASURES [STAFF/300, BROCK/5, BEGINNING AT LINE 19]?

A. Yes, I do.

1 **Q. DO YOU CONCUR WITH MS. BROCK'S DESCRIPTION OF THE BUSINESS**
2 **OFFICE AND REPAIR SERVICE ACCESS TIME PERFORMANCE [STAFF/300,**
3 **BROCK/11, BEGINNING AT LINE 21]?**

4 A. No, no entirely. Our calculations are close when stating the percent success rates of both
5 measures at only 75% and 86% (Business Office and Repair, respectively.) Ms. Brock
6 added a figure charting the annual performance from 2008 through 2013. But, there was an
7 error that would not be worth mentioning but for the positive trend it obfuscates with
8 respect to the Repair Service Access performance over that time period. There were two
9 results that were simply transposed for the 2012 Repair Access and Business Office. The
10 graph shows the 2012 Business Office performance meeting 92%, when it actually was
11 75%. The opposite is true for the Repair Service graph. The correction results in the chart,
12 below.



13
14 **Figure 9: Repair Access and Business Office Access Met Rate by Year**

1 In this chart, one can clearly see that the Repair Service Access performance is trending
2 toward 100%. In 2012 and 2013, the standard was missed only once each year. Both times
3 were due to force majeure events in the CenturyLink QC region. For example, the missed
4 performance result in September 2013 was a direct result of the influx of calls during the
5 severe flooding in Colorado, New Mexico and Arizona. Some areas of Colorado are still
6 recovering from that disaster.

7 Business Office Access Time, on the other hand, has not been performing well and the
8 trend shows a decline in performance. There are a number of issues that contribute to this
9 performance concern and the company has been meeting to determine ways to mitigate the
10 higher than standard Business Office average wait times. This performance measure
11 contains an inherent penalty for long wait times to request service. Specifically, the
12 company loses potential customers by choosing to take their business to a competitor.

13 **Q. WHAT ARE SOME CAUSES OF THE DECLINE IN BUSINESS OFFICE**
14 **PERFORMANCE OVER THE YEARS?**

15 A. As with the Repair Clearance Time measure, a lot has changed since this measure was
16 established. The most significant change is technological. At the inception of this
17 measure, the only mode of communication with a service provider was over the telephone.
18 Today, future subscribers can access product information and order services over the
19 internet or chat with a representative via “live chat,” which is not included in the
20 performance calculation. Many easy, quick questions and service options can be handled
21 in this manner leaving the longer, more complex discussions for the measured telephone
22 call. At inception, the majority of the calls were relatively simple limited to the number of

1 telephone lines and features. Now, the choices of services, bundles, features, etc. extend
2 beyond the Plain Old Telephone Line (POTS) to include cellular telephones, high speed
3 internet and “cable” television.

4

5

1 **IV. SERVICE QUALITY REPORTING**

2
3 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

4 A. In this section I will reply to Ms. Brock’s concerns regarding retail service quality reporting
5 relief. [Staff/300, Brock/24, line 9]

6 **Q. WHY IS CENTURYLINK QC REQUESTING RELAXING THE SERVICE**
7 **QUALITY REPORTING SCHEDULE?**

8 A. Monthly filing of reports ties up resources that could be used more efficiently on other
9 service quality tasks. CenturyLink QC is not asking to change the information reported for
10 those measures that do not meet the standard, but rather is asking for approval to file four
11 times per year versus 12.

12 **Q. HOW DOES CENTURYLINK QC’S EXCEPTION REPORTING BENEFIT ALL**
13 **PARTIES?**

14 A. Exception reporting provides another impetus to meet the standards resulting in less detail
15 to file and less detail to go through. Per the rules, if the Staff is concerned about the
16 number of exception reporting, the Commission may request the company to submit
17 additional reports on any item covered by the Retail Telecommunications Service
18 Standards rule. [OAR 860-023-0055(3)] Further, by limiting the report to the exceptions,
19 the misses are “for display” and not buried in a data-heavy, detailed report. Thus, allowing
20 for straight-forward, efficient reporting reduces resource time allocation for both the Staff
21 and CenturyLink QC.

1 **V. PERFORMANCE PLAN**

2
3 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

4 A. In this section I will reply to Ms. Brock's concerns regarding retail service quality
5 performance plan "leniency". [Staff/300, Brock/26, beginning at line 8]

6 **Q. IS CONTINUED "LENIENCY" OF THE CURRENT PLAN JUSTIFIED GOING**
7 **FORWARD?**

8 A. Yes, I believe is justified. As demonstrated in my retail service quality measurement
9 discussions, above, the telecommunications industry, both from a technology and
10 competitive standpoints, has substantially changed. As a result, many states have
11 deregulated basic telephone service at the state legislative level, such as Florida including
12 elimination of service quality standards and reporting obligations. I agree with Ms. Brock
13 when she states, "Florida provides a good model for Oregon". [Staff/300, Brock/28, lines
14 13-14] Some states have extended significant relief to service quality obligations at the
15 Commission level by way of waiver or rule changes, such as Arizona, Idaho, and Utah.
16 The standards in Oregon are quite stringent when compared to other states which is not in
17 alignment with the competitive environment of today and likely served as enough
18 justification for the modification of the Repair Clearance Time measurement as Ms. Brock
19 alluded to [Staff/300, Brock/9, line 4].

20 For purposes of comparison, at 2 per 100 working access lines, Oregon has the most
21 stringent Trouble Report Rate threshold. No other state in CenturyLink's territory has a
22 TRR threshold or standard of 2. The next stringent is Minnesota with a 2.5 standard by

1 LATA, not wire center, which results in averaging the trouble reports over approximately
2 799,000 average access lines per LATA versus approximately 4,400 average access lines
3 per wire center in Oregon. California's TRR standard is 10 for wire centers less than or
4 equal to 1,000 lines. Most states range from 4 to 8 trouble reports per 100 access lines.

5 An occasional miss of the threshold at the rate center level is not indicative of a problem
6 especially at the threshold levels stipulated in Oregon. Some misses can be attributed to
7 adherence to process (wrong codes used) and force majeure events. To have to chase down
8 every result lower than the threshold would be an inefficient use of time for all parties
9 involved. For the reasons discussed herein, the continued "leniency" is justifiable.

10
11 **Q. DOES CENTURYLINK MONITOR PERFORMANCE AND IMPLEMENT**
12 **CORRECTIVE ACTION PLANS?**

13 A. Yes. CenturyLink QC's Regulatory Operations personnel monitor performance results and
14 reach out to impacted departments in the organization to mitigate service quality concerns.
15 As mentioned above, CenturyLink is addressing the Business Office Access Time
16 performance to see what options are available to mitigate the current average wait times.
17 In a competitive environment to remain competitive, remedial action should be a business
18 decision. As mentioned above, Business Office Access Time has an inherent penalty – if
19 potential customers are unhappy with the service, they choose another service provider and
20 CenturyLink QC bears the associated loss of revenue.

1 **VI. SERVICE RELATED CUSTOMER COMPLAINTS**

2

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

4 A. This section is reserved to address Ms. Brock’s discussions on “service quality
5 complaints”. [Staff/300, Brock/23, lines 4-11] Due to time constraints and confidentiality
6 procedures, we did not receive any data behind Ms. Brock graph and, as a result, were
7 unable to analyze her data. The data request response is not due until after the submission
8 date of this Reply Testimony. Without additional complaint detail, it is not possible to
9 determine if a comparison of service quality complaints to access lines is appropriate. For
10 example, if included in the complaints are complaints specific to non-regulated products or
11 issues not represented by the measures discussed herein, or if the complaints were not “at
12 fault” service quality complaints, Figure 5 [Staff/300, Brock 23, line 11] would not be an
13 appropriate comparison. I would like the opportunity to address these complaints in future
14 testimony or a resubmission of this testimony.

15

1 **VII. SUMMARY OF TESTIMONY**

2

3 **Q. PLEASE PROVIDE A BRIEF SUMMARY OF YOUR TESTIMONY.**

4 A. I have addressed the service quality performance issues broached by Ms. Brock in her
5 Opening Testimony [Staff/300]. In doing so, I have included more detail than Ms. Brock
6 when covering those service quality performance measures where the company truly excels
7 in order to show a more complete service quality picture. For a number of measures, Ms.
8 Brock has incorrectly linked staffing levels to the performance measure *result*. In some
9 instances, there is a correlation between staffing levels and performance results (e.g.,
10 representative access time measures). The number of trouble reports per 100 working
11 access lines reflects the quality, reliability, and hardiness of the equipment and facilities
12 that comprise the network. *Timely placement* of the equipment and facilities, or
13 Provisioning and Primary Held Orders measures, reflect the staffing levels. CenturyLink
14 QC's performance on the Provisioning measures, as acknowledged by Ms. Brocks
15 [Staff/300, Brock/11, lines 12 - 15], continues to "meet or exceed standards".

16 When assessing performance results, it is important to determine what information is being
17 conveyed by the result based upon the type of calculation and the purpose of each factor of
18 the calculation. For each measure discussed by Ms. Brock, I have addressed her assertions
19 as to what can be gleaned from the respective performance results and what cannot. I have
20 also explained why certain conclusions cannot be gleaned from some of these performance
21 calculations. When making a determination based upon performance results, it is
22 imperative that one recognizes the limitations of the performance result.

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I have addressed why CenturyLink QC's Trouble Report Rate performance is good in Oregon. Since December of 2011, only three of 81 wire centers missed the standard for a 96% success rate. Further, the number of wire centers missing the TRR standard over the life of the current plan has been trending downward.

Regarding Repair Clearing Time, I have addressed Ms. Brock's assertions that this timeliness to repair metric reflects the condition and maintenance of the network. I have shown mathematically, that no determination of network condition can be deduced from this repair timeliness calculation. Regarding Ms. Brock's performance assessment of this measure, I address her concerns regarding the number of rate centers that missed the standard. Based upon the previous standard, CenturyLink QC came close to meeting the standard and, for the majority of instances, was just below 95%. Concerned about the stringent nature of the standard, CenturyLink QC requested and was granted relief for this measure. When reassessing the performance under the modified standard, CenturyLink QC met 561 of 600 opportunities for success, or 94%. In addition, the number of trouble reports has been and continues to be on the decline reflecting good network maintenance and investment. I believe CenturyLink customers prefer no troubles over timely trouble clearance.

Average wait time for Repair Service representatives had performance issues back in 2008. Since that time, the performance has trended up and, with two exceptions associated with force majeure events that occurred during the reported month, has exceeded the standard.

1 Average wait times for Business Office representatives is an issue. As mentioned, we are
2 working internally to mitigate this concern. The penalty for longer Business Office wait
3 times is inherent in the performance in this competitive environment. If the customer is not
4 satisfied with CenturyLink QC's performance, they choose another provider.

5 I also address the service quality reporting requested relief and continued sliding 12-month
6 standard for the TRR metric. A reduction in the number of reports submitted is more
7 efficient and reduces resource time for both the Staff and CenturyLink QC.

8 Finally, the continuation of the sliding 12-month standard for the TRR metric is a more
9 efficient application of the standard by averaging out possible impacts due to force majeure
10 events or adherence to process anomalies. An occasional miss of the threshold at the wire
11 center level is not indicative of a problem especially at the threshold levels stipulated in
12 Oregon. To have to chase down every result lower than the standard would be an
13 inefficient use of time for all parties involved.

14 The current competitive environment does not mirror the environment when the retail
15 service quality measures were created. We are not asking for total service quality relief in
16 this docket, but we are asking for a current-day mindset when addressing service quality
17 assessment.

VIII. CONCLUSION

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

4 A. Yes, this concludes my testimony with the exception noted in Section VI, Service Related

5 Customer Complaints.

FEMA Expands Incident Period For December Snow Storm

Release date:
April 2, 2009
Release Number:
1824-008

Salem, Oregon. -- The Federal Emergency Management Agency (FEMA) today announced an amendment to its disaster declaration for Oregon for the December 20-26, 2008 period of severe winter storm, record and near record snow, landslides, and mudslides.

The incident period has been expanded to now include the period December 13-26, 2008.

Dolph Diemont, Federal Coordinating Officer, said, "After further reviewing the data from the National Oceanic and Atmospheric Administration it was clear that the December storm was of a greater duration than had initially been determined."

Oregon State Coordinating Officer, Abby Kershaw stated, "The expansion of the incident period will allow the state and local governments greater latitude in determining the damages and costs incurred as a result of the December storm and to receive assistance from FEMA for those damages and costs."

A total number of ten Oregon counties are included in this disaster declaration, including: Clackamas, Clatsop, Columbia, Hood River, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill Counties. All counties in the State of Oregon are eligible to apply for assistance under the Hazard Mitigation Grant Program.

FEMA manages federal response and recovery efforts following any national incident. FEMA also initiates mitigation activities, works with state and local emergency managers, and manages the National Flood Insurance Program. FEMA became part of the U.S. Department of Homeland Security on March 1, 2003.

Last Updated:
July 16, 2012 - 18:46

<http://www.fema.gov/news-release/2009/04/02/fema-expands-incident-period-december-snow-storm>

President Declares Disaster for Oregon

Release date:
March 2, 2012
Release Number:
HQ-12-011

WASHINGTON, D.C. -- The U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) announced that federal aid has been made available for the state of Oregon to supplement state and local recovery efforts in the area affected by a severe winter storm, flooding, landslides, and mudslides during the period of January 17-21, 2012. Federal funding is available to state and eligible local governments and certain private nonprofit organizations on a cost-sharing basis for emergency work and the repair or replacement of facilities damaged by the severe winter storm, flooding, landslides, and mudslides in the counties of Benton, Columbia, Coos, Curry, Douglas, Hood River, Lane, Lincoln, Linn, Marion, Polk, and Tillamook. Federal funding is also available on a cost-sharing basis for hazard mitigation measures statewide. Dolph A. Diemont has been named Federal Coordinating Officer for federal recovery operations in the affected area. Diemont said additional designations may be made at a later date if requested by the state and warranted by the results of further damage assessments.

<http://www.fema.gov/news-release/2012/03/02/president-declares-disaster-oregon>

CERTIFICATE OF SERVICE

UM 1354

I hereby certify that on the 23rd day of April 2014, I served the foregoing **QWEST CORPORATION D/B/A CENTURYLINK QCS' REPLY TESTIMONY** in the above entitled docket on the following persons via means of e-mail transmission to the e-mail addresses listed below. Paper copies of only the Confidential material will be sent to those who are authorized to receive it.

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DATED this 23rd day of April, 2014.

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