0000121638

Transcript Exhibit(s)

Docket #(s): T-01051B-10-0194

T-02811B-10-0194

T-03555A-10-0194

T-03902A-10-0194

T-04190A-10-0194

T-20443A-10-0194

Exhibit # : COX1-COX2, CTL1-CTL9

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES - CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

EXHIBIT
Cox-1
ADMITTED

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

DIRECT TESTIMONY

OF

KIM HOWELL

ON BEHALF OF

COX ARIZONA TELCOM, L.L.C.

(PUBLIC VERSION)

SEPTEMBER 27, 2010

TABLE OF CONTENTS

I. INTRODUCTION.

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Kim Howell and my business address is 5775 Peachtree Dunwoody Road, Pavilion D, 6th floor, Atlanta, Georgia 30319.

Q. WHAT IS YOUR EMPLOYMENT POSITION AND WHAT ARE YOUR DUTIES WITH COX?

A. My position with Cox is the Director of Regional Operations Centers (ROC's). My duties involve standardizing and optimizing all business practices across the Enterprise for all functions within the Regional Operation Centers ("ROC's"). Those functions include: E911, Directory, Porting, Quality, Care Records, and Number Management.

Q. PLEASE DESCRIBE YOUR RELEVANT EMPLOYMENT AND EDUCATIONAL HISTORY.

A. I have been employed by Cox for 30 years. My telephone experience began in 1998 as a training/project manager for Cox in Hampton Roads, Virginia. During the launch activities in the system, I trained Customer Service Representatives on Cox Digital Telephone Sales, and all Order Entry processes. In 2000, I was promoted to Call Center Manager for Telephone in Hampton Roads. Two years later I was assigned to the "back-office" to support porting, and tech operations support functions. During my tenure in Hampton Roads, we launched the first ROC, in support of all Virginia markets. From 2005 to date, my role has been standardizing ROC's, business practices, as well as development of automation tools in support of Porting, Directory, E911, Number Management, Third Party Verification, and Port Out.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

Q. ON WHOSE BEHALF ARE YOU PROVIDING THIS TESTIMONY?

A. I am testifying today on behalf of Cox Arizona Telcom, L.L.C. Cox Arizona Telcom is a subsidiary of Cox Communications, and is the local operating subsidiary certificated by the Arizona Corporation Commission ("ACC" or "Commission") to provide telecommunications services in Arizona. Throughout this testimony, I will refer to Cox Arizona Telcom simply as "Cox."

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to share with the ACC certain concerns Cox has with the potential merger of CenturyLink and Qwest. In particular, my testimony looks at certain operational issues between carriers – porting, ordering, Operation Support Systems ("OSS") – that are important to a successful competitive environment. Cox is concerned, and believes the Commission should be concerned, about the potential for the merged entity to hinder competition, to move the competitive environment in Arizona backwards, if the merged entity reduces the speed or responsiveness of the existing Qwest wholesale processes, or raises the costs or uncertainties of those same processes. Changes of this nature would be very detrimental to competitors, competition, and ultimately consumers in Arizona.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

II. BACKGROUND ON COX.

Q. BRIEFLY DESCRIBE COX AND ITS PROVISION OF COMMUNICATIONS SERVICES IN ARIZONA.

A. Cox provides voice, data and video services primarily in the Phoenix and Tucson areas but also provides all of its services in many smaller communities such as Queen Creek, Florence, Coolidge, Benson, Sierra Vista, Casa Grande, Douglas and St. David Arizona.

Q. WHAT HAS COX'S EXPERIENCE BEEN INTERCONNECTING, EXCHANGING TRAFFIC WITH, AND PORTING CUSTOMERS FROM QWEST IN ARIZONA?

A. Although Cox initially had some difficulties and disagreements with Qwest, Qwest has become increasingly responsible in fulfilling its obligations under the 1996 Federal Telecommunications Act. In an environment where competition is reasonably fair, Cox has proven that customers want alternatives, that they want the value Cox's bundles provide and they want Cox's high level of customer service. As a result, Cox has over **Begin Confidential **** **** End Confidential r**esidential and business lines in its Arizona service territory. Simple ports are "same day, " or as scheduled to meet the needs of the customer. There have been no volume problems with porting in the relevant past; Qwest has an automated electronic data interface for porting, Access Service Requests ("ASRs") and Local Service Requests ("LSRs") that facilitates smooth, quick and reliable exchange of information, and Qwest's present system has presented few problems for Cox in the Arizona market.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

Q. DOES COX ALSO HAVE EXPERIENCE WITH CENTURYLINK?

A. Yes. Cox presently provides service in competition with CenturyLink in seven states: Arkansas, Florida, Kansas, Louisiana, Nevada, Oklahoma and Nevada.

III. <u>CONCERNS WITH CENTURYLINK.</u>

Q. DOES THE EXPERIENCE IN THE CENTURYLINK STATES CAUSE COX ANY CONCERNS ABOUT QWEST'S MERGER WITH CENTURYLINK?

A. It does, and much of the concern relates to CenturyLink's OSS and issues that touch on the OSS like ordering (ASRs, LSRs) and porting.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

Q. YOU MENTIONED THAT COX HAS CONCERNS ABOUT THE MERGED ENTITY'S OPERATIONAL SUPPORT SYSTEMS, OR OSS. CAN YOU ELABORATE?

A. Because Cox generally owns its own switching and last-mile facilities, Cox primarily utilizes Qwest or CenturyLink's OSS to migrate customers who wish to leave the incumbent for Cox's competing voice services. To make that migration as seamless and accurate as possible for the customer, the companies must have access both to preordering function, such as timely access to accurate Customer Service Records (CSRs) and to the ordering functions necessary to port the telephone numbers of the customers, ensure accurate directory listing and E911 services, and order interconnection facilities. The inadequacy of CenturyTel's OSS and its adverse impact on competition was a major concern of both Cox and, ultimately, the FCC in CenturyTel's merger with Embarq. Unlike Qwest, neither CenturyTel nor Embarq had, at the time of their merger, fully automated OSS; CenturyTel's in particular was largely manual and non-interactive.[1] It is Cox's experience that Qwest's OSS is in many respects superior to the Embarq system CenturyLink is in the process of integrating, so it is troubling that the Joint Applicants have, to my knowledge, been unwilling to firmly commit to using the Qwest OSS in Qwest legacy territories for a substantial post-merger time period, and to commit that at no point will the service levels made possible by the Qwest OSS be degraded even if the entity eventually goes to a unified OSS throughout its territories.

Q. CAN YOU PROVIDE ADDITIONAL SPECIFICS ABOUT HOW A LESS-CAPABLE OSS ADVERSELY IMPACTS COMPETITION?

A. I can give you two that are particularly obvious. In a competitive marketplace, the more of a hassle it is for a customer to change providers, the less likely they are to do so. The porting

---

[1] *See Applications Filed for the Transfer of Control of Embarq Corporation to CenturyTel, Inc.*, Memorandum Opinion and Order, 24 FCC Rcd 8741, ¶¶ 22-24, 42 (2009) *("Embarq Merger Order")*

interval – the time between when a customer requests to move to Cox and time in which their existing telephone number can actually be moved to Cox – is therefore important. Unlike Qwest, CenturyTel does not provide one-day porting. Indeed, CenturyTel's capability to handle porting requests is such a concern that the FCC capped the number of ports CenturyTel could implement in a day.[2] For both competitors and customers, this is a horrible outcome: some customers who want to change carriers potentially are told "no, too many people have already switched this week." The FCC attempted to improve this situation in its CenturyTel-Embarq merger order by requiring the use of Embarq's OSS, which was better than CenturyTel's, throughout the merged territory within 15 months. Just this summer, however, CenturyLink petitioned the FCC for a waiver of the one-day porting deadline, suggesting that integration of the CenturyTel and Embarq systems was not completed and providing new reasons for concern about the priority CenturyLink places on its competitive obligations and about the abilities of CenturyLink to timely and accurately handle large volumes of ports. These are issues that have long been worked through in Qwest territory and under the Qwest OSS. The second example is ordering. Qwest's OSS uses an "E-bonding" system that allows faster and more accurate exchange of information and forms than CenturyLink's systems. The superior Qwest system reduces transaction costs and delays by eliminating manual process errors and the re-processing those require. Qwest allows electronic submission of LSRs and ASRs through e-bonding and a web-based portal, respectively. CenturyLink, even in the Embarq territories, does not have e-bonding for most LSRs, and uses a more manual, non-interactive internet ordering process for ASRs for interconnection trunks.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

[2] *Embarq Merger Order* ¶ 25

Q. WHAT HAS YOUR EXPERIENCE BEEN IN TRYING TO RESOLVE ISSUES LIKE THESE WITH CENTURYLINK?

A. I have discussed this issue with others in the Cox affiliates operating in CenturyLink states, and there remains frustration over the implementation and integration from the CenturyTel-Embarq merger. Cox switched over to CenturyLink's new "EASE" system in November 2009 and had months of growing pains with that system with respect to porting orders and directory listings. It was difficult for us to use because some of the functionalities we were used to with CenturyTel's prior system (IRES) were not available with EASE. Moreover, compared to Qwest, they do not offer E-bonding on CSR requests or LSRs so our orders have to go through a batch process. This did not allow us to view our orders in their system. Also, in the beginning there were many issues with timing such as orders not being processed or completing. We began having weekly calls with Century Link management and technical support to tackle the issues. It has taken months to resolve these issues and we continue to have bi-weekly calls with the Century Link team and there are still a few open and ongoing issues that began nearly a year ago now. Given the difficulties in this smaller integration, we are very concerned about the impacts on Cox of CenturyLink attempting a much larger integration and doing so before the wrinkled in the Embarq merger are fully ironed out.

Q. ARE THERE ALSO CONCERNS RELATED TO THE AVAILABILITY OF THE MERGED ENTITY'S SUPPORT CENTERS?

A. Yes. It is critical that the merged entity maintain sufficient staff, hours of operation and the technical capability to enable competitors like Cox to be able to process customer requests to change their voice service provider in appropriate intervals and in adequate volume. The merged entity needs to provide sufficient assurances to the Commission that it will maintain the same level of service to its wholesale order support centers that current exists today. Additionally, the same performance metrics that Qwest is currently accountable for should be maintained so that no detrimental impact to carriers, and ultimately consumers, will occur.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

Q. ARE THERE OTHER POLICIES AND PRACTICES OF CENTURYLINK THAT ARE LESS FAVORABLE TO COMPETITION THAN THOSE OF QWEST?

A. Yes. CenturyLink assesses several anti-competitive charges for bottleneck functions that are not charged by other carriers, including Qwest. For example, CenturyLink charges a surcharge on customer acquisition, when facilities-based carriers like Cox are initially provisioning service. CenturyLink attempts to impose a fee to access the Network Interface Device (NID) at the customer premise, even though the installation occurs on the customer side of the NID. This is a charge on competitors that Qwest does not assess. CenturyLink also charges to port the telephone number of a customer a competitor acquires from CenturyLink. This charge -- \$13 to \$20 per port request – is imposed on every request submitted by competitors. In other words, every time a customer freely determines that it wants to elect an option to CenturyLink's service or rates, CenturyLink nonetheless gets compensated by the new provider if the customer (understandably) wants to keep their existing phone number. A third anti-competitive surcharge arises when competitors like Cox submit directory listing requests on behalf of their subscribers. This surcharge, assessed by the former Embarq companies, is imposed on each subscriber listing that certain competitors submit to Embarq. Embarq generally attempts to force some competitors to pay a monthly recurring "storage" charge of between \$0.40 and \$3.00 per subscriber listing. These surcharges lack any cost justification, and do nothing more than increase competitors' costs of doing business. It is particularly troubling that Embarq does not assess this charge upon its own customers, or competitors who purchase Embarq's last-mile facilities (resellers or UNE-loop based CLECs). Again, Qwest does not impose such a charge. These types of penalties to the competing carrier for winning a customer greatly increase the cost of competing with CenturyLink. They are anti-competitive almost by definition: they are a surcharge on successful competition. And once CenturyLink controls Qwest territories, there is no reason to think it will not import these "worst practices" into Qwest legacy territories. The Commission should ensure that CenturyLink is not permitted to impose any of these anti-

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

competitive surcharges that Qwest does not charge today

Q. DO YOU HAVE ANY OTHER CONCERNS ABOUT THE IMPACTS OF THE MERGER ON COMPETITORS LIKE COX?

A. Another concern is business certainty. Particularly because the string of consecutive mergers for CenturyLink is resulting in numerous changes in processes, adequate notice to other impacted carriers is critical. Cox believes it is of utmost importance that the Commission require the Applicants to commit to following at least the industry standard of 90-days notification prior to implementing changes to any back-office systems that may impact CLECs.

IV. <u>RECOMMENDATIONS.</u>

Q. CAN YOU SUMMARIZE HOW THE USE OF CENTURYTEL OR EMBARQ PROCESSES, RATHER THAN QWEST WHOLESALE PROCESSES, WOULD HARM COX?

A. Currently today Qwest operates via an EDI (Electronic Data Interface) with all of Cox's systems, this enables Cox and Qwest to operate more efficiently without manual intervention as compared to CenturyTel and Embarq markets (which utilize File Transfer Protocol, or FTP.) The inability to interface via EDI prohibits the pre-validations on CSR that can help expedite a port and or directory listing. In those markets Cox employs additional representatives to push the work manually into those systems as well as work exceptions on the back end. Those are the types of OSS issues that inhibit competition, but the additional charges are also a burden on competitors. Collectively, moving to CenturyLink's OSS, practices, capacities, and charges in Arizona as opposed to the way we do business with Qwest now would be a large step backwards both for Cox but also for all competitors and customers in Arizona.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

Q. WHAT SHOULD THE COMMISSION DO TO ADDRESS THESE CONCERNS?

A. Cox has successfully competed across the country, and Cox will continue to provide innovative, competitive choices in western Arizona regardless of whether or not the proposed merger is allowed. Because Cox has not seen all of the evidence, particularly the testimony detailing the concerns of other parties, I cannot say whether the Commission should approve the merger or not. If, however, the Commission does approve the merger of Qwest and CenturyLink, the Commission should obtain certain enforceable commitments from or impose certain binding conditions on the Applicants:

- The Merged Entity should be required to keep the existing Qwest OSS, wholesale and intercarrier processes and systems in place for at least three years;
- The Merged Entity should not be permitted to degrade services to competitors in Arizona below what Qwest provides today in terms of porting intervals and volume capacities, and ordering and provisioning intervals and interfaces;
- The Merged Entity should be required to maintain sufficient staff, hours of operation and the technical capability in its wholesale order support centers while maintaining existing performance metrics for such wholesale ordering functions;
- The Merged Entity should not be permitted to impose any charges on customer acquisition that Qwest does not charge today;
- The Merged Entity should be required to provide at least 90 days notice for any changes in back-office systems or protocols that would impact CLECs in any adverse way or require material changes in the systems or processes of the CLEC.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

BEFORE THE ARIZONA CORPORATION COMMISSION

EXHIBIT
tabbies
Cox-2
ADMITTED

<u>COMMISSIONERS</u>
KRISTIN K. MAYES - CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

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

SURREBUTTAL TESTIMONY

OF

KIM HOWELL

ON BEHALF OF

COX ARIZONA TELCOM, L.L.C.

NOVEMBER 10, 2010

TABLE OF CONTENTS

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

I. INTRODUCTION.

Q. Please state your name and business address.

A. My name is Kim Howell and my business address is 5775 Peachtree Dunwoody Road, Pavilion D, 6th floor, Atlanta, Georgia 30319.

Q. Are you the same Kim Howell who filed direct testimony?

A. Yes I am.

Q. What is the purpose of your surrebuttal testimony?

A. My Surrebuttal addresses: (i) Commission Staff's proposed conditions regarding the proposed merger and (ii) statements made by Joint Applicants in their Rebuttal It also discusses in more detail the difficulties Cox has been having with CenturyLink in Nevada related to CenturyLink's acquisition of Embarq.

Q. Could you provide an overview of your surrebuttal?

A. Yes. Remarkably the Joint Applicants' position remains that the Commission approve the proposed merger without any conditions whatsoever.[1] However, Commission Staff has carefully considered the numerous implications of the proposed merger and has crafted a set of conditions designed to ensure that the proposed merger is in the public interest assuming it is approved. Cox appreciates the Commission Staff's recognition of the importance of maintaining competition in the Arizona market and ensuring that the merger will not result in any degradation of the current relationships between Qwest and the CLECs operating in Arizona. Fair and effective competition results in significant benefits for all Arizona

[1] Hunsucker Rebuttal at 74:5-17.

consumers and clearly is in the public interest.

Cox supports the Commission Staff's conditions in general and urges the Commission to adopt those conditions. Cox believes that certain of Staff's conditions should be modified to provide better clarity and effectiveness and I discuss those modifications below.

Finally, the Joint Applicants' rebuttal is full of generalized statements about their willingness to maintain the status quo and their ability to merge the two companies in a smooth transition that will not adversely affect CLECs, competition or the public. However, CenturyLink's acquisition of Embarq paints a much different picture. I will also discuss the difficulties that Cox has experienced over the past year with the CenturyLink/Embarq transition in Nevada. Staff's conditions and Cox's proposed conditions will help to ameliorate real life problems. Joint Applicants' vague assurances about their future plans will not.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

II. STAFF CONDITIONS.

Q. Please provide an overview of Cox's reaction to the Commission Staff's proposed conditions.

A. Cox is encouraged by Staff's proposed conditions and believes that the conditions will facilitate continuing competition in Arizona and will assist in maintaining existing protections for CLEC to allow them to compete. The conditions benefit competition and consumers in numerous ways, including:

1. Maintaining Qwest wholesale performance at pre-merger levels, keeping Qwest's pre-merger OSS in place for three years, and ensuring the merged company continues to comply with the QPAP and PIDs.
2. Confirming that Qwest remains an RBOC, subject to all 271 obligations.

3. Requiring 6 months notice on any OSS changes and requiring that Qwest demonstrate that any changes "will not result in degradation of current Qwest wholesale support systems."
4. Requiring that Qwest extend existing ICAs for 3-years after merger close.
5. Ensuring that there will be no discontinuance of intrastate wholesale services.
6. Prohibiting the imposition of new or additional charges on CLECs for functions already provided by Qwest.
7. Prohibiting the merged company from passing merger and transaction-related costs on to consumers and competitors.

These are just some of the main benefits of Staff's proposed conditions. However, it is important that the Commission consider the conditions as a coordinated package that is designed to achieve key public benefits, such as the maintenance of telecommunications competition in Arizona. Eliminating conditions could undermine the benefits that are intended from other conditions.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

Q. What specific Staff conditions are most important to Cox?

A. As noted above, Cox believes that Staff's conditions taken as a whole are important to protect the public interest. However, from Cox's particular point of view, the following conditions are critical:

1. The Wholesale Operations conditions (Condition Nos. 19-33). Cox has some proposed clarifications and modifications to certain of those conditions which are discussed below;
2. Condition No. 4, which reflects Staff's foresight to ensure AZ consumers and competitors have the opportunity to receive the full benefit of all state commission and FCC conditions regarding the proposed merger;

3. Condition Nos. 5 and 6, which will ensure that the Merged Company[2] honors its ongoing obligations as a BOC and its attendant obligations under Section 271 of the 1996 Telecommunications Act.

Q. Does Cox have any concerns with Staff's conditions?

A. Yes. Cox has several concerns. First, Staff's conditions regarding Qwest's OSS does not have an express provision to provide for cooperative testing in advance of any changes to the OSS. Given Staff's clear concern about ensuring the Merged Company maintains an OSS at least as good as presently exists for Qwest, cooperative testing would be critical to ensuring that any modifications do not degrade the OSS performance. Such cooperative testing may be implicit in the Staff OSS-related conditions, but Cox believes it is important to expressly provide for it. Participants in the testing process should have input on whether the replacement OSS is sufficient. Condition No. 20 should include such an express provision. Cox also believes that the conditions should ensure that any successor OSS is a suitable replacement in practical terms. Therefore, the Commission should require that the replacement include the same level of performance and functionality for CLECs, including an electronic interface for support and flow through of orders.

Second, Staff's Condition Nos. 25 and 30 should be clarified to ensure CLECs are provided with the ability to extend any existing Merged Company ICA and also to opt in to any approved ICA during its initial term *and during any extended term.* Those conditions only expressly provide that CLECs may extend their existing ICAs and that the existing ICA can be used as the basis for negotiating a replacement ICA. Even Joint Applicants appear to

[2] "Merged Company" is used to refer to the merged parent companies, Qwest Communications International, Inc. and CenturyTel, Inc. and all of their regulated operating subsidiaries.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

agree that they must provide CLECs the ability to opt in to ICAs, although they try to qualify the opt-in right temporally.[3] Clarity on opt in and extension rights is critical to avoid misinterpretation and confusion. Cox strongly believes that this Commission and others reviewing the merger should take the steps necessary to ensure competing carriers have access to stable, workable interconnection arrangements while the Merged Company integrates and implements its much heralded merger economies and efficiencies over the next several years. Unfortunately, the new and much larger Merged Company has an incentive and the means to aggressively force competitors into new, less attractive interconnection agreements throughout its footprint. This could result in anticompetitive changes unless competitors are provided with the certainty of extending and choosing from existing interconnection agreements and terms. Nationally, Cox advocates a merger condition requiring the Merged Company to allow requesting carriers to extend all ICAs throughout the Merged Company's footprint, and also advocates that competitors should have the opportunity to "port" agreements from state to state within the Merged Company footprint. There is clear precedent for such relief when large ILECs merge. AT&T and BellSouth agreed to such commitments voluntarily in their merger. State commissions and the FCC should act in concert to ensure these options are available throughout the Merged Company footprint. Therefore, Cox strongly supports Staff's proposed condition 4 which would permit this Commission to not only act aggressively in this docket to protect competitors and consumers in Arizona, but to also allow them to receive all of the benefits of merger conditions approved in other states and at the FCC.

Third, many of the key conditions have a potential "out clause" that would allow the condition to be excused upon "approval of the Commission." This "out" clause creates a

[3] Stewart Rebuttal at 36:13-18.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

clear invitation for the Joint Applicants to continue to litigate the conditions – using up significant resources of the Commission and potentially affected parties – well after the merger closes. The Commission should seek to avoid such circumstances. If the ACC believes these are appropriate conditions, they should adopt them without reservation.

Q. Does Cox have any specific proposed modifications to Staff's conditions?

Yes. Certain conditions could be clarified to be worded stronger and ensure less ambiguity should the merger be approved. In particular, Cox has proposed revisions to Staff Condition Nos. 19, 20 and 25 and would like some clarification (and possibly supplemental conditions) to Staff Condition Nos. 9 and 13

Q. Please explain your proposal with respect to Staff Condition No. 19.

A. Condition No. 19 provides that the current Qwest OSS be kept intact for three years after the merger. This condition should include additional language to require parties to work cooperatively to test any OSS changes with the affected CLECs; the language "unless allowed by the Commission" should be stricken as this "out" clause creates the potential for ongoing litigation after the merger. Should this provision be kept in, then it should expressly require cooperative testing with CLECs as part of the Commission approval process. Any such change should be permitted only after thorough CLEC testing and approval as I discussed earlier, and the resultant OSS must provide the same level of performance and functionality.

Q. Please explain your proposal with respect to Condition No. 20.

A. This condition addresses any integration of the Qwest OSS with the *current* CenturyLink/Embarq OSS. Notwithstanding our significant concerns with the integration process based on our experience in Nevada with the CenturyLink/Embarq integration (as I

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

discuss below), this integration process should expressly involve CLEC cooperative testing sufficiently in advance of any planned changes – not just notice. As discussed above, cooperative testing is critical to make sure changes to the OSS actually work and do not harm service to CLECs and their end user customers. Condition No. 20 should include a provision that requires the Merged Company to provide a process for cooperative testing as part of any integration of OSS.

Q. Please explain your proposal with respect to Condition No. 25.

A. Condition 25 requires the Merged Company to continue to honor all obligations under the current ICAs, tariffs and other contractual obligations to allow CLECs to extend ICAs pending new negotiations. Cox strongly supports this condition, but urges that it be clarified. This condition should expressly allow for an extension of ICAs for an additional term of three years at the CLEC's request and preclude the Merged Company from unilaterally terminating an existing ICA for three years after the merger closes. This provision should apply to ICAs even if their initial term has expired and they are in "evergreen" status. Such a requirement will allow CLECs some stability during the transition period after the merger. We would suggest adding the following provisions to Condition No. 25:

> For ICAs in their initial term: the ICAs may not be terminated or changed, with the exception of changes in law or triggering event expressly contemplated in the ICA, or unless requested and agreed by the requesting carrier, for three years from the ICA expiration date. Changes due to change in law or triggering events expressly contemplated in the agreement must be made according to the procedures set forth in the ICA.

> For ICAs whose initial term has expired: the ICAs may not be terminated or changed, with the exception of changes in law or triggering event expressly contemplated in the ICA, or unless requested and agreed by the requesting carrier, for three years from the merger closing date. Changes

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

due to change in law or triggering events expressly contemplated in the agreement must be made according to the procedures set forth in the ICA.

Q. What are your concerns about Staff Condition Nos. 9 and 13?

A. Staff Condition Nos. 9 and 13 appear to contemplate that the new company will reorganize its ILEC operations, possibly with the intent of obtaining more rural subsidies. Although Staff's conditions address this concern to some extent, I believe an additional condition is appropriate. This new condition should prohibit the Merged Company and it subsidiaries from seeking a rural exemption for any Qwest ILEC service areas, either through reorganization, based on CenturyLink's status as a rural ILEC, or on any other basis. If the merger is consummated, CenturyLink will be the third largest carrier in the Untied States, serving numerous large metropolitan areas, and can no longer assert the rural carrier status. Bootstrapping CenturyLink's rural ILEC status into Arizona would be inappropriate. We would suggest an addition to these conditions that states:

> The Merged Company will comply with the statutory obligations applicable to ILECs under Sections 251 and 252 in Arizona and will not assert the rural exemption or suspension under Section 251(f) based on its status in other states and will not seek to avoid any of its obligations on the grounds that it, or one of its operating companies, is exempt from any of the obligations pursuant to Section 251(f)(1) or Section 251(f)(2) of the Communications Act.

Q. Are there any additional conditions that Cox believes would be appropriate in addition to Staff's conditions and the conditions Cox proposed in its Direct Testimony?

A. Yes, I have several additional conditions that expand upon the concerns that other conditions are addressing. First, although I indicated in my Direct Testimony that Qwest should not be allowed to impose any charges on customer acquisition that Qwest does not charge today, that condition should be clarified to prohibit Qwest from seeking new tariff rates for -- or require the inclusion in interconnection agreements of -- any wholesale charges for service order processing (including but not limited to ASRs and LSRs), directory listings or

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

directory listing storage, non-published number charges, local number portability charges, E911 record transaction or storage charges, or NID access or use charges for three years from the date the merger closes. I believe this is what was intended by Staff Condition No. 33 which would preclude "any new or additional charges upon CLECs for functions already undertaken by Qwest" without Commission approval. But further clarity would help avoid disputes over these types of charges. We would suggest adding a condition that states:

> The Merged Company shall not seek approval for new tariff rates or require the inclusion in interconnection agreements of any wholesale charges for service order processing (including but not limited to ASRs and LSRs), directory listings or directory listing storage, non-published number charges, local number portability charges, E911 recording transaction or storage charges, or NID access or use charges for 36 months from the date the merger closes.

Second, as I discussed above with respect to Staff Condition Nos. 25 and 30, there should be a condition that requires the Merged Company's operating entities to allow CLECs to "opt-in" to other approved ICAs, including during the period any ICA is extended pursuant to these conditions. Qwest will continue to have this obligation under Section 252(i) of the 1996 Act, but clarification of this condition will limit potential for frustrating negotiations resulting in arbitrations which are time consuming and costly for carriers and the Commission. We would suggest an additional condition that states:

> A requesting carrier may opt into any effective Merged Company interconnection agreement, whether negotiated or arbitrated, in its initial term or during any period it is extended for whatever reason, including but not limited to extensions granted pursuant to merger commitments. Adoption cannot be denied because the agreement has not been amended to reflect changes in law.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

III. OTHER CLEC CONDITIONS.

Q. What is Cox's position on the conditions proposed by other CLECs?

A. Cox is supportive of the conditions proposed by other CLECS. Many of those proposed conditions address the same concerns that Cox has with the merger, such as the OSS. Those conditions also reveal that Cox is not the only CLEC with concerns about the proposed merger.

Q. Why has Cox not proposed as many conditions as other CLECs?

A. The other CLECs are much more dependent on Qwest UNEs. Unlike most other CLECs, Cox has its own network that it is using for telephone service. The dependency on UNEs leads to additional concerns and a need for additional conditions. That being said, Cox still has a significant interconnection relationship with Qwest that is critical to providing high quality service to its customers. Cox's proposed conditions primarily address that interconnection relationship and ensuring that it does not degrade as a result of the proposed merger.

IV. RESPONSE TO COMMENTS ON HOWELL DIRECT TESTMONY.

Q. Ms. Howell, could you provide a general response to Staff's and the Joint Applicants' response to your Direct Testimony

A. Cox appreciates that Staff has acknowledged that Cox has real world experience in dealing with the fall out of a CenturyLink merger and the integration of two companies. I believe that Staff's proposed conditions reflect some of Cox's experience and concerns.

On the other hand, the Joint Applicants have not addressed my testimony or proposed conditions in any detail. Much of their testimony boils down to a bold request to "trust us" and a belief that no merger conditions are necessary to protect the public, including the competitive markets and the relatively effective interconnection relationship that finally exists between Qwest and other CLECs, including Cox. However, the current state of the Qwest/Cox relationship (and Qwest's relationship with other CLECs) is the result of many years of conflict, litigation and Commission efforts. Cox is greatly concerned that the years of progress will be wiped out without appropriate merger conditions. Cox's experience with the CenturyLink/Embarq merger reveals that a degradation of the interconnection relationship is a real possibility. Nothing in the Joint Applicants' testimony does anything to assuage our concerns. In fact, their testimony heightens our concerns about the post-merger Qwest.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

Q. Is there any particular testimony that accentuates your concerns?

A. Yes, the Joint Applicants' discussion of the integration of the two companies. The witnesses discuss the integration in generalities and suggest that the CenturyLink/Embarq integration is going smoothly. For example, CenturyLink witness Todd Schafer at pages 9-10 of his Rebuttal Testimony states that the integration is going well and that their experience in integrating those two companies will result in a smooth integration of Qwest. Mr. Schafer does acknowledge that CenturyLink did have problems with the earlier phases of its integration, but suggests those problems are in the past. That is certainly not our recent experience in Nevada with respect to interconnection. Moreover, Mr Hunsucker argues at pages 58 of his Rebuttal Testimony that the CLECs have nothing but unsupported allegations that the CenturyLink OSS is inferior to Qwest's OSS.

However, my Direct Testimony specifically identified Cox's problems with the CenturyLink "EASE" – the new CenturyLink OSS. CenturyLink's express and implied statements that glitches with EASE are in the past and that its OSS is the equal of Qwest's OSS are simply wrong.

Q. Can you provide more detail on Cox's concerns with CenturyLink EASE?

A. As I have indicated, the OSS that we are working with today with Qwest has been a good experience. I do believe that the Section 271 process – and all of the Commission's efforts in that process -- have given us an excellent system. The Qwest OSS has also been improved over time and the CLECs are all very familiar with how to – and are set up to – use that OSS. We had a similar experience with Embarq in Nevada prior to the merger in that the IRES system was far superior to the CenturyLink EASE. The integration of Embarq and the transition to the CenturyLink EASE OSS has been and continues to be problematic. Today in Nevada, the EASE system has negatively affected our response time for customer orders to switch phone service from CenturyLink to Cox. At times of high volume, our submitted orders will sometimes time-out, crash or experience other problems. We are frequently on the phone with CenturyLink representatives trying to recover orders that are lost in the transition. We continue to be frustrated with the inability to meet our customer's requests on a timely basis and be competitive with CenturyLink when our orders are lost in their operating system. We have found that in many cases we are having to call our customers back and push the installation date out as a result of the points of failure in the CenturyLink system. This creates particular problems when the customer is purchasing a bundle of services from Cox and may have to arrange for two separate installation appointments due to the delays.

One of the key problems up front with the transition to EASE in Nevada was that Cox was not part of any testing of the system before it went live. As a result, over the last 11 months, we have been working on rectifying all of the issues that should have been found

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

and corrected up front with cooperative testing. We are still working on that process which includes Cox management participating in weekly calls with CenturyLink staff. In many cases, during such calls Cox management must re-raise issues previously reported in trouble tickets to which CenturyLink has failed to respond. Many of CenturyLink's responses are vague in terms of what actions will be taken to address the problem and how they will fix it. Cox continually serves as a "feedback loop" for testing CenturyLink's broken process. I have attached as Exhibit KH-1 the Issues Log that CenturyLink has developed to address the problems with EASE in Nevada. CenturyLink is at least talking with us, but such discussions are not acted upon in any timely manner in that they have been very slow in executing solutions to the problems with EASE. In fact, the CenturyLink Issues Log has not decreased in any material way over the last 11 months. CenturyLink has re-formatted its issues list to make it look like issues have been resolved when in fact they are closing out issues that have not been resolved but CenturyLink has simply reclassified them and now considers fixing the issues to be an "enhancement." However, the problems persist and affect Cox's ability to serve its customers. Such continual delays in resolution of problems described in Exhibit KH-1 will ultimately impact competition in the Arizona market resulting in degradation of the current relationships between Qwest and the CLECs operating in Arizona.

Q. Do you agree with Mr. Hunsucker's assertion at page 10 of his Rebuttal that the EASE OSS is an automated system?

A. No. Processing PDF files is not automation. The EASE system involves merely passing PDF files back and forth. Automation in the industry means the types of automated interfaces deployed by many providers, including AT&T, Verizon and Cox. These systems transfer order and provisioning data via an Electronic Data Interchange (EDI), which is an electronic system behind the scenes. As a result, Nevada is the only Cox market that has

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

not been able to take full advantage of our new automation tools for E911 and Directory Listing that have reduced processing times across all other markets. This is due to the absence of an EDI interface with CenturyLink.

Q. What do you believe is an appropriate solution on the OSS issue?

A. As I noted, Qwest has an effective OSS. There should be no reason to change that system – now or in three years. Staff's conditions regarding the OSS – as modified by our proposals – are critical. CenturyLink's EASE is simply an antiquated system that uses PDFs (i.e. real paperwork) as opposed to the Qwest EDI process. Ironically, Mr. Hunsucker states at page 59 of his Rebuttal that "in the longer run" post-merger CenturyLink is dedicated to having an industry leading OSS. However, he provides no time table for that event and it certainly is no justification for taking enormous steps backwards now with respect to Qwest's OSS.

Q. Does your experience with the CenturyLink/Embarq merger give you concern that this merger will draw resources away from Qwest's wholesale operations?

A. Yes. I am concerned with the impact to our customers when they try to resolve an issue in a timely manner. Based on our experience with CenturyLink, Cox may have to add additional resources to manage the workload if the Qwest OSS system is not kept in place.

Q. At page 52 of his Rebuttal, Mr. Hunsucker asserts that you are equating payments for NIDs with customer acquisition charges. Do you agree?

A. No. He misrepresents my testimony. If Cox uses a CenturyLink NID, it will pay for it. However, Cox should not be charged for disconnecting a customer premises wire from a CenturyLink NID in order to connect with that customer on the customer's side of the NID.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

Q. CenturyLink asserts in Mr. Hunsucker's Rebuttal (at page 52-53) that it should be able to charge an "administrative service order" charge every time it ports a number to a CLEC and that this is not a porting charge. Do you agree?

A. CenturyLink is engaged in semantics and is proposing to apply a charge that neither Qwest nor any other major ILEC does. Mr. Hunsucker's testimony appears to confirm my fear that CenturyLink will push for additional charges on CLECs once it controls Qwest in Arizona.

Q. Does this conclude your testimony?

A. Yes.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

EXHIBIT

KH-1

Cox Operational Issues Log - Summary

Issue #	Description	Owner	Status	Date	Category
1	DA listings with omit address appearing in 411	Mike Norton	Closed	12/8/2009	EASE
2	Viewing FTP pon's in the GUI * partially completed on 1-30-10	Mike Norton	On going		Enhancement *
3	GUI slow response time	Mike Norton	On going		EASE
4	No acknowledgment is sent via FTP that an order was received	Mike Norton	Closed	8/19/2010	Enhancement *
5	Cox is not receiving Jeps via FTP	Mike Norton	Closed	11/30/2009	EASE
6	LNP orders not receiving responses via FTP after 12 hours	Mike Norton	Closed	12/2/2009	EASE
7	Directory Listings are stuck in FOC	Mike Norton	Closed	1/8/2010	EASE
8	No "wild card" for address validation	Mike Norton	Closed	12/2/2009	Future Enhancement *
9	Customer or address validation information is spread out - too much white space	Tonya Woods	On going		Enhancement *
10	No Default with the trading partner	Mike Norton	Closed	12/3/2009	Non-Issue
11	Remove case sensitivity	Mike Norton	Closed	12/1/2009	Future Enhancement *
12	We should be able to delete PONs from the list if they haven't been submitted	Mike Norton	Closed	12/10/2009	Training *
13	Cox needs an automated version of CSR for error reduction - UOM	Mike Norton	Open		Enhancement
14	Cox is receiving an FOC for an LNP order so they move forward with the SV create	Mike Norton	Closed	1/8/2010	Center Issue
15	Response times on Directory. On 11/24 Cox was receiving FOCs for 11/16 & 11/17	Mike Norton	Closed	12/17/2009	EASE
16	DD Sups (2) are being rejected	Christine Foo	Closed	1/8/2010	EASE
17	Files not being picked up timely by CTL	Norton/Foo	Closed	12/14/2009	EASE
18	Name Validation (1)	Norton/Foo	Closed	1/14/2010	Non-Issue
19	Name Validation (2)	Mike Norton	Closed	4/8/2010	EASE
20	911 Records	Mike Norton	Closed	12/11/2009	SPICE
21	Directory - OCN Field	Mike Norton	Closed	12/17/2009	Enhancement *
22	EASE Load Status	Christine Foo	Closed	1/27/2010	Training
23	Jepp Report Request	Mike Downey	Closed	3/17/2010	Enhancement *
24	Directory Orders - Sup 1 & Sup 2	Norton/Woods	On going		SUDS
25	Generic Errors in taps received by EASE	Mike Norton	Closed	1/22/2010	Enhancement
26	Inserting Main (LML) listings with Additional Listings (LAL)	Mike Norton	On going		SUDS
27	EASE CMBK Orders	Mike Norton	Open		Process
28	Unable to Use ADI field on Record Changes (ACT C)	Mike Norton	Closed	3/31/2010	EASE *
29	LNP orders not completed after activation by Cox	Norton/Downey	Open		Process
30	Commercial DL orders rejected in error for YPHV- all orders sent via FTP	Mike Norton	Closed	10/12/2010	Ensemble
31	Slower processing of DL orders. We have 1,002 DL orders in SENT status. Of those 504 were issued yesterday and should be completed by now.	Mike Norton Mike Downey	Closed	11/3/2010	Ensemble
32	DL orders completed are showing in PreOrder incorrectly without the listed name	Mike Norton Mike Downey	Open		Ensemble *
33	LNP orders showing provisioning complete but COX still receives an error and is not allowed to submit a listing because the Centurylink has not been removed	Mike Norton Mike Downey	Open		Ensemble

Cox Operational Issues Log - Summary

Issue #	Description	Owner	Status	Date	Category
34	FTP DL orders ownership - Centurylink or Cox?	Mike Norton Mike Downey	Open		Ensemble
35	End user disconnected prior to port	Mike Norton Mike Downey	Closed	11/3/2010	Ensemble
36	Different File Format on Directory Proofs	Mike Downey	Open		Ensemble

* indentifies that this function was available at one time to Cox (IRES)

Cox Operational Issues Log - Open Issues

Issue #	Issue	Owner	Status	Remarks
13	Cox needs an automated version of CSR for error reduction - UOM	Mike Norton	Open	**12/02/09** Cox needs an automated version of CSR for error reduction - currently we do not have access to customers service records via FTP. each order has to pulled one for one. Cox would like to have a way to request this information via a EDI connection. **12/14/09** This change would require CTL to adopt the UOM standards for LSR. The EASE product has that capability. This would require a project and it is not on the radar for 2010. We can revisit this in 2010. **12/17/09** CTL is moving forward to provide this enhancement. It must first be be worked on the ASR side of EASE and then moved to LSR. ASR is expected in Mar/Apr 2009 time frame. LSR will be after that. **12/22/09** in progress **1/5/10** in progress **2/24/10** same **3/3/10** same **3/10/10** ASR is on track for April implementation. LSR is now being looked at. **3/17/10** LSR testing will begin soon. **3/24/10** same **3/31/10** same **4/7/10** this is expected to be completed in summer. **9/22/10** email sent to Cox to advise UOM is available and question if they wish to proceed. **10/26/10** conference call was held with Cox to discuss implementation of UOM. Design, testing and implementation can be done after the holidays. Cox will send CTL a list of questions.
27	EASE CMBK Orders	Mike Norton	Open	**2/22/10** When filtering EASE by 215A Cox identified 443 pons issued by Centurylink to delete Cox listings. The pons are formatted as CMBKNPANXXXXXX. Some of the orders requested a DDD to match the port date (from Cox to Centurylink) or the same day issued. However all the orders are completing the same day they're issued and are removing Cox's listings. While Cox was reviewing their proof they found they had to resubmit listings that were deleted but never ported out to Centurylink. Cox provided examples and the EASE team is investigating. **2/24/10** This issue appears to be an internal process within CTL. Tonya hopes to hear back today with a status. **3/1/10** Cox continues to see listings being removed prior to the port date. Tonya has reviewed the correct process with the winback group. She will re-address with the operations group. **3/3/10** Cox is requesting what CTL's process is. Tonya was not able to be on the call, but an email has been sent to her. Also, because the listing is being removed by CTL prior to the port date, Cox is unable to issue a Change order on the account. **3/10/10** EASE team met with Comeback group and it appears to be a process issue. Mike will check further. **3/17/10** Mike met again with the Comeback team. They will not process directory orders until after the DD of order. The Comeback team was given the new instruction on 3/19/10. **3/25/10** Cox is still seeing this occur. The CMBK group has re-addressed with their Analysts. **3/31/10** Cox is still seeing some instances. **4/07/10** Cox is still seeing. They will send more examples. **4/21/10** Cox is still seeing instances of this happening. They will send new examples to Teresa. **4/30/10** Cox is still seeing orders. **5/14/10** Cox is seeing, but much smaller volumes. Will continue to watch. **6/3/10** Cox is still seeing a few here and there.
29	LNP orders not completed after activation by Cox	Mike Norton Mike Downey	Open	**4/30/10** Cox is seeing LNP order that have been activated but have not completed in EASE. Since the order is not in completion status, Cox cannot issue the directory order or the 911 order. Mike Downey will investigate the examples that Cox provided. **5/14/10** As Cox sees these, they are sending to the NEAC to push to completion. They will continue this process. Teresa will monitor. **6/3/10** Cox is still seeing. If it is only 1 or 2, they call the NEAC, if more they send an email. **10/21/10** IT is working to change the status of the order to Provisioning Complete once the order is completed rather than after the billing tasks have been completed. Until the fix is in, CTL will run nightly scripts to push the status to provisioning complete. **10/27/10** The CASS release was put in last night. The scripting that was going to go through the conversion Pons, needs to be redone due to the conditions of some of the pons, (the quantity of tasks open or the type of tasks pending) They plan to rerun sometime in the next few days. **11/03/10** All defects except 1 (addional listings) has been resolved. When order gets to CASS, if it has additional tasks it will fall out to manually complete the CASS order. Fix for the addtional listings is in testing. Cox agrees that #s have decreased, although they are stil concerned over the age of some of the orders. Some are several weeks old. Cox would like to ensure the CTL is working the oldest ones first. Mike N. can create a report to idenity the older ones. He will discuss with Mike D.

32	DL orders completed are showing in PreOrder incorrectly without the listed name	Mike Norton Mike Downey	Open	10/08/10 CTL is investigating this one with IT to determine when we can implement a fix. In the meantime, any inquiries for LTN can be sent to Vikki.A.Nestel@centurylink.com and she will be happy to assist. Please do not send any other type of inquires to this email address. **10/21/10** IT is working on code for a fix. **10/26/10** No fix yet. IT working on it. **11/03/10** Status is same. Cox continues to have issue, but they are using VCOLE as a work around. In process.
33	LNP orders showing provisioning complete but COX still receives an error and is not allowed to submit a listing because the Centurylink has not been removed	Mike Norton Mike Downey	Open	**10/12/10** In Ensemble once an order has manual intervention, the remaining steps of the order must also be treated manually. Ensemble does not provide any status back to EASE, therefore the analyst must do all steps manually. These orders are part of the orders that were processed right after the conversion and must now be completed manually. CTL is investigating the overall process and system flow. **10/21/10** IT is working to change the status of the order to Provisioning Complete once the order is completed rather than after the billing tasks have been completed. Until the fix is in, CTL will run nightly scripts to push the status to provisioning complete. **10/27/10** The CASS release was put in last night. The scripting that was going to go through the conversion Pons, needs to be redone due to the conditions of some of the pons, (the quantity of tasks open or the type of tasks pending) They plan to rerun sometime in the next few days. **11/03/10** Cox is still receiving errors. Mike N. asked if Cox could provide new examples that he could review. Cox will send.
34	FTP DL orders ownership - Centurylink or Cox?	Mike Norton Mike Downey	Open	**10/13/10** When Cox reviews a directory listing PreOrder they must be able to identify if the listing is owned by Cox or Centurylink. Previously Cox listings were indicated with an ALI code of AX followed by 2 numbers, Centurylink listings were noted with "LN". Now the ALI field results show; blank, 1, multiple numbers or L. Please review and advise what ALI format will be used for Cox and Centurylink listings. **10/21/10** This item is on IT's list of enhancements, no date has been given yet. **10/26/10** Design work and cost estimate and approval is being worked on. No estimate yet. **11/03/10** A change request has been submitted. We are waiting on prioritization.
36	Different File Format on Directory Proofs	Mike Downey	Open	**11/2/10** Cox requested a directory proof for Las Vegas. The file they received from RH Donnely was in Excel format. The file use to be sent to Cox in text format. When Cox called RHD, they were told that is the way that CTL is now sending it to RHD. Cox was not notified of any changes and is requesting when the change occurred and why they were not notified. Teresa H. has a call into the NEAC to find out. **11/5/10** Since converting to Ensemble the file format is now as an Excel spreadsheet. A notification was not sent out to the CLECs for this change.

Cox Operational Issues Log - Closed Issues

Issue #	Issue	Owner	Status	Remarks
1	DA listings with omit address appearing in 411	Mike Norton	Closed	12/01/09 CenturyLink identified that the ADI was not mapping correctly. Mike Norton is working with IT to get this corrected. We realize that Cox is very concerned and that at this point there are close to 700 listings that should be omit address and are in 411 with address information. As soon as we have a time line as to when this will be corrected I will communicate that to you. In addition I will work with Mike's team to determine how quickly the ones that are wrong can be fixed. 12/02/09 IT identified the root cause and a fix was put in place the night of 12/1/09. Christine is working to correct the pons that were listed on the spreadsheet she received from Cox. We are also running a reports to identify all PONS in EASE that had the ADI field set to O and will compare to SUDS to ensure we don't miss any. 12/7/09 the 675 have been corrected in 411, EASE and Preorder. Work continues on the ones that were pulled from the report that CTL ran to identify all Pons that have been issued since EASE implemented. Mike's is waiting for an update from the directory group as to when corrections will be completed. Mike indicated that there is some latency with the corrections updating in 411. 12/8/09 Cox made a test call to 411 and the address was still being given out. Cox referred the issue to CTL. Christine and Mike did a test call on 12/8 (PM) and was not given the address. This information was communicated back to Cox on 12/9. 12/9/09 Cox made additional test callas and the addr is still being given out by 411. Teresa H. made a test call and confirmed that the addr is still being given out. CTL is checking with the vendor. The updates were communicated to CTL's vendor last week. 12/10/09 Mike reviewed samples and found the vendor had not updated their 12/7 feed until the night of 12/9. Cox will do more reviews and also provide some examples to CTL so that we can do some test calls as well. 12/14/09 Cox is still seeing omit address listings that 411 is still giving out the address. Teresa tested 5 listings this morning and all were ok. Cox provided 4 more and only 1 was correct. Cox will send more examples of orders prior to 11/30. Listed provided to CTL. 12/17/09 Overall this issue has been corrected. Cox still has about 30 that are still wrong. Cox provided a list of the 30 to CTL. 12/21/09 CTL responded to Cox that most of the 30 are not in CTL's system. 12/22/09 Cox provided Pon #s and CTL's Directory is now looking at them again. 1/7/10 the NEAC investigated the spreadsheet and could not find the PONs. A trouble ticket has been issued. Other than these this issue appears to be resolved. Once the back log is current, Cox will order a white page proof and let CTL know if there are still issues. 1/14/10 status same. 1/19/10 status same. 1/22/10 status same. 1/27/10 Now that backlog is current, Cox can order proof to check and make sure this issue is resolved. Cox will order proof the first week of Feb. 2/4/10 Cox has received proof and is reviewing. 2/10/10 Cox is reviewing. Continued...see below
1	DA listings with omit address appearing in 411 (cont)	Mike Norton	Closed	2/17/10 Cox NV has reviewed the proof and it slooks good. Orleans will check and see if they see any issues. If not we will close this issue. 2/24/10 no moe issues, agreed to close. 3/11/10 Cox is still seeing instances where an Omit address is still appearing. Cox is populating ADI = 0. CTL investigated and found the orders were keyed incorrectly by the CTL analyst. 3/17/10 Cox sent another 50 examples which Mike N's team is investigating. 3/24/10 confirmed that the additional 50 were also Analyst error and not an EASE system issue. All were corrected on 3/24/10.
4	No acknowledgment is sent via FTP that an order was received	Mike Norton	Closed	12/01/09 EASE does not have an acknowledgement for recept of an order. A pon will be rejected if an error is found on the front end and an FOC is sent on a correct Pon. 12/02/09 Cox is wondering how they will they know if the FTP file is not received? Referred question to Mike. 12/10/09 Cox is waiting for CTL to share the times when files will be picked up. Ultimately Cox would like to receive some type of acknowledgement that the file was picked up. Cox would also like to know if there is a cut off time for receipt of a file. For example if the FTP is received after a certain time will the order due dates be pushed out? Christine will get with IT and report back. Christine has issued a change request to create the Acknowledgement Response for the FTP files/Pons when EASE receives them. 12/14/09 Christine provided times that FTP files are processed. Files are picked up every 5 min. They are processed internally every 2 minutes by Exchange Path. Files are picked up OCN by OCN. The process is systematic. There is no cut off time fo the file. If the file is sent today the due date will not be pushed out. 12/17/09 No new date as to when the change request will be completed. 12/22/09 Tonya did not have an update. She will get one on 12/23/09. 12/23/09 A change request is being developed to add acknowledgements at receipt of the file from the customer. That wil require several approvals in the process, costing and scheduling into an IT release. The project cost and estimate approval process will not be completed until mid- January.1/5/10 Waiting on response from IT. This is not a simple change. 1/14/10 Requirments meeting held. IT is reviewing. Also included in this is an enhancement request to a code change in canceled orders. 1/19/10 under review. 1/22/10 IT is working on it. 1/27/10 Change Request # 2126 has now been issued. Cost review is now being done. 02/03/10 IT Architect is working on an approach and cost estimate. No target date yet. 2/9/10 CTL has received a design and an estimate. Based on work in queue and the size of the project, a June or July target date is likely.2/17/10 same 2/24/10 same 3/3/10 same 3/10/10 Target date is last week of July. 3/17/10 same. 3/24/10 same 3/31/10 same 4/07/10 same 4/21/10 same
5	Cox is not receiving Jeps via FTP	Mike Norton	Closed	12/01/09 Fixed, CenturyLink identified that the response file sequence # did not contain enough characters. This was corrected to 6 characters on 11/30/09.
6	LNP orders not receiving responses via FTP after 12 hours	Mike Norton	Closed	12/02/09 This one can be worked with # 4 above. 1/5/10 team agreed to move to closed status.

Cox Operational Issues Log - Closed Issues

Issue #	Issue	Owner	Status	Remarks
7	Directory Listings are stuck in FOC	Mike Norton	Closed	12/01/09 Mike confirmed that we are not aware of any system issues that would create this and we have not received any concerns from other customers. Sometimes an error on the order will stop the order from flowing to completion status. If we could get a few examples, then I can get with the NEAC to investigate. 12/02/09 Cox will work on providing me examples. They are hesitant about giving examples because they want to ensure the problem is fixed and not just the examples. I explained that the problem could be errors on the order, but without examples I can not find out. I assured Cox that I would work with the NEAC and communicate the reasons for the delay and the fix to avoid delays in the future. I called Scott Nolan and left a message while I wait on the examples. 12/8/09 Christine resent the notifications to Cox. 12/9/09 Cox has not received them yet. 12/10/09 Christine will check with IT and find out why Cox did not receive the resend. Cox indicated that KS and FL did not have this issue until this week when EASE was down. Teresa has sent a request to the NEAC to find out how the process for moving these orders to completion status. 12/14/09 the resend of files did not reach Cox due to the system outages. There are still over 300 orders stuck, Mike & Tonya are working with IT to get this resolved. IT is first working on the other issues and hope to start on this one by 12/15. 12/15/09 the files were resent. 12/17/09 CTL's IT group identified the root cause for the delay in processing PONs. When a Pon enters EASE their is a process of checking many items to determine next activity. This is done in a 10 min period. However, due to the # of checks required all could not be done in 10 minutes. Then when the next check occurred, rather than start where it left off EASE was going back to the beginning. (train example). A new design was done and is expected to be put in 12/17. The change will enable the check to pick up where it left off. It will also be able to eliminate unnecessary stops. 12/22/09 fix is in place. Regarding the ones stuck, CTL is working on a fix to eliminate orders getting stuck. Testing is being done today and CTL should be able to implement within 24 hours after testing. Testing could last until midnight. For the backlog of orders, a script is being writtine that will complete the directory orders without manual activity. Tonya will provide an update on 12/23. Continued (See next line below)
7	Directory Listings are stuck in FOC (cont)	Mike Norton	Closed	12/23/09 The NEAC has a large backlog of Directory orders that have fallen to a manual queue for review. IT will be running a script that will automate about ten percent of these where we managed to automate an error check that used to be manual. The remaining orders have to be reviewed and a spot check today did indicate that there were a number of PONS that had errors on the order that will require correction by the customer. We are getting more detailed reports tomorrow that will help us determine if we can create additional scripts to correct some of those errors to reduce the need for customer clarification. 12/24/09 Mike D. and Mike N. are working on the script to help mechanize the clean up of the back log. The NEAC has also put measures in place regarding staffing to address the back log. The NEAC staff will be working 9 hour days and Saturdays. In addition, more resources in the form of contractors are being brought on. 1/5/10 An RCA discovered two issues, 1 - the interface between EASE and SUDS for changes was submitting 2 orders (out/in), however, directory only orders wanted 1 order. System was then sending these orders to be manually worked, thus creating the backlog. The fix for this was put in place the night of 1/4/10. 2 - there was missing or bad data on order. CTL team worked to identify primary errors and Bus rules were put in place also on the night of Jan 4. CTL will send a list of those fixes to Cox. List was sent on Jan 6. continued see below
7	Directory Listings are stuck in FOC (cont)	Mike Norton	Closed	1/8/10 Due to EASE enhancements, orders are now processing quicker. Edits continue to be put in place that will ensure errors do not occur downstream that have caused delays in processing orders. Change on 1/7 pushed FOC task behind Directory System update task. This may increase the FOC time. Any order that has errors will not be FOC'd. This should make the orders more manageable. Cox will not be sent the FOC until the order can be worked.The order will stay in "sent" status. Cox questioned how long they should wait before calling to check - 24 to 48 hours. Backlog continues to be decreasing, however CTL could not provide a date as to when it will be current.1/14/10 backlog is being worked on. NEAC has two analysts dedicated to work. Lots of investigation in several systems is required. Work will continue. Cox is still seeing some Dec and early Jan orders still in confirmed satus. Samantha will send list to CTL. 1/19/10 backlog is decreasing. Cox would like CTL to use their list to cancel the ones indicated. CTL is concerned that without investigation an error could occur. Cox is concerned that due to the age, there may be orders placed since the backlog that negate the original request. CTL will use Cox's list to look first at the cancels. 1/22/10 Backlog is decreasing. CTL tried to use list Cox provided, but due to Pons being in various stages it was more time consuming. Cox is seeing some improvements, but still have 12 orders from 12/30. Added OCN 1802 and 7193 to the two analysts that have been designated to work on 215A. continued see below 1/27/10 backlog is now current. Oldest date is 1/15 & 1/20. 50 directory orders are in confirmed status. Cox agrees. This issue appears to be resolved. Keep on report for 1 more week to make sure. 2/4/10 Cox is seeing about a 4 day lag time. They would like to see a 24 hour response. EASE should be processing simple DA & ports right away. If manual order, then about 1.5 days.The NEAC has a team looking at to ensure no lag time is occurring. 2/10/10 Cox is seeing a backlog from 2/9, CTL does not see it. Mike D. Will get with EASE team and then Cox team to ensure they are all looking at same thing. . ....continued see below

Cox Operational Issues Log - Closed Issues

Issue #	Issue	Owner	Status	Remarks
7	Directory Listings are stuck in FOC (cont)	Mike Norton	Closed	2/17/10 Cox is seeing about 200 orders that and in confirmed status from 2/1 through 2/12. Mike D. team continues to review all Pons that have not moved to completion. In most cases the orders have been worked. 2/24/10 This issue has been obscured by the x-visibility enhancement bring in the FTP pons into VFO. CTL is seeing about 5% of Pons for all CLECs falling into a manual que to be investigated. CTL is FOCing 93% to 95% of all pons within 24 hours. 3/3/10 CTL receives hourly reports to monitor the flow of the Pons. If a Pon is not moving to the next step, it is identified and investigated. CTL did experience a mapping issue on 3/1. An updated was made which resulted in corrupting orders flowing from VFO to orchestrator. The orders were not able to map. The affected orders were identified and fixed by IT. During call Mike N. pulled a report for current orders that were not flowing, and saw it may be a little high. He will check further. 3/10/10 SUDS Issue this week created an increase in orders that did not move to completion. The fix was put in place on 3/9. Orders will be re-processed on 3/10. Cox will run a report on 3/11 and send to Mike N. for review. 3/17/10 Cox is still seeing several orders not flowing to completion. Mike N. requested a new list to review. 3/24/10 Cox has seen a decrease in orders that are still open. CTL saw a decrease of about 25% over the past weekend. FTP processing was a problem on 3/23 and IT is working to complete orders that were dd for 3/23. 3/31/10 CTL is showing 68 as of this morning. Most are under 48 hours old. 4/7/10 Improvement continues. 4/21/10 same
8	No "wild card" for address validation	Mike Norton	Closed	12/01/09 EASE does not have a wild card for address validation. The information is pulled from other systems (SIG and Wilserve) that do not recognize the "wild card". However, a work around would be to use the pre-order screen and populate minimal information. That way alternatives will be returned as possibilities 12/02/09 Cox is saying that when they use minimal inputs, EASE does not recognize where the address error is. If EASE where to identify that the address direction, # or spelling was wrong, it would help them identify the correct address. I will pass this on to Mike as possible enhancements. 12/10/09 Cox passed on that the EASE does not recognize if the address is not a CTL served address as the IRES address validation did.
10	No Default with the trading partner	Mike Norton	Closed	120109 we can add this to our customer request for enhancements. In the meantime are your teams using the template functionally? 12/02/09 Cox is using the templates, but they were wondering why there isn't a default since the only choice is Embarq. If we could just add to the enhancement list. 12/03/09 As we integrate CenturyTel companies into CenturyLink, there will be more choices than just Embarq.
11	Remove case sensitivity	Mike Norton	Closed	12/01/09 This is part of the program. We will add to the customer request for enhancements list
12	We should be able to delete PONs from the list if they haven't been submitted	Mike Norton	Closed	12/01/09 Mike will need to check on this one 12/10/09 Tonya gave instructions on how to void a PON, however, the issue is that if Cox determines they want to void a Pon, they want to be able to reuse that sme Pon # is the 1st order is voided. For instance if Cox submits an order and there are errors, they void the Pon, then they are unable to reuse the sme Pon #. Tonya confirmed that once the order is submitted the Pon # is associated with the CLEC and cannot be reused. Christine/Tonya will check and see if this can be bypassed in any way. Cox also mentioned that they were not able to cancel a Pon after it was submitted. They will send an example. 12/14/09 Now that Cox is familiar witht he void function, this one is ok to close. Mike also reminded Cox that if they need to change an order they can do so by modifying the order.
13	Cox needs an automated version of CSR for error reduction	Mike Norton	Closed	12/02/09 Cox needs an automated version of CSR for error reduction - currently we do not have access to customers service records via FTP. each order has to pulled one for one. Cox would like to have a way to request this information via a EDI connection. 12/14/09 This change would require CTL to adopt the UOM standards for LSR. The EASE product has that capability. This would require a project and it is not on the radar for 2010. We can revisit this in 2010. 12/17/09 CTL is moving forward to provide this enhancement. It must first be be worked on the ASR side of EASE and then moved to LSR. ASR is expected in Mar/Apr 2009 time frame. LSR will be after that. 12/22/09 In progress 1/5/10 in progress 2/24/10 same 3/3/10 same 3/10/10 ASR is on track for April implementation. LSR is now being looked at. 3/17/10 LSR testing will begin soon. 3/24/10 same 3/31/10 same 4/7/10 this is expected to be completed in summer. 9/22/10 email sent to Cox to advise UOM is available and question if they wish to proceed.

Cox Operational Issues Log - Closed Issues

Issue #	Issue	Owner	Status	Remarks
14	<u>Cox is receiving an FOC for an LNP order so they move forward with the SV create</u>	Mike Norton	Closed	12/02/09 Cox is receiving an FOC for an LNP order so they move forward with the SV create - Cox does not agree with receiving a jeps after we have FOC. If we have FOC we continue on with the port request and create our subscription at the NPAC. 12/10/09 Cox is receiving jeps after FOC is provided. An example is a jep on LNP signalling. Cox fees this should be a reject not a jep. The industry considers this an error. 12/14/09 CTL is systematically looking at adding edits before the FCO so we minimize the orders that get to downstream apps after the FOC and get rejected. 12/17/09 CTL has a change scheduled for the night of 12/17. This change will push out 2 steps later for an FOC to be sent. This will reduce errors/jepps after FOC. 12/22/09 fix is in place. Cox is now seeing error codes without an explanation. They are preparing an email to send to Teresa. Teresa will refer to Mike N. and Tonya once it is received. 12/24/09 Cox provided examples and CTL is reviewing.1/8/10 Cox provided an example on the call of Pon # 47645474046A. After review it was determined that an analyst incorrectly completed the task. 1/14/10 no new issues. Closing.
15	<u>Response times on Directory. On 11/24 Cox was receiving FOCs for 11/16 & 11/17</u>	Mike Norton	Closed	12/02/09 Still an issue. These are orders that are submitted today, due today. EASE is pushing the dd out by 1 day. 12/10/09 Orders are still being pushed out at least 1 day and in some instances up to 3 days. 12/15/09 CTL is in the process of modifying the due date to return the current date for Directory Listings (req type J) orders only. We do not have a completion date yet. 12/17/09 CTL's IT group identified the root cause for the delay in processing PONs. When a Pon enters EASE their is a process of checking many items to determine next activity. This is done in a 10 min period. However, due to the # of checks required all could not be done in 10 minutes. Then when the next check occurred, rather than start where it left off EASE was going back to the beginning. (train example). A new design was done and is expected to be put in 12/17. The change will enable the check to pick up where it left off. It will also be able to eliminate unnecessary stops. (sme as # 7) 12/22/09 see update on # 7 . 1/14/10 comments being posted under # 7 - close.
16	<u>DD Sups (2) are being rejected</u>	Christine Foo	closed	12/3/2009 All Cox's DD supplements (SUP(2) are being rejected. ersion 01 was FOCed (RT(FS)) first. Subsequently we sent a supplement for a Due Date change in which we incremented the version and provided the new due date. Cox received an Error response (rejection) stating that sup 2 requires change in values for ver and ddd even though our supp request actually had a change in those fields. Even more puzzling piece to this is the remaining phrase in the message that states ALL OTHER FIELDS ARE PROHIBITED? Sup 1 (Cancel) request is accepted with the same file format. And so is Sup 3 (Other) 12/3/09 Mike indicated that CTL expects a patch from the vendor and that the Supp 3 work around is temporary. The patch should be received by 12/8/09 and then tested and implemented the weekend of Dec 12. Christine informed Cox that even though the Supp 3 orders are rejecting, the CTL DBO team is manually working them. Cox was not aware of this and needs to know when the orders are worked so that they can update the dd in their systems. Christine provided the email and tel # of the DBO team that works these orders. Cox can contact them to check order status . The telephone # is 1-800-578-2273 opt # 4 (for LNP). the eamil address is DBO-Request@centurylink.com. The 800 # is manned Mon - Fri 7am to 7pm (CST) and Sat 71m to 3:30 (CST) 12/7/09 Mike shared that the Supp 2 patch shold be in place by the evenining of 12/8 and Cox will be able to use by 12/9. There will be no delay for testing. Viki indicated that Cox had contacted DBO and they were unable to view the LSR and could offer no assistance to Cox. Christine advised that Cox should contact the NEAC with questions about orders because DBO can only provide information on the status of porting. 12/10/09 This appears to be working now. Teresa will confirm with Mike that fix went in ok. Mike confirmed that this has been fixed. 1/5/10 Moved issue back to open. Cox may still be having concerns on this one. 1/8/10 The SUP2 fix was put into production last night and should alleviate the Sup 2 issue on all new orders keyed in on 1/8 and beyond. 1/14/10 fix was done on 1/8 and Cox is not seeing any issues since that date. Keep issue open for 1 more meeting. 1/19/10 closed.
17	<u>Files not being picked up timely by CTL</u>	Mike Norton Christine Foo	Closed	12/3/09 Cox is noticing that files placed to CTL are not being picked up timely. On 12/2/09, Cox uploaded orders at 8:45 am (EST). Several hours later, CTL had still not picked up the orders. Cox contacted CTL and the file was picked up at 5:45 pm (EST). Christine advised there was a "glitch" which lead to the orders not being picked up. Mike will work with Chrisine on this. 12/7/09 Christine and Mike, do to other issues, have not had an opportunity to discuss this yet. They will provide an update on our next call. 12/10/09 Need update from CTL. 12/14/09 This was due to outages. This should not be an issue now. 12/17/09 no issues for now. 12/22/09 It appears no issues right now, however, until the other issues regarding responses are resolved we will not know. 1/14/10 Cox is not seeing any issues. Closing

Cox Operational Issues Log - Closed Issues

Issue #	Issue	Owner	Status	Remarks
18	Name Validation (1)	Mike Norton Christine Foo	Closed	12/3/09 Christine stated that CTL needed to validate on name in case it was a multi-location customer. Cox responded that it would be appropriate to validate on # not name. Mike and Christine will work on getting more information on this item. 12/7/09 Mike and Christine have not had a chance to discuss whether the delete parameters should be changed so that EASE validates based on telephone number instead of name. 12/15/09 CTL validates on # first and then name. This ensures we do not make a change to a line incorrectly in the event a TN is mis-keyed. The less info we validate against the higher the risk of making a mistake. 12/17/09 Cox understands CTLs reason for the edit, but feels that if they make a mistake and disconnect a customer that is on their side. Mike N. will check internally to see if this edit can be relaxed. 12/22/09 This request is being looked at. CTL needs to determine the impact this change would create for all CLECs. 1/14/10 After careful review and comments from other CLECs CTL has decided to keep the edits as is. Some CLECs, like Cox in are ok with CTL removing this edit, but other CLECs wish to keep the edit. As long as there are some CLECs that wish to keep the edit, CTL cannot remove the edit for Cox. We will keep this issue open for 1 more meeting.1/19/10 closed.
19	Name Validation (2)	Mike Norton Christine Foo	Closed	12/7/09 Viki also raised an issue where in addition to validating problems with initials, names with numbers in them are being excepted/completed in EASE, then being rejected downstream by the directory team at CTL because the Place Listing As (PLA) field is not complete, however Cox did populate this field. Christine will review this. 12/14/09 CTL is in the process of modifying the Name value with initials. The business rule has been created and tested. We hope to deploy this week by 12/16. 12/17/09 The initials issued is now fixed. The PLA issues is still open. The trouble is one of the top 10 that IT will be working. Christine has escalated it internally. 12/22/09 Tonya will provide an update on 12/23. 1/14/10 Christine will need to check on this one.1/19/10 testing being done. 1/22/10 ticket had to be reopened. Christine is working on this. 1/27/10 Trouble shooting is being done. New code is also being tested with the trouble shooting. 2/4/10 IT group is working on. 2/09/10 SUDS IT team is troubleshooting the issue. 02/17/10 same. 2/24/10 IT has identified that certain fields are being overlayed when a required order is being created. They are working on identifying what is causing this to happen. 3/3/10 The cause as not been identified. IT has put some more intrusive diagnostics into the code to troubleshoot the issue. 3/10/10 Orders are flowing to SUDS. Identified during a test that one of the fields is not populated in the SUDS/Test. EASE IT is checking with the SUDS IT team. 3/17/10 order is bein created correctly in SUDS & SOE, just not porting correctly. More testing is being done. 3/24/10 testing has been successful and the fix will be put in place during maintenace window on April 1. 3/31/10. This is scheduled for April 10. 4/7/10 This will be deployed on Thursday (4/8) night and be available on Friday (4/9). 4/15/10 confirmed fix did go in on 4/8. 4/21/10 Cox is not seeing any issues. Close issue
20	911 Records	Mike Norton	closed	12/10/09 As we've mentioned, since transitioning to EASE there are delays in receiving completion records for our LNP orders. This in turn has increased the number of 911 errors we receive on a daily basis from 40 per day to over 100 per day (more than doubling). The error specifically is that after we receive FOC and activate the order in the NPAC, Centurlink is not completing the order in a timely matter and therefore the 911 record is not unlocked. Because it is not unlocked, we cannot update the record. Therefore if the customer has moved at the same time that they've transferred service to Cox from Centurylink, the PSAP will not have the customer's new address information. This obviously is a grave concern and tremendous safety risk. 12/11/09 CTL confirmed that this is not an EASE issue. A back office system release unrelated to either Wholesale or EASE took place over the weekend. We identified yesterday(12/10/09) that this release caused SOE orders to not be updated correctly and therefore not complete, this inadvertently caused the EASE order to not complete as well. The problem started on 12/7. A fix has been created and was tested yesterday and will be put in tonight (12/11). CTL is manually correcting the orders and Cox has provided a report of those numbers that need to be unlocked. 12/14/09 Fix went in on 12/11. Vendor worked on order over the weekend and all should now be completed. Cox is seeing 911 records going through fine. 12/17/09 Cox is not having any issues with this item. We will close this issue.
21	Directory - OCN Field	Dallas James Tracy Rodebush	Closed	12/10/2009 Cox was questioning the status of relaxing the OCN field. Aimee with Cox had been speaking to Tracy at the NEAC about this issue. Teresa will follow up and get an update. 12/17/09 The OCN field has been relaxed. We will close this issue.

Cox Operational Issues Log - Closed Issues

Issue #	Issue	Owner	Status	Remarks
22	EASE Load Status	Christine Foo	Closed	12/10/09 Cox for OCN 1802 & 7193. When they pull up the status, they are only seeing the Las Vegas OCN (215A), however when they pull up the order is shows the correct order. Need to have someone look at this. 12/15/09 Mike questioned if Cox has a filter set up on this? 1/5/10 This may or not be an issue. Cox sent an email on 1/5 asking CTL to ensure that listings for FL or KS were not appearing on the NV ban. Email was sent to Mike N.'s team to investigate. 1/15/10 A conference call was held betweeen Cox and CTL. Erin demonstrated the issue to Christine. 3 items were identified that need to be researched by CTL. 1. Why is the CCNA on the Responses showing the Parent (215A) and not the OCN that the PON was submitted. 2. determine who sent Cox the report, when and why the report is listing all service order activity under 215A. 3. verifity that the 3 OCN #s (215A, 1802,7193) are billing on separate bans by state. 1/18/10 Christine confirmed the CCNA on the Responses will always be the ESP's CCNA, and not the OCN. In this case, the ESP's CCNA for OCN 1802 and 7193 is 215A. Also verifed Dec invoice and did not find any billing of FL or KS on the NV ban. CTL will check again on the Jan invoices. 1/19/10 a conference call is being set up for Jan 25 to discuss options for Cox to create separate parent OCNs. 1/22/10 conference call still on for 1/25. 1/27/10 conference call was held on 1/25. Tonya advised Cox that she could separate each code to be a parent. However, the history would not be available. Cox's biggest concern is tha tbilling remain separate for the three OCNs. CTL has verified the Dec bills and the billing is separate. Teresa is working on validating the Jan bills. Once this has been done, a new meeting will be scheduled to go over the results. 2/4/10 Teresa is still reviwing bills and so far has not found any instances of x-billing of states. Due to a Bill cyle change in Jan, the review is moving slowly. Cox did say that as long as billing is not mixed by state, then it will be ok to keep OCNs as is. 2/10/10 Review is complete and no cross billing occuring. Ok to close
23	Jepp Report Request	Mike Downey (NEAC)	Closed	12/14/09 Cox receives a Jep, Reject and No Fac report out of IRES today. They are requesting the same report out of EASE. 12/15/09 CTL is working to create a report. 12/17/09 Mike Downey's team is working on this report request. There are still some items that need to be worked out before we have a good report that we can share. 12/22/09 CTL is working on report. An internal meeting is being held today. Teresa will provide an update on 12/23. 1/14/10 Mike D. will check on this one. 1/19/10 report is still being worked on. May not be able to create in EASE the resport that CTL provided in IRES. 1/22/10 Mike D. and team is working on report. 1/27/10 The report is close to being done enough to present to Cox. Right now CTL is separating by state. 2/4/10 Report is close to being done. 2/10/10 working on. 2/17/10 same. 2/24/10 Draft report should be ready by this afternoon. 2/25/10 Draft report sent to Cox team for comments. 3/3/10 Cox provided comments back and CTL is working on those suggested changes. 3/10/10 a revised report was sent to Cox for comments. 3/17/10 Cox accepted report. CTL is now sending daily to Cox. Close issue? 3/24/10 ok to close
25	Generic Errors in taps received by EASE	Mike Norton	Closed	1/19/10 Cox is receiving generic erros on their orders. They first saw this in late Dec 2009. Cox is looking for more specific codes to help them identify the jep reason. This is forcing them to call the NEAC for more information. Cox thinks a fix of some type was put in about a week ago, but they are still seeing. 1/20/10 cox provided examples. 1/21/10 ticket, E389373 opened for this issue. CTL will be deploying a rule change on Friday evening 1/22/10 and it will be available on 1/23/10, which will also resolve this issue. 1/27/10 Rule was deployed on 1/22/10. Cox is not seeing any issues at this time. Keep issue open for 1 more week. 2/4/10 Cox is seeing the generic description, but they are also seeing additional information on the reason text. Christine is working on putting further description in the remarks section. 2/9/10 Testing completed and it will be targeted for implementation this week. We will be copying the Rdetail message and placing it to the Remarks fields in the FTP/Response file. 2/17/10 This was deployed on 2/12. 2/17/10 Orleans is seeing the remarks, Heather will also check. Close issue on next call if no more issues. 0224/10 No more issues, agreed to close.
28	Unable to Use ADI field on Record Changes (ACT C)	Tonya Woods Christine Foo	Closed	3/3/10 Cox is unable to send a record changes on a listings changing from published to name only. They receive an error message, "ADI is not valid when LACT="O", "D", "Z" Tonya responded back to Erin, however, additional questions were brought up. Christine tried to address during call, but agreed to work with Erin off line. 3/8/10 Christine is investigating why this error is occurring. 3/10/10 Issue has been sent to the Rules team to investigate. 3/17/10 Christine will be meeting with Tonya next week to determine a course of action. 3/24/10 The business rule has been updated and is in testing now. 3/31/10 Fix is in production. Worked on 3/26. Cox was not aware it was fixed. They will provide an update next week. 4/7/10 Cox will test and provide an update. 4/21/10 Cox is not seeing any issues. Ok to Close

Cox Operational Issues Log - On Going

Issue #	Issue	Owner	Status	Remarks
2	Viewing FTP pon's in the GUI	Mike Norton	On going	12/01/09 EASE does not have the ability to view in GUI if request was sent FTP. This is the same in EASE ASR and LSR. Since this is not a defect of the EASE system, an enhancement would be required to create this function. Unfortunately due to the cost, an enhancement is not planned at this time. **12/3/09** Cox is very concerned with CTL's position. Although during design of EASE, the customers that CTL asked did not feel a need for this, Cox does feel it is necessary and were concerned that their input was never requested. Cox argues that EASE is supposed to be an improved tool, however, without order visibility, it is a gian step backward for Cox. Mike and Teresa will work together and see if movement at the executive level can be made. **12/7/09** Mike met with the Director of Wholesale Operations and explained Cox's position regarding order visibility. Based on the additional information, Mike has been authorized to obtain a cost estimate from the vendor to create an enhancement for this functionality. If the cost is reasonable, then CTL will be able to move forward and on the enhancement. **12/10/09** Mike had to drop from the call. Teresa shared that he has met with the vendor, but she did not have any other information. Mike will provide update on our next call. **12/14/09** Mike advised that CTL is moving forward on this change and will cover the funding of the enhancement to EASE. Normally a change of this magnitude takes 180 days, however CTL has requested expedite. Testing should take place the first weekend of Jan 2010. CTL hopes to implement sometime in Jan 2010. In addition to view, the enhancement will also give the ability to update. **12/17/09** this is still on track. **12/22/09** still on track. **1/5/10** Testing is complete. Will begin beta test with Cox week of Jan 11. Samantha Walker and Heather Schon will be contact points at Cox for 215A. Christine Foo will contact them to begin testing. **1/11/10** 1st meeting with Cox. **Continued...see below**
2	Viewing FTP pon's in the GUI (Cont)	Mike Norton	On going	**1/14/10** Code is being worked on based on Cox's comments from 1/11 call. Cox is also asking for a list of the 5 fatal errors that will not be seen, Christine has sent a request to IT for them. Christine is working on errors that cannot be seen in VFO."D" orders will not be there. The system will need enhancements for this function. The SOE order # cannot be seen in EASE. Cox can use the Pon # or tel # as a reference.**1/19/10** Christine will provide update on next call. **1/22/10** testing identified 1 defect. On target for end of January. **1/27/10** Will implement the weekend of 1/30. Christine will get with Cox on Monday, Feb 1. As a reminder, if and FTP Pon has a hard reject, Cox will not be able to view in VFO. This type of reject is communicated by email to Cox (Navarrow & Babu). **2/2/10** Conference call was held to view the x-visibility enhancement. Cox is now able to view in VFO any orders submitted via FTP as of 2/1 and have not received an error. The enhancement is not fully what Cox expected. They are still not able to view orders with errors. This creates a huge concern for Cox. Christine was not sure when the error feature would be enhanced, but she will discuss with Mike Norton. Cox also provided a pon they were not seeing, Christine will also research that issue. **Continued...see below**

Cox Operational Issues Log - On Going

Issue #	Issue	Owner	Status	Remarks
2	Viewing FTP pon's in the GUI (Cont)	Mike Norton	On going	2/4/10 Cox is seeing LNP orders with errors. Tonya will look and see why. CTL did not expect this outcome. Cox would still like to see all errors. 2/9/10 Christine reviewed this the other day and found that if the PONs error in ORCH they are viewable via VFO by Cox.These are normally errors that the NEAC will resolve. If the PONs error in Exchange Path (gateway) they are not viewable via VFO by Cox as the system does not recognize this as a good order yet. Normal flow is VFO to EP to ORCH. 2/10/10 Cox is not able to view errors they were able to see on the first couple of days. Cox will only be able to view errors that are in CTL systems. A Fatal error they will not be seen. CTL realizes that Cox wants to see all errors and will look to see what can be done. 2/17/10 Cox is unable to see Directory Pons submitted via FTP as of Feb 8th. Tania provided a few examples to Christine to look at. 02/24/10 Cox is seeing a large number of FTP orders from 2/8 through 2/16. Still in Beta testing with this new x-visibility function. Currently working to address that the date on the received record on FTP Pons that is not populating in VFO. This issue does not affect the actual order, just the view in VFO. Mike N. will update with email when resolved. 3/3/10 Testing continues. Status is now current on viewing Pons. Cox is concerned that the full functionality they had in IRES is not ready yet in EASE. Specifically the ability to view all levels of errors. 3/10/10 Goal is to get enhancement working as designed by end of March. There are a couple of defects being worked on. Other enhancements are being evaluated for costing and timeline. IT is looking at it now. 3/17/10 A vendor patch is in testing for a 3/26 implementation date. Fix will update status correctly and fix the send record side data applied. After fix will be able to use from and to dates on filters. 3/24/10 First fix to correct the send record side was put in place early this week. Orders can now search by day. The second fix which is to update the status is scheduled to be tested on 3/29. 3/31/10 Tonya will check 4/7/10 Tonya is checking 4/15/10 Second fix for status was completed on 3/30. The only remaining items is the ability for Cox to correct errors. Cox's requests for enhancement are on an overall list for enhancements, however, due to resources, CTL is not sure when the enhancements can be worked.
3	GUI slow response time	Mike Norton	On going	12/01/09 CenturyLink is not seeing a slow response time nor are other users. Has your IT group had an opportunity to check for security or firewall issues that may be causing the slow down? CenturyLink does not have a "pop up". Mike was thinking this may be on your machines or part of Cox's internal security measures. If you find out more information on this, please let me know and I can re-address with Mike. 12/02/09 Cox is requesting that CenturyLink provide system requirements for running EASE. They are still experiencing long wait times when going from screen to screen. Cox is seeing this in all of their regions. Sent email to Mike Norton. 12/10/09 Cox is still seeing a slow response time. Tonya Woods was on the call and has they systems document. She will send to Teresa and Teresa will send to Cox. 12/11/09 document sent to Cox team. 12/14/09 The document that CTL provided really is not giving Cox what they need. It is too high level. Mike suggested doing a live meeting so that the CTL could observe the slow response time. This meeting is set for 12/17. 12/17/09 A live meeting was conducted with Cox and CTL. CTL did observe long wait times and instances of time outs occuring. CTL will now work with IT and review the sessions that were observed. 12/22/09 IT is looking at this. 1/5/10 CTL continues to make enhancements to EASE to lessen response time. Cox is seeing a slight improvement. Cox shared they are seeing time outs on large business customers. Mike N. stated that CTL was seeing that large business customers were being timed out. An edit was put in place to limit the # of lines that can be preordered to 200. If the business has more than 200 lines, then multiple orders will need to be placed and related.1/8/10 orders are processing quicker through EASE. CTL continues to make improvements that will increase performance. . Continued...see below

Cox Operational Issues Log - On Going

Issue #	Issue	Owner	Status	Remarks
3	GUI slow response time (cont)	Mike Norton	On going	1/14/10 Cox is seeing an improvement in EASE performance. It still is not as fast as IRES was. They are still pulling the CSR from IRES due to EASE being so slow. CTL continues to make enhancements to EASE both by equipment and by design. More memory is being added to the servers next week. 1/19/10 Cox has seen some time out issues on 1/18 & 1/19. This could have been due to the server issues. 1/22/10 CTL experienced performance issues earlier in the week related to memory condition. Additional memory has been ordered and is expected to be installed over the weekend. Basically doubling memory on all servers 1/27/10 due do technical issues, the memory was not installed last weekend. It will be installed this next weekend (1/30) 2/3/10 The memory upgrade is still on hold due to technical problems. CTL is working with the Vendor to resolve the issue. Tenative memory upgrade is for weekend of 2/6. 2/9/10 Memory upgrade went well over the weekend. Memory was doubled on all LSR servers. We also modified the indexing on the tables. 2/10/10 Cox is still seeing some slowness. 2/17/10 Cox at times will see some time outs and slowness. CTL continues to work on enhancements to ensure the reaction time is reasonable. The volume of orders in EASE has increased 30% - 40% and 97% of all Pons now flow through EASE. An Edit has been placed in EASE to not accept orders due dated after 2/27. Cox is concerned about orders over 200. Mike N. will check status on this issue. 2/24/10 Cox has seen more time outs. CTL has observed that some of the servers have been going down. Investigations are under way to determine the cause. Continued...see below
3	GUI slow response time (cont)	Mike Norton	On going	3/3/10 Improvements are ongoing. CTL suggested closing this issue. Cox requests some type of SLA. They still see load times anywhere from *20 to 60 seconds* and overall the response is slower than IRES was. 3/10/10 No SLA for specific screens. For Pre-order and other responses, SLA is measurements already in place for LCUG. Cox Regulatory *group is aware of those* measures and CTL will work to ensure response times are in compliance with LCUG. 3/17/10 One more performance upgrade in test environment. After complete an internal audit will be done to determine if EASE is meeting performance measurements. 3/24/10 status same 3/29/10 CTL IT has identified a area of improvement in the preorder inquiry that can be re-engineered and improve response time. This issue is now being worked on. 3/31/10 CTL is working on the code to improve times for both LSRs and Preorder. 4/7/10 CTL continues to evaluate functions and make fixes where necessary. This will continue ove the next year as system consolidations are completed in each market. Back Office Systems are also being reviewed. 4/15/10 IT continues to look at ways to enhance system. 10/21/10 Modifications in the front end was put in place the a week ago. CTL is seeing better response times. Cox confirmed that they too are seeing pre-order coming back quicker, but still not as quick as what IRES was.

Cox Operational Issues Log - On Going

Issue #	Issue	Owner	Status	Remarks
9	Customer or address validation information is spread out - too much white space	Tonya Woods	In progress (low Priority)	12/2/09 Cox's concern is that the information can not be viewed on 1 screen. They must page right or left, up or down to see the entire record. This combined with the slow response time is creating frustration for them. 12/14/09 CTL and Cox will be having a Live Meeting call on Thursday and will discuss this item. 12/17/09 a quick live call was held immediately after the group call. Tonya W. observed that a full page was not displaying and she did see the white space. She will put in a change request. However, she was not sure how quickly it could be completed. 12/22/09 Tonya is working on it. 1/4/10 ticket (E 367110- VFO) has been opened. 1/5/10 Vendor is still looking at this. 1/14/10 in progress. 1/19/10 in progress. 1/22/10 No response from Vendor yet.1/27/10 Vendor presented Tonya with a bypass that she was not happy with. The vendor is working on a new solution. 2/4/10 Tonya reported that Cox can reduce white space by chagning the resolution. Perhaps this will make screen esier to read. Tonya is still working with the vendor to see if/when something more can be done. Cox will see if changing the resolution helps any. 2/09/10 Vendor continues to recommend modifying the resolution on the PC. We have moved this to a lower priority until other more important issues are resolved. We will continue to provide updates if we have them. 2/17/10 same. 2/24/10 same 3/3/10 same 3/10/10 same 3/17/10 same 3/24/10 same 3/31/10 same 4/7/10 same. 10/21/10 Project is ongoing. CTL is waiting on financial estimate. Redoing address validation by end of year. Business logic will be imporoved to have address information in row format. Address will be pre-populated from pre-order information. There will also be radio buttons next to each row and will pre-populate into the order. 10/26/10 Enhancement is scheduled to be put in place sometime Jan 2011.
24	Directory Orders - Sup 1 & Sup 2	Mike Norton Tonya Woods	on going	1/14/10 Cox cannot sup any directory to cancel or change dd. 1/19/10 Mike N's team is investigating. 1/22/10 Cox requested that until this is fixed if Cox could send a list of cancels to CTL to cancel right away rather than wait for the auto cancel to occur. Mike N. said yes. Once CTL receives list, a scrub will be run. A meeting is scheduled for 1/25 to review policy. 1/27/10 Mike shared that a meeting was held to review policy and it was determined that the current policy of not allowing a change on a directory order would continue. Cox explained that in IRES they were able to sup to cancel a pon that had errored. Tonya will check to see if EASE could be enhanced to allow a CLEC to sup to cancel a pon that has errored and has not been clairified yet. 2/4/10 Tonya is still investigating. 2/10/10 Still looking at. 2/17/10 working on it. 2/24/10 As long as downstream portion has not been done, Cox will be able to cancel Pon. 3/1/10 Cox is unable to cancel any DL order in error or jeopardy status, they were able to do this in IRES and would like the same capability in EASE. 3/10/10 CTL is working on list or orders to cancel on Cox's behalf. An enhancement is being developed to allow Cox to cancel orders in jep & fatal reject status. No schedule yet. 3/17/10 Tonya will provide update next week. 3/24/10 Tonya was not on call. Teresa will get update from her. 4/7/10 CTL still looking at an approach. 04/30/10 Tonya was not able to be on the call. Mike Norton will get an update from her and send to Cox team next week. 5/14/10 Due to timing and the cost it would take to enhance SUDS for a fix on this issue, this issue will be corrected when NV is converted to Ensemble in Sept 2010. A fix in SUDS would not occur until 2011. 10/26/10 Tonya Woods is working on testing now.

Cox Operational Issues Log - On Going

Issue #	Issue	Owner	Status	Remarks
26	Inserting Main (LML) listings with Additional Listings (LAL)	Mike Norton	In progress	**1/19/10** when attempting to insert a main (LML) listing with additional listings (LAL), the PON completes but the preorder shows only the last LAL replicated with no main listing. After noticing this, Cox called the NEAC and were told that this was a known issue and that while there was no ETR, there was a work around of submitting each main listing and additional listing separately. Cox has taken action on all additional listings using the work around to ensure customer satisfaction so they can not provide examples. Cox submitted 7023951800IIG with a main listing and 6 additional listings all with separate Pons. Cox is requesting the same ability in EASE that they had in IRES. **1/22/10** Mike N. requested that a meeting be set up to fully discuss this issue. Meeting set up for 1/25. **1/25/10** Call was held with Cox and CTL. Due to Cox doing the work around, no examples were available. Cox will send a couple of Pons through not using the work around and provide the Pon #s to CTL. Pons were sent through and Tonya W. agreed to investigate. **1/27/10** Tonya has been researching this issue but does not have an answer yet. She will provide an update next week if not before. **2/4/10** Issue has been identified and a code fix will be deployed 2/13. The fix will be on orders going forward. **02/17/10** Testing is being done on the fix. **2/24/10** Enhancement is scheduled for weekend of 2/27. . **....continued see below**
26	Inserting Main (LML) listings with Additional Listings (LAL) (cont)	Mike Norton	In progress	**3/3/10** Due to issues encountered during testing, this enhancement has been rescheduled for 3/12. **3/17/10** Tonya will provide update next week. **3/24/10** Tonya was not on call. Teresa will get update from her. **3/31/10** The previous fix failed testing. IT is researching. **4/7/10** a new approach was coded and is in testing. Should know more by next week. **4/15/10** Testing on new approach failed. Tonya is researching other approaches. **04/30/10** Tonya was not able to be on the call. Mike Norton will get an update from her and send to Cox team next week. **5/14/10** Due to timing and the cost it would take to enhance SUDS for a fix on this issue, this issue will be corrected when NV is converted to Ensemble in Sept 2010. A fix in SUDS would not occur until 2011. **6/3/10** Cox questioned when KS and FL will be fixed/addressed. Teresa will check with the EASE team

BEFORE THE ARIZONA CORPORATION COMMISSION

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

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

DIRECT TESTIMONY

OF

JEFF GLOVER

ON BEHALF OF

EMBARQ COMMUNICATIONS, INC. D/B/A/ CENTURY LINK

COMMUNICATIONS EMBARQ PAYPHONE SERVICES, INC. D/B/A/

CENTURYLINK, AND

CENTURYTEL SOLUTIONS, LLC

MAY 24, 2010

EXHIBIT
tabbies
CTL-1
ADMITTED

Table of Contents
Direct Testimony of Jeff Glover

Page

I. IDENTIFICATION OF WITNESS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

A. I am employed as Vice President - Regulatory Operations & Policy for CenturyLink, Inc. ("CenturyLink" or the "Company").

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND, WORK EXPERIENCE, AND PRESENT RESPONSIBILITIES.

A. I hold a Bachelor of Science degree in Management from Louisiana College and a Masters of Business Administration degree in Finance from Louisiana Tech University. From 1996 to 2001, I served as Vice President of Investor Relations for CenturyLink, where I was involved actively in managing the Company's interactions and communications with the capital markets, as well as participating in the capital raising process. Prior to joining the Company, I worked for more than six years in the electric utility industry for Central Louisiana Electric Company, Inc. ("CLECO"). While at CLECO, I worked initially in Generation Planning, calculating the revenue requirements needed to fund the construction of electric generation facilities. Subsequently, for five years I served as CLECO's

Cash Manager in the Corporate Finance and Treasury Management group. In this capacity I managed the daily financing needs of the company as well as working on capital raising activities such as long-term debt placement, negotiating revolving credit facilities, and managing the company's ESOP. My background also includes an appointment to the faculty of Northwestern Louisiana State University, where I taught courses in economics and finance. I have obtained the Certified Cash Manager Certification from the Association of Financial Professionals. I also have represented the Company before the Federal Communications Commission ("FCC") and various state regulatory Commissions.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I am testifying in support of the Joint Notice and Application for Approval of Merger ("Application") filed with the Arizona Corporation Commission ("Commission") on May 13, 2010, by certain subsidiary corporations[1] of CenturyLink, Inc.[2] ("CenturyLink") and certain subsidiary corporations[3] of Qwest Communications International Inc. ("Qwest"), for the merger of their parent

[1]The CenturyLink subsidiary corporations named in the filing are Embarq Communications, Inc. d/b/a CenturyLink Communications, Embarq Payphone Services, Inc. d/b/a CenturyLink, and CenturyTel Solutions, LLC. It is my understanding that these subsidiaries are "public service corporations" under Arizona law.
[2] CenturyLink, Inc. was known as CenturyTel, Inc. as of the date of the Application.
[3] Qwest Corporation ("QC"), Qwest Communications Company LLC ("QCC") and Qwest LD Corp. ("QLDC"). It is my understanding that these subsidiaries are "public service corporations" under Arizona law, and are each a "public utility" under the Arizona Affiliated Interests Rules (A.A.C. R14-2-803 et seq.).

corporations CenturyLink and Qwest. My testimony will provide a detailed overview of the financial characteristics of the combined parent company arising from the proposed transaction. Further, my testimony will support and demonstrate that the combination affirmatively creates benefits for customers and the State of Arizona, meets the requirements of the Commission's Affiliated Interests Rules, and is in the public interest.

Q. ARE OTHER WITNESSES FILING DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes. I have reviewed the testimonies of Kristin McMillan and Todd Schafer, representing CenturyLink, and James P. Campbell, representing Qwest, all of whom provide detail about other factors that support the proposed merger of CenturyLink with Qwest. My testimony complements those testimonies by providing additional information regarding important financial factors about the two companies and the proposed combination.

III. EXECUTIVE SUMMARY

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. CenturyLink and Qwest announced on April 22, 2010, the two companies' agreement to merge. From a financial perspective the all-stock transaction is compelling for a number of reasons: (1) no new debt or debt refinancing is required based on the borrowings at the time of the announcement[4]; (2) the transaction is a straightforward stock-for-stock combination that does not involve any financial or tax-structure complexities (e.g., Reverse Morris Trust) similar to those employed in certain recent transactions; (3) the combined company will have increased financial resources to reduce debt with the flexibility to dedicate capital in response to business opportunities, and to support ongoing capital investment; and (4) the combined company will have what we believe will be investment-grade credit characteristics based on solid debt coverage ratios, sufficient liquidity, and a manageable debt maturity schedule. The decision to merge is based on a compelling financial rationale and the public interest benefits that flow from the proposed merger. My testimony, therefore, will highlight factors which show that this combination should be approved under the financial standards required by the Commission's Affiliated Interest Rules, because the financial status of the "public utilit[ies]" and their ability to attract capital at fair and reasonable terms will not be impaired. Further, my testimony will demonstrate that this combination is in the public interest. Specifically, I will testify regarding three general subjects:

1. The financial profile of the two individual companies, as well as the merged company, at the corporate parent level;
2. The financially-based affirmative benefits of the proposed transaction; and

[4] Qwest does have a credit facility that includes a change of control provision, but no funds were drawn against that facility at the time of the announcement.

3. Specific financial characteristics of the merged company, including the rationale for a stock-for-stock transaction, the expectations for a strong and improving balance sheet, opportunities for meaningful cost savings due to enhanced scale and efficiencies, and the expected uses of the merged company's annual cash flows.

Q. PLEASE PROVIDE A FINANCIAL OVERVIEW OF THE TRANSACTION.

A. As of December 31, 2009, CenturyLink and Qwest served local telecommunications markets as incumbent carriers in 37 states. The combined companies served approximately 17 million access lines, approximately 5 million broadband subscribers,[5] and more than one million enterprise customers. At year-end 2009, the combined company had pro forma revenues of $19.8 billion, earnings before interest, taxes, depreciation and amortization ("EBITDA") of approximately $8.2 billion, and free cash flow (cash flow available after all cash operating expenses and capital expenditures),[6] excluding any estimated synergies, of $3.4 billion.[7] With 2009 pro forma combined net leverage of 2.4 times before

[5] *See* CenturyLink and Qwest Merger Conference Call, April 22, 2010, [hereafter "Merger Conference Call"]; slide 8; available at http://www.centurylinkqwestmerger.com/downloads/presentations/Investor%20Presentation-4-22-10.pdf. Select slides from the Merger Conference Call are referred to throughout this testimony. They have been reproduced and attached collectively hereto as Exhibit (JG-1). References to individual slides will refer to them by their original slide number.
[6] *Id.*, slide 8. As indicated in Note (a) on the slide, "CenturyLink free cash flow [is] calculated as net income + D&A – capex. Qwest free cash flow calculated as net income + D&A + deferred income tax – capex."
[7] Merger Conference Call, slide 8.

synergies and 2.2 times after run-rate estimated synergies (both ratios calculated excluding one-time integration costs),[8] the merged company is expected to have one of the strongest balance sheets in the U.S. telecommunications industry. The transaction is expected to be accretive to CenturyLink's free cash flow at closing, excluding one-time integration costs. The merged company is projected in three-to-five years to have an estimated $625 million in annual run-rate operating and capital synergies.[9] Using 2009 pro forma financials, the merged company would have had a reasonable 45% 2009 pro forma dividend payout ratio.[10] The combined company will be committed to network investment and balance sheet improvement (debt reduction), and is expected to produce sufficient operating cash flows to fund a stronger and more competitive business, as competitive threats increase from national companies such as AT&T, Verizon, Comcast, Time Warner Cable and Cox Communications. The testimony will emphasize that CenturyLink is a proven acquirer of telecommunications operations and is capable of creating a strong combined company to serve its customers. In short, the proposed transaction will create a carrier with major scope and scale, and the financial resources and flexibility to provide high-quality communications services to customers and communities across the country.

[8] Merger Conference Call, slide 7. The one-time integration costs include operating costs of $650-$800 million, and capital costs of $150-$200 million to achieve synergies. See Merger Conference Call, slide 13.

[9] Merger Conference Call, slide 6.

[10] Merger Conference Call, slide 7.

IV. REQUIREMENTS OF THE ARIZONA AFFILIATED INTEREST RULES

Q. CAN YOU ADDRESS THE SPECIFIC FINANCIAL DISCLOSURES REQUIRED BY THE ARIZONA COMMISSION AFFILIATED INTEREST RULES?

A. My understanding is that from a financial perspective, the Arizona Affiliated Interest Rules, specifically A.A.C. R14-2-803(C), requires the Commission to determine whether the merger will impair the financial status of the public utilities, otherwise prevent them from attracting capital at fair and reasonable terms, or impair the ability of the public utilities to provide safe, reasonable and adequate service.[11] In connection with that standard of review, A.A.C. R14-2-803(A) requires certain financial information related to: (i) the proposed method of financing and the resultant capital structure of the holding company, (ii) the capital structure of the "public utility," (iii) changes in cost of service/cost of capital, and (iv) access to capital for construction of new plant and improvements to existing plant. I will address directly these in summary here, but note that more detailed information regarding each can be found later in my testimony. In terms of the transaction financing, the proposed merger involves a stock-for-stock exchange that will require no new financing or refinancing and will add no new debt to the combined company's balance sheet. Regarding the capital structure of

[11] The "public utilit[ies}" here, according to the definition in the Affiliated Interests Rules, are the Qwest operating entities which joined in the Application.

the operating subsidiaries, the transaction is structured in a transparent manner that results in no change in the operating entity capital structures. Specifically, Qwest will become a wholly-owned subsidiary of CenturyLink; the Qwest operating subsidiaries will continue to be Qwest subsidiaries; the operating entity balance sheets are not expected be affected in any adverse manner; and the operating subsidiaries will benefit over the longer term from the improved financial position and credit quality of the combined company. Due to its financial profile—significant scope and scale, strong cash flows, moderate leverage, investment grade credit characteristics, and expanded equity "float" (larger market capitalization and more shares outstanding)—the merged company should have improved access to capital on reasonable terms. More specifically, the merged company will have a stronger balance sheet, improved credit quality, and higher levels of free cash flow than those of pre-merger Qwest. In short, the proposed transaction will not result in an impairment of the financial condition of any of the operating companies and will over time improve (not harm) the companies' ability to attract and access capital on reasonable terms.

V. FINANCIAL PROFILE OF THE TWO INDIVIDUAL COMPANIES.

Q. CAN YOU PROVIDE A SUMMARY OF THE FINANCIAL CHARACTERISTICS OF CENTURYLINK?

A. CenturyLink, an S&P 500 company, is headquartered in Monroe, Louisiana. The Company's shares are publicly traded on the New York Stock Exchange under the ticker symbol "CTL." The newly-named Company was formed through the CenturyTel and Embarq merger. CenturyLink, through its wholly-owned operating subsidiaries, is a leading provider of communications services to consumers, businesses, and other carriers. Using its robust communications networks, the Company offers local and long-distance voice, wholesale local network access, high-speed internet, and information and video services in 33 states. As of December 31, 2009, CenturyLink provided incumbent local exchange carrier ("ILEC") services to approximately 7.04 million telephone access lines and 2.24 million broadband subscribers. CenturyLink also operates a fiber transport network that provides wholesale and retail fiber-based transport services in support of other carriers and retail customers. On a pro forma basis—assuming that CenturyTel and Embarq were combined for the full year ending December 31, 2009—the Company generated $7.53 billion in revenues and $3.80 billion in EBITDA, excluding non-recurring items. CenturyLink's net debt (total debt less cash and equivalents) at the end of 2009 was $7.59 billion, and its net debt-to-trailing (previous twelve months) EBITDA was 2.0 times. The Company had an equity market capitalization of $10.83 billion at the end of 2009,[12] resulting in an $18.43 billion total enterprise value (equity market capitalization plus net debt).

[12] Market capitalization is based on 299.57 million shares outstanding and a closing price of $36.21 on the New York Stock Exchange on December 31, 2009.

Q. CAN YOU PROVIDE A SUMMARY OF THE FINANCIAL CHARACTERISTICS OF QWEST?

A. Yes. Qwest is a Delaware corporation with its headquarters in Denver, Colorado. Qwest's shares are publicly traded on the New York Stock Exchange under the ticker symbol "Q." Qwest's ILEC subsidiary, Qwest Corporation ("QC"), serves wholesale and retail customers in the 14-state region of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming. As of December 31, 2009, Qwest had approximately 10.27 million access lines and 4.70 million video, broadband and wireless connections, including 2.97 million high-speed lines. Qwest has another subsidiary, Qwest Communications Company, LLC ("QCC"), which operates a national fiber-optic network and provides retail and wholesale data, interexchange and local services. In 2009, the consolidated operations of Qwest generated $12.31 billion in revenues and $4.42 billion in adjusted EBITDA.[13] Qwest's net debt at December 31, 2009, was $11.79 billion, and its net debt-to-trailing EBITDA ratio was 2.7 times. Qwest had an equity market capitalization of $7.19 billion at the end of 2009,[14] resulting in an $18.98 billion total enterprise value.

[13] In Qwest's quarterly earnings releases, the company reports adjusted EBITDA that excludes items not representative of its core ongoing telecommunications operations.

[14] Market capitalization is based on 1.707 billion shares outstanding and a closing price of $4.21 on the New York Stock Exchange on December 31, 2009.

VI. FINANCIALLY-BASED AFFIRMATIVE BENEFITS OF THE TRANSACTION.

Q. PLEASE DESCRIBE THE TRANSACTION.

A. On April 22, 2010, CenturyLink and Qwest announced a definitive agreement by which a wholly-owned subsidiary of CenturyLink will merge with Qwest, with Qwest becoming a wholly-owned subsidiary of CenturyLink once the transaction closes. In this stock-for-stock combination, Qwest shareholders will receive 0.1664 shares of CenturyLink stock for each of their Qwest shares, and CenturyLink will own 100% of the outstanding stock of Qwest.[15] No new debt financing will be required and, importantly, none of the debt outstanding at the time of the transaction announcement will require refinancing under change of control provisions.[16] At the consummation of the transaction, CenturyLink's pre-merger shareholders will own approximately 50.5% of the post-merger company and Qwest's pre-merger shareholders will own approximately 49.5% of post-merger CenturyLink.[17] The value of the transaction was estimated on the day of the announcement to be approximately $22.4 billion, reflecting a value of approximately $10.6 billion for Qwest's equity and including Qwest's net debt (total borrowings – net of unamortized debt discount, less cash, cash equivalents and short-term investments) of approximately $11.8 billion, as of December 31,

[15] Merger Conference Call, slide 6.
[16] *Id.*, slide 7; Qwest's credit facility does have a change of control provision; however, no funds were drawn on that facility at the time of the merger announcement, so the change of control provision will not result in any refinancing of debt outstanding.
[17] *Id.*, slide 6.

2009.[18] The stock-for-stock transaction structure is simple and easily understood, and does not involve any of the financial or tax-structure complexities or characteristics (e.g., Reverse Morris Trust) of other recent transactions. Such a transactional approach should allow policymakers and other interested parties to gain additional comfort that the combination is relatively straightforward.

Q. WHAT ARE THE BENEFITS OF THE MERGER?

A. CenturyLink and Qwest believe that there are numerous important benefits flowing from the proposed transaction, including:

- Enhanced service and product capabilities based on a national 180,000-mile fiber network, a strong product portfolio, and increased scale; expanded competitive offerings, including high-speed Internet, video, data hosting and managed services; as well as fiber-to-cell tower connectivity and other high-bandwidth services;
- Financial strength and flexibility, as the combined company's sound capital structure and free cash flows serve to position the merged company to respond to future opportunities, while permitting ongoing investment in the network, reductions of indebtedness, and appropriate compensation of capital providers; and
- Improved operating and capital efficiency through reductions in corporate overhead and the elimination of duplicative functions and systems.

---

[18] *Id.*

Q. CAN YOU PROVIDE ADDITIONAL DETAIL REGARDING THE FINANCIAL EXPECTATIONS FOR THE MERGED COMPANY?

A. Yes. First, using pro forma 2009 financials, before any expected synergies, the merged CenturyLink and Qwest would have generated approximately $3.4 billion in free cash flow[19] after all cash operating expenses and an estimated $2.4 billion in capital investment. Based on this level of free cash flow, after meeting all operating, capital and financial costs, the company expects to have approximately $1.7 billion in remaining cash flow that could be used for further debt repayment.

Second, CenturyLink and Qwest expect that the merged company will be able to create annual run-rate operating expense synergies of approximately $575 million, fully-recognized over a three-to-five-year period following closing. The companies also project annual run-rate capital expenditure synergies of $50 million, for a total expected increase of $625 million in pre-tax annual cash flow due to synergies.[20] Thus, if it were assumed that CenturyLink and Qwest had been combined in 2009 and full estimated run-rate synergies of $625 million were realized, the merged company would have generated approximately $3.8 billion of free cash flow after operating expenses and capital expenditures. Again, assuming the realization of synergies, the company estimates that, after all costs to run the business (operating, capital and financial), it will have approximately

[19] *Id.*, slide 8.
[20] Merger Conference Call, slide 6.

$2.1 billion in annual free cash flow that could be used to reduce debt and to further develop its business. Accordingly, the expected cash flows should provide increased flexibility for ongoing network investments, product development, and retirement of debt.

Q. WHY ARE SYNERGIES NEEDED AND HOW DO THE SYNERGY ESTIMATES COMPARE WITH OTHER TRANSACTIONS?

A. As competition increases, stand-alone ILECs such as CenturyLink and Qwest must become more efficient and gain additional scale to serve customers and, in fact, to survive in the marketplace. This transaction provides both companies the opportunity to gain important efficiencies, including scope and scale. CenturyLink has a proven history, based on significant acquisition integration experience, of realizing announcement-day synergy estimates while at the same time improving the focus on serving customers at the local market level.

The synergies are important and are judged to be realistic targets. The $625 million of estimated synergies is less than 8% of Qwest's cash operating expenses.[21] For comparison, the synergy estimates as a percentage of target company cash operating expenses are below 9%, which was the level of expected cost synergies announced when CenturyTel merged with Embarq. The synergy

[21] Qwest's 2009 revenues of $12.311 billion less adjusted EBITDA of $4.415 billion approximates cash operating expenses of $7.896 billion; estimated operating synergies of $575 million divided by cash operating expenses is 7.3%, while total estimated synergies of $625 million divided by cash operating expenses is 7.9%.

savings for the proposed transaction also appear realistic when compared with other merger-related ILEC-transaction synergies that generally have been 20%+ of the target company's cash operating expenses in recent years.[22] As a result, CenturyLink believes that the announced synergy estimates for the proposed transaction are achievable.

Q. IS CENTURYLINK'S MANAGEMENT ABLE TO ACQUIRE AND INTEGRATE QWEST'S OPERATIONS WITHOUT HARMING CUSTOMERS AS SYNERGIES ARE ACHIEVED?

A. Yes, CenturyLink's operational model is focused on equipping and empowering employees at the local level to meet the needs of customers in their respective markets. CenturyLink's management team, as described in other testimonies, not only has remained stable over more than a decade, but has proven itself capable of acquiring, integrating and improving levels of customer service following a transaction. The record is clear in terms of CenturyLink's acquisition history and the resulting customer benefits. Those transactions include (i) Pacific Telecom Inc. (1997), (ii) the Wisconsin properties acquired from Ameritech (1998), (iii) two sets of Verizon acquisitions (2000 and 2002) that added significant operations in Wisconsin, Missouri, Arkansas and Alabama, (iv) the Madison River acquisition (2007), and (v) the merger with Embarq (2009).

[22] Simon Flannery, *CenturyTel: 1Q10 Preview: Awaiting Embarq Synergy/Integration Update and Additional Color on Qwest Deal,* Morgan Stanley Research, North America, April 29, 2010; attached hereto as Exhibit JG-2.

In the previous acquisitions or mergers in which CenturyLink has been involved, the Company has been able to improve the range of services offered to customers and to slow the loss of access lines. Illustrating this operating benefit, CenturyLink reported in its 2010 first quarter earnings release that access-line losses had improved by 14% compared with the losses in the fourth quarter of 2009 and by 26% compared to pro forma first quarter 2009 (assuming the Embarq transaction had closed at the beginning of 2009).[23] The improvement has come as the Company integrated the Embarq properties, acquired July 1, 2009. The Company also reported more than 70,000 new high-speed customers were added in the first quarter of 2010. In short, CenturyLink has a proven track record of achieving projected synergies and reduced overall debt levels, all while providing an excellent level of service to its customers.

Q. CAN YOU COMMENT ON CENTURYLINK'S HISTORY IN TERMS OF INCREASED LEVELS OF DEBT IN PREVIOUS ACQUISITIONS, FOLLOWED BY CONSISTENT REDUCTIONS IN DEBT LEVELS?

---

[23] CenturyLink Reports First Quarter 2010 Earnings, May 5, 2010; available at http://ir.centurylink.com/phoenix.zhtml?c=112635&p=irol-newsArticle_Print&ID=1422603&highlight= [hereafter "CenturyLink First Quarter Earnings"]; see, also, CenturyLink Reports Fourth Quarter 2009 Earnings, available at http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9MzcwNDQ2fENoaWxkSUQ9MzY3MTIyfFR5cGU9MQ==&t=1. The first quarter 2010 report indicates a loss of 126,000 access lines, which compares with the final quarter of 2009 when CenturyLink reported that it had lost 146,000 lines.

A. Yes. The pattern is that CenturyLink has added debt at the time of acquisitions and consistently has reduced those debt levels as increased cash generation permitted the Company to make significant debt repayments and strengthen its balance sheet. At the time of the Pacific Telecom Inc. acquisition in 1997, CenturyLink's debt-to-total capitalization ratio rose to 67%. By 1999, the Company had reduced that leverage ratio to 54%. The following year, in conjunction with CenturyLink's purchase of Verizon rural telephone operations in Wisconsin, Missouri and Arkansas, the debt-to-total capitalization ratio rose to 63%. However, in 2002, when CenturyLink purchased more Verizon properties in Missouri and Alabama, the Company's debt-to-total capitalization, even after that acquisition, had been reduced to 54% and then it declined further to 42% by 2005. The ratio rose again to 47% in 2007 when the Company completed the Madison River transaction and engaged in certain share repurchase programs. However, the trend is evident as from 1997 to 2007 the debt-to-total capitalization ratio declined by twenty percentage points (approximately 2,000 basis points from 67% to 47%). The current debt-to-total capitalization ratio is 45% in the wake of the Embarq transaction. The history demonstrates a clear commitment on the part of the Company to reduce leverage and maintain a strong balance sheet. Viewed in terms of CenturyLink's net debt-to-operating cash flow (EBITDA) ratio, which is probably the better financial metric, the trends are also clear. In 2001, following the 2000 acquisition of Verizon lines, CenturyLink had a net debt-to-operating cash flow ratio of 3.6 times; as of year-end 2009, that ratio had been reduced to 2.0 times (on a pro forma basis assuming in the full-year EBITDA that the CenturyTel-Embarq combination occurred at the beginning of that year). So, while CenturyLink has committed to acquisitions that raised the Company's leverage, the Company has been prudent and successful at rapidly reducing proportionate debt levels following those transactions, even as the Company maintained investment grade ratings. In fact, Moody's Investors Service ("Moody's") affirmed CenturyLink's rating on the day of the Qwest merger announcement, noting "CenturyTel management's commitment to an investment grade rating and its historically balanced use of free cash flow between debt reduction and shareholder returns."[24] CenturyLink intends to apply this same discipline in strengthening the merged company's balance sheet following consummation of the proposed transaction.

VII. SPECIFIC FINANCIAL CHARACTERISTICS OF THE MERGED COMPANY

Q. WHY IS THE TRANSACTION STRUCTURED AS A STOCK-FOR-STOCK COMBINATION?

[24] Moody's Investors Service, *Rating Action: Moody's changes CenturyTel's outlook to negative; reviews Qwest's ratings for upgrade*, April 22, 2010 [hereafter "Moody's, April 2010]; attached hereto as Exhibit JG - 3.

A. The two companies chose to avoid incurring any additional debt. Thus, the price[25] for the transaction will be paid in equity shares issued from CenturyLink to Qwest shareholders. With a stock-for-stock combination, CenturyLink and Qwest can avoid new acquisition-related debt or refinancing of existing debt.[26]

Q. CAN YOU OFFER PERSPECTIVE ON THE PRO FORMA BALANCE SHEET OF THE COMBINED COMPANY?

A. Yes. The merged company will have among the strongest balance sheets in the industry. Pro forma 2009 net debt-to-EBITDA was 2.4 times before synergies and 2.2 times after synergies on a full run-rate basis, excluding integration costs. These leverage ratios compare favorably with other major ILECs in the industry. Windstream's 2009 net leverage ratio was 3.3 times, Frontier's pro forma (assuming the completion of the pending combination with Verizon's operations) 2009 ratio was 2.6 times, while Qwest's standalone 2009 net leverage was 2.7 times.[27] The combined company's balance sheet will be stronger than Qwest's balance sheet on a standalone basis. While the rating agencies will not determine the combined company's final ratings until after the transaction closes, the combined company should have financial ratios and metrics consistent with those

[25] The transaction premium is estimated to be approximately 15% using the share prices of Qwest and CenturyLink at the New York Stock Exchange close of the day before the announcement; the imputed price for Qwest shares was $6.02, which was 0.1664 times CenturyLink's $36.20 close on Wednesday, April 21 was ; Qwest shares had closed at $5.24 that same day.

[26] As noted earlier, Qwest does have a credit facility, with no balance outstanding at the time of the merger announcement, that includes a change of control provision; however, given that there is no balance outstanding, no debt refinancing will be required.

[27] Merger Conference Call, slide 12.

exhibited by investment-grade rated telecommunications companies. Consistent with past CenturyLink practice, the Company is committed to utilizing free cash flow to reduce debt and to improve the combined company's balance sheet over time.

Q. IS THE MERGED COMPANY EXPECTED TO HAVE THE ABILITY TO REDUCE ITS LEVERAGE THROUGH DEBT REPAYMENTS USING FREE CASH FLOW FROM OPERATIONS AS CENTURYLINK HAS DONE IN THE PAST?

A. Yes. As noted previously, the pro forma combined 2009 free cash flow before synergies and after operating expenses and capital expenditures is approximately $3.4 billion.[28] After pro forma dividends, it is estimated that there will be a remainder of approximately $1.7 billion of free cash flow that could be used to further reduce debt. If the merged company achieves its synergy goals, the Company expects to have approximately $2.1 billion in free cash flow after costs to run the business. Based on these cash flows, CenturyLink expects to reduce the merged company's leverage after the transaction closes, as the Company has in past transactions.

Q. IS QWEST IN THE PROCESS OF REDUCING DEBT?

[28] Merger Conference Call, slide 8.

A. Yes. Qwest has been taking steps to strengthen its capital position, and we believe the merger will support further deleveraging after the two companies are combined. In the first quarter 2010, Qwest reduced total long-term borrowings by $1.5 billion, making meaningful progress toward the company's announced $3.5 billion planned reduction through the first quarter of 2011.[29] The reduction is part of an ongoing deleveraging program that has lowered Qwest's net debt (total borrowings net of unamortized debt discount less cash, cash equivalents and short-term investments) by $1.1 billion from the first quarter of 2009 to the end of the first quarter of 2010.

Q. WHAT WILL BE THE INVESTMENT RATING ASSIGNED THE MERGED COMPANY AT THE TIME THE TRANSACTION IS COMPLETED?

A. The credit rating agencies will not assign ratings until the transaction closes. Preliminary indications point to a likely ratings upgrade for Qwest and a potential downgrade for CenturyLink. In the time period before the consummation of the merger, both companies are reducing debt and improving their respective balance sheets. At close, the rating agencies will examine the combined company's balance sheet and financial metrics in the context of the overall industry conditions, other market factors, and the agencies' judgment about any regulatory conditions or risks that are added in the approval process.

[29] *Q1 2010 Qwest Communications Earnings Conference Call*, Transcript, May 5, 2010.

At this time, CenturyLink is rated as investment grade, while Qwest's ILEC is investment-grade rated and the Qwest holding company has a credit rating at the highest level of non-investment grade debt. On the day of the announcement of the merger, the credit-rating agency, Moody's, indicated that Qwest's ratings were under review for an upgrade in light of the combination, and it affirmed a Baa3 investment grade rating on CenturyTel while it altered its outlook to negative on the standalone CenturyTel.[30] Standard & Poor's Ratings Services ("S&P") also indicated on the day of the announcement that Qwest's BB rating was on CreditWatch with positive implications, indicating a possible upgrade, and that CenturyTel's BBB- rating (investment grade) was on CreditWatch with the potential for a downgrade.[31] CenturyLink believes that Qwest's rating may be improved. Even if CenturyLink's debt temporarily were downgraded by one or more of the rating agencies (meaning the Company may be "split-rated," with its credit rated investment grade by one or several rating agencies and non-investment grade by the other rating agencies), the Company's record of strengthening its balance sheet is clear. The Company repeatedly has affirmed its target of maintaining or achieving an investment grade rating. The goal is to make the Company stronger for the longer term, and the combination with Qwest

[30] Moody's, April 2010.
[31] Standard & Poor's, *CenturyTel 'BBB-' Rating On Watch Negative On Deal To Acquire Qwest Communications; Qwest 'BB' Rating On Watch Positive, April 22, 2010; p. 2;* attached hereto as Exhibit JG-4.

makes the two companies better prepared financially to serve customers in the future.

Q. IN ADDITION TO REDUCING DEBT, HOW WILL THE MERGED COMPANY USE ITS FREE CASH FLOW?

A. As I testified above, CenturyLink is confident that it will have the flexibility with increased cash flows to invest in the network and expects to continue to target broadband deployment. It is also becoming clear that other data-intensive services are an important part of the consumer bundle. Plans to deploy such services have not yet been finalized, but, illustrating an ongoing commitment to consumers, the Company did announce as part of its first quarter 2010 earnings conference call that it expects to deploy IPTV service in five new markets by early 2011 (in addition to its current deployments in Columbia and Jefferson City, Missouri, and LaCrosse, Wisconsin). To be more specific, both CenturyLink and Qwest have invested heavily in their respective fiber networks and electronics over the last few years. Based on the 2009 pro forma combined figures, merged company capital expenditures were approximately $2.4 billion.

Q. PLEASE COMMENT ON THE MERGED COMPANY'S DIVIDEND PAYOUT RATIO AND WHETHER IT IS APPROPRIATE?

A. I believe the dividend policy of CenturyLink is appropriate in attracting capital necessary for investment in operations and network. Furthermore, the merged company's pro forma dividend payout ratio compares favorably with industry peers. The merged company's pro forma dividend payout ratio (dividends paid divided by free cash flow after operating costs and capital expenditures are paid), based on 2009 figures and before any assumed synergies, is estimated to be a reasonable 50.4%.[32] Assuming that the estimated synergies are achieved, the payout ratio, based on pro forma 2009 cash flows, would have been 45.1%. The payout ratio is conservative in terms of the industry practice as is apparent when compared with other independent carriers such as pro forma Frontier (assuming the pending acquisition of Verizon assets in 14 states) at 60% and Windstream at 53% at the end of 2009.[33] Additionally, the combined company's estimated payout ratio compares favorably with AT&T's 2009 ratio of 57% and Verizon's ratio of 67%.[34] Therefore, the merged company's cash flows will be used to balance network investment, operating requirements and opportunities, as well as to preserve access to competitively-priced capital. And, based on the 2009 pro forma combined data, the merged company will be able to fund all of its required uses while still generating meaningful additional free cash flows for discretionary uses.

---

[32] Merger Conference Call, slide 7.
[33] Merger Conference Call, slide 12.
[34] AT&T's 2009 payout ratio is based on dividends of $9.67 billion and free cash flow of $17.11 billion; Verizon's 2009 dividends were $5.27 billion while the free cash flow was $7.669 billion (after adjusting to exclude Vodafone's minority ownership of 45% ($6.649 billion) of Verizon Wireless' free cash flow).

VIII. SUMMARY

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. CenturyLink believes that the financial benefits of the proposed transaction, and indeed the other benefits outlined by other witnesses, are compelling. The proposed transaction creates a company with more capacity to introduce services that are beneficial to customers in both urban and rural regions. The combined company is likely to have the highest-rated credit of any major ILEC except the largest two carriers (which notably also own the nation's largest wireless operations). The merged company is expected to be financially stronger in terms of increased cash flows generated through combined operations and enhanced by synergies. The improved cash flows may result in improved debt ratings for Qwest, and may result in an investment grade rating for the merged company—if not immediately, then not long thereafter, as the merged company uses its free cash flows to reduce debt. The financial strength will permit the merged company to take advantage of emerging opportunities and to respond to competitive and economic conditions.

The merger should be approved. As the foregoing demonstrates, the merger strengthens the financial status of the Joint Applicants, enhances the financial strength of the merged Qwest entities especially, and in no way impairs their ability to acquire capital at fair and reasonable terms, or to provide safe, reasonable and adequate service to customers. Accordingly, the requirements of the Affiliated Interest Rules are well satisfied. The Commission may also take comfort that the merged company will be financially strong, and the proposed transaction is, in all respects, in the public interest.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

EXHIBIT JG-1

CenturyLink and Qwest Merger Conference Call

Thursday, April 22, 2010

Arizona Corporation Commission
Docket No. T-01051B-10-0194, et al.
CenturyLink – Exhibit JG-1
Direct Testimony of Jeff Glover
May 24, 2010

CenturyLink™

Qwest

Safe Harbor Language

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

Additional Information

CenturyLink and Qwest plan to file a joint proxy statement/prospectus with the SEC. INVESTORS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. You will be able to obtain the joint proxy statement/prospectus, as well as other filings containing information about CenturyLink and Qwest, free of charge, at the website maintained by the SEC at www.sec.gov. Copies of the joint proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the joint proxy statement/prospectus can also be obtained, free of charge, by directing a request to CenturyLink, 100 CenturyLink Drive, Monroe, Louisiana 71203, Attention: Corporate Secretary, or to Qwest, 1801 California Street, Denver, Colorado 80202, Attention: Shareholder Relations, 51st Floor. The respective directors and executive officers of CenturyLink and Qwest and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding CenturyLink's directors and executive officers is available in its proxy statement filed with the SEC by CenturyLink on April 7, 2010, and information regarding Qwest directors and executive officers is available in its proxy statement filed with the SEC by Qwest on March 17, 2010. These documents can be obtained free of charge from the sources indicated above. Other information regarding the interests of the participants in the proxy solicitation will be included in the joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available. This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Participants

Glen F. Post, III
Chief Executive Officer & President, CenturyLink

Edward A. Mueller,
Chairman & Chief Executive Officer, Qwest

R. Stewart Ewing, Jr.
Chief Financial Officer, CenturyLink

Joseph J. Euteneuer
Chief Financial Officer, Qwest

Transaction Overview

Glen F. Post, III

CEO & President, *CenturyLink*

CenturyLink™

Qwest

Transaction Summary

Transaction Structure:	All stock combination
Fixed Exchange Ratio:	0.1664 shares of CenturyLink stock per share of Qwest stock
Pro Forma Ownership:	50.5% CenturyLink shareholders / 49.5% Qwest shareholders
Transaction Value:	$22.4 billion, including net debt of $11.8 billion as of 12/31/2009
Estimated Synergies:	Approximately $625 million of annual run-rate synergies [a]
Estimated Transaction Multiples [b]:	5.1x / 4.5x 2009 EBITDA (before / after run-rate synergies); 5.9x / 4.8x 2009 Free Cash Flow [c] (before / after run-rate synergies)

(a) $575 million of run-rate operating expense synergies and $50 million of run-rate capital expenditure synergies
(b) Based on the latest public filings; Equity value based on fully diluted shares using treasury stock method
(c) Qwest free cash flow calculated as net income + D&A + deferred income tax – capex; Multiple after run-rate synergies includes after-tax opex and capex synergies

CenturyLink™

Qwest

Transaction Summary (cont'd)

Financing:	No new financing or refinancing required
Pro Forma 2009 Net Leverage:	2.4x (before synergies) / 2.2x (after run-rate synergies)
Dividend Policy:	Maintain CenturyLink annual dividend of $2.90 per share • 2009 pro forma payout ratio ~50.4% (before synergies) / ~45.1% (after run-rate synergies)
Closing Conditions:	HSR, FCC, certain state regulatory approvals; CenturyLink and Qwest shareholder approvals; and other customary closing conditions
Anticipated Closing:	First half 2011

Compelling for Shareholders

Transformational transaction will create a nationwide, industry-leading communications company

- Pro forma 2009: revenue - $19.8 billion; EBITDA - $8.2 billion; free cash flow [a] - $3.4 billion
- Extensive broadband capabilities with 173,000-mile fiber network
- Premier enterprise services to 95% of the Fortune 500 companies
- Strong local and national operator serving 5 million broadband customers and 17 million access lines across 37 states
- Enhanced ability to competitively roll out strategic products such as IPTV and other high-bandwidth services

Note: Pro forma metrics reflect sum of actual 2009 figures and do not include synergies
(a) CenturyLink free cash flow calculated as net income + D&A – capex. Qwest free cash flow calculated as net income + D&A + deferred income tax – capex

CenturyLink™

Qwest.

Compelling for Shareholders (cont'd)

Well positioned strategically with significant scale and scope

- National breadth and local depth with a compelling array of broadband products and services
- Diverse markets and revenues
- Strong growth platform - enterprise, broadband and enhanced services
- Attractive strategic product and service partner

Enhanced shareholder value, sustainable dividend and financial flexibility

- Free cash flow accretive upon closing
- Significant synergies: $625 million run-rate [a] with NPV of $3.3 billion
- Attractive tax assets: $5.8 billion NOLs with NPV of $1.7 billion
- Improved 2009 payout ratio from 54.8% to 45.1% (after run-rate synergies)
- Conservative capital structure

Experienced management team with strong integration track record

(a) Includes $575 million of run-rate operating expense synergies and $50 million of run-rate capex synergies

A Local Operating Model with A Premier Nationwide Network

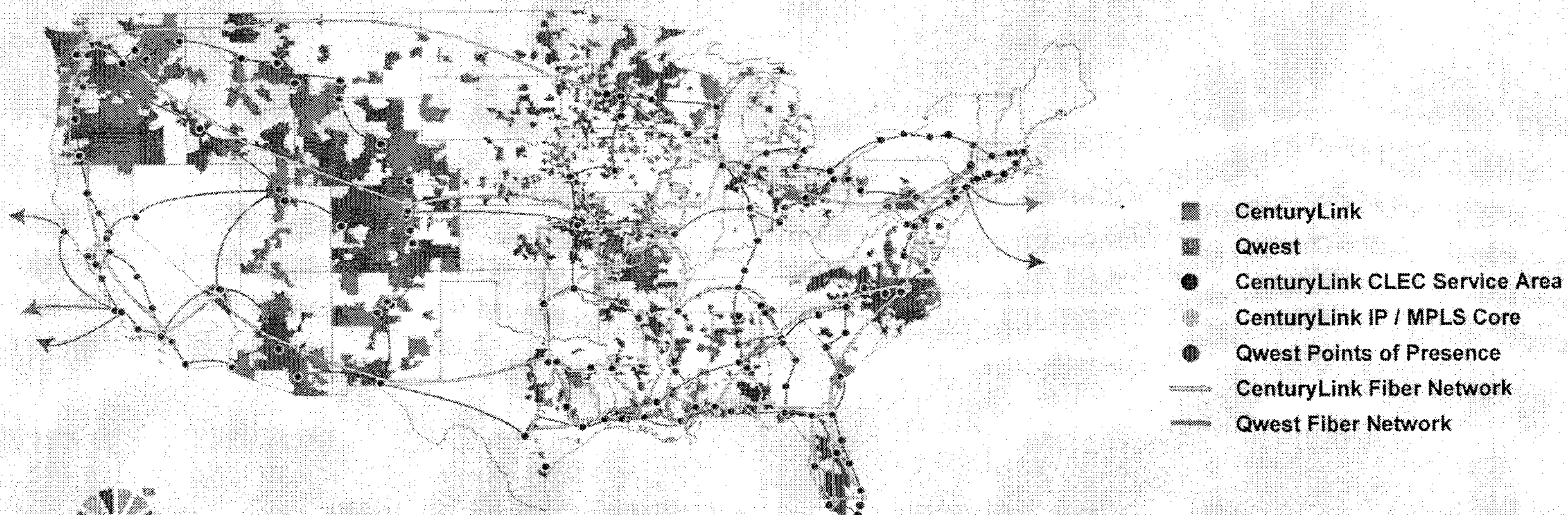
Transformational transaction will create a nationwide, industry-leading communications company with national breadth and local depth

National Breadth

- Approximately $5 billion of pro forma 2009 enterprise revenue
- Serves more than 95% of Fortune 500 companies
- Leverages fiber network to lower costs and expand on-net footprint

Local Depth

- CenturyLink's operating model focus on local accountability
- Sales and services closer to the customer

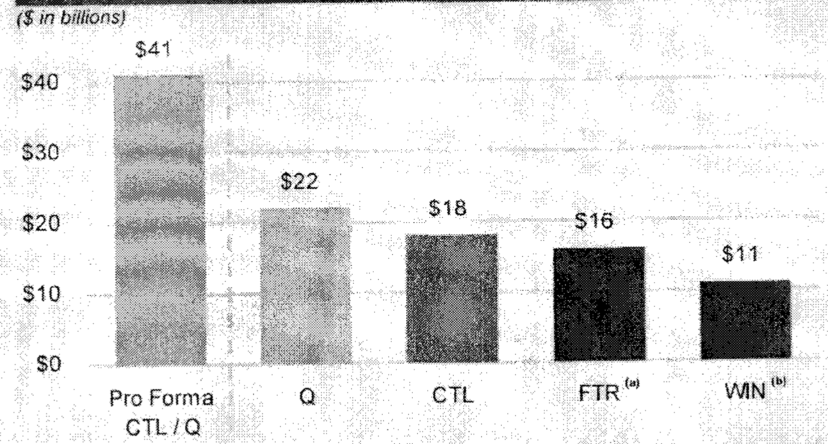


CenturyLink

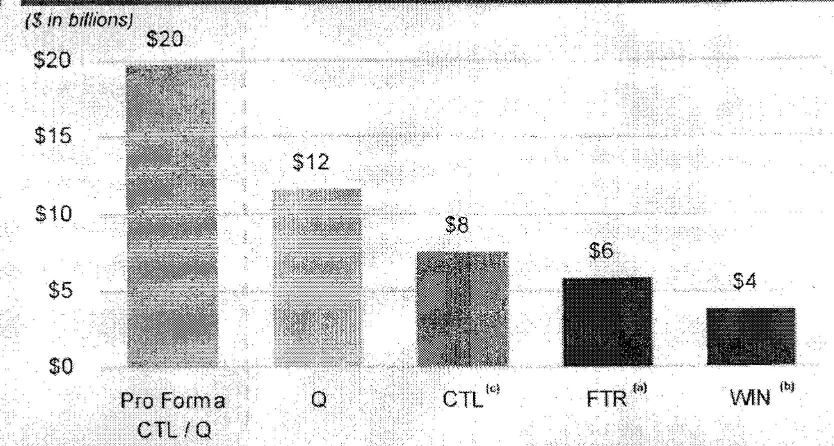
Qwest

Enhanced Scale, Scope and Reach

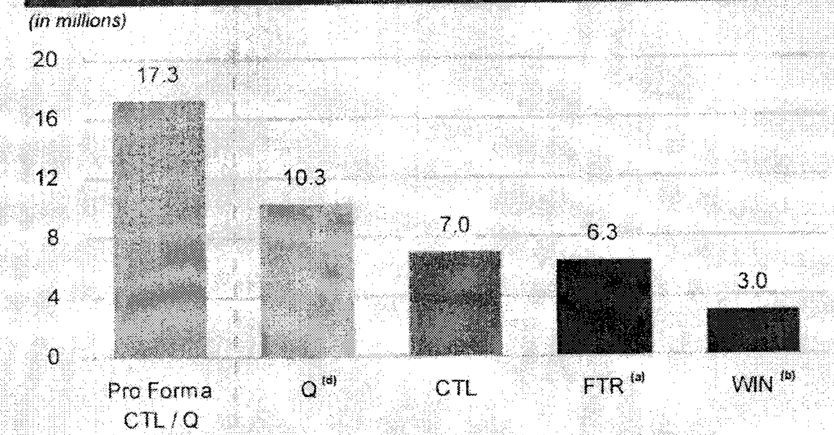
Firm Value



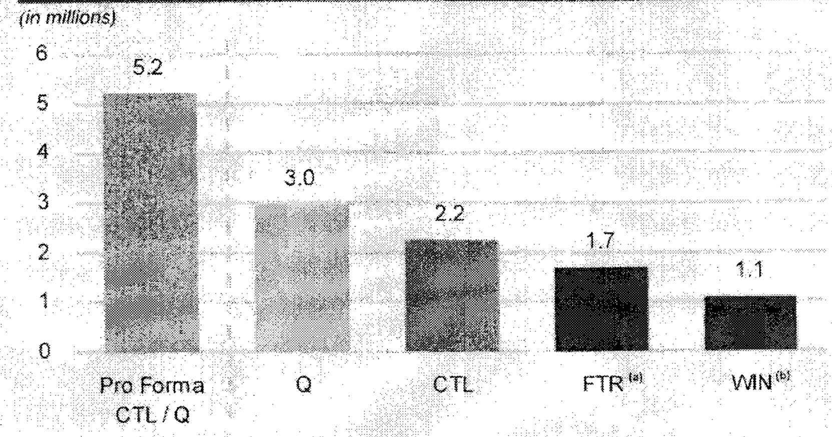
2009 Revenue



2009 Access Lines



2009 Broadband Subscribers



Source: Company filings
Note: Firm value as of April 21, 2010
(a) Pro forma for Frontier's acquisition of Verizon assets
(b) Pro forma for Windstream's acquisition of Nuvox; Not pro forma for acquisition of Iowa Telecom
(c) Pro forma for CenturyTel's acquisition of Embarq
(d) Includes ~403k affiliate access lines

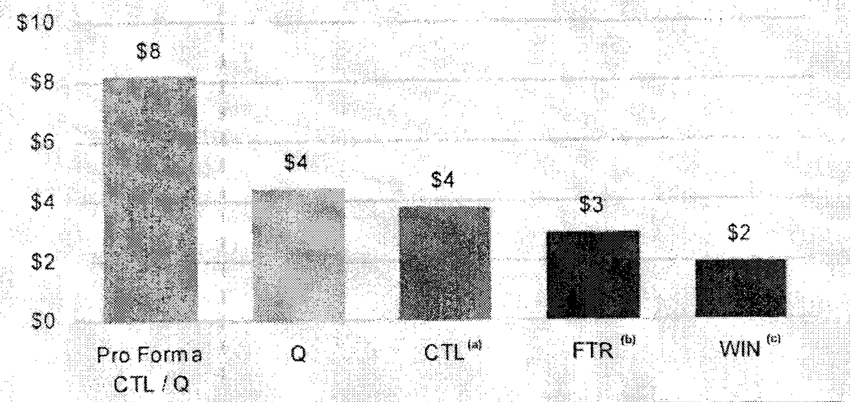
CenturyLink™

Qwest

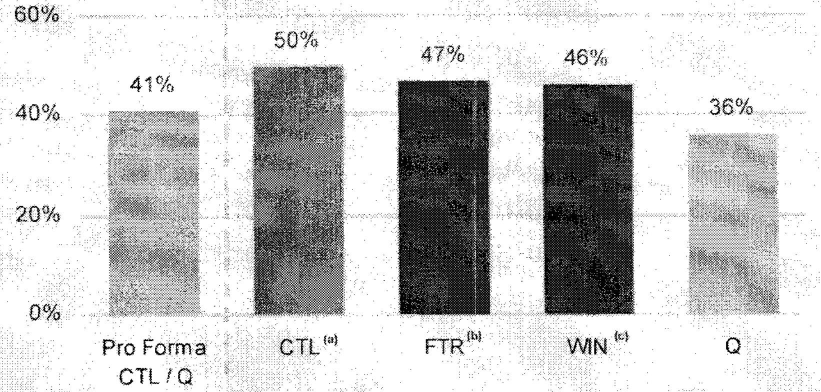
Attractive Financial Profile

2009 EBITDA

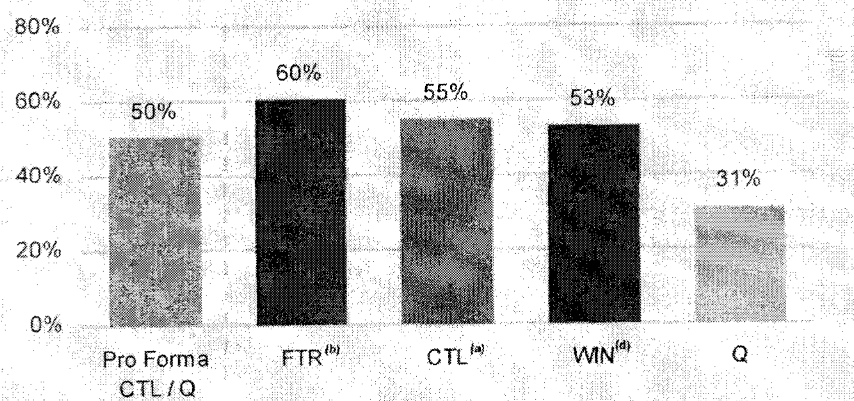
($ in billions)



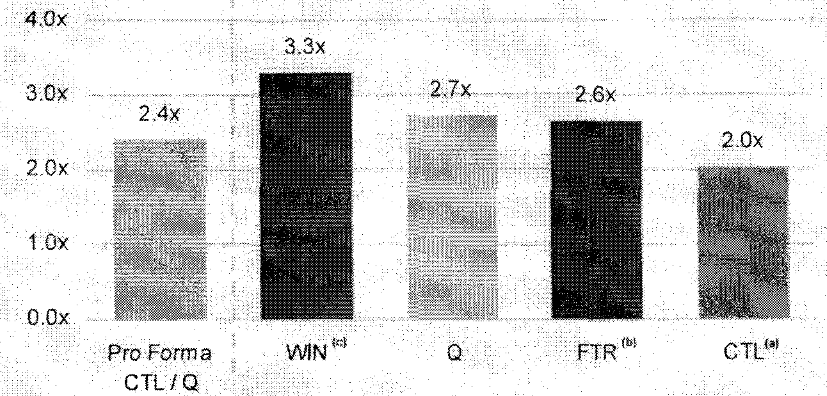
2009 EBITDA % Margin



2009 Dividend Payout Ratio



2009 Net Leverage



Source: Company filings

(a) Pro forma for CenturyTel's acquisition of Embarq

(b) Pro forma for Frontier's acquisition of Verizon assets

(c) Pro forma for Windstream's acquisition of Nuvox; Not pro forma for acquisition of Iowa Telecom

(d) Windstream payout ratio as reported and not pro forma for acquisition of Nuvox or Iowa Telecom

CenturyLink™

Qwest

Estimated Synergies & Integration Costs

Operating Cost Synergies	• Corporate Overhead • Network and Operational Efficiencies • IT Support • Increased Purchasing Power • Advertising / Marketing	~$575 million annually
Capex Synergies		~$50 million annually
Integration Costs	• One-time operating costs to achieve synergies	$650 - $800 million
	• One-time capital costs to achieve synergies	$150 - $200 million

CenturyLink

Qwest

Governance

Chairman of the Board:	William A. Owens
Chief Executive Officer & President:	Glen F. Post III
Chief Financial Officer:	R. Stewart Ewing Jr.
Chief Operating Officer:	Karen A. Puckett
President of Business Markets Group:	Christopher K. Ancell
Board Members:	4 members from the current Qwest Board, including Edward A. Mueller, Qwest's Chairman and Chief Executive Officer to be added to CenturyLink Board

CenturyLink™

Qwest.

Qwest's Perspective

Edward A. Mueller
Chairman & CEO, Qwest

CenturyLink™

Qwest.

Value Accretive for Qwest Shareholders

- Opportunity to participate in the future success of industry-leading communications company
- Attractive premium compared to current stock price
- Benefit from value creation upon realization of substantial synergies
- Receive ~50% increase in rate of annual dividend
- Increased financial strength and flexibility

Closing

Glen F. Post, III
CEO & President, CenturyLink

CenturyLink™

Qwest.

Great Strategic Combination

- Significantly enhanced scale with improved growth characteristics
- Immediately accretive to free cash flow / improved payout ratio
- Significant free cash flow, solid balance sheet and strong liquidity
- Extensive broadband capabilities with 173,000-mile fiber network
- Experienced and dedicated employee team

CenturyLink

Qwest

CenturyLink

EXHIBIT JG-2

Morgan Stanley

Morgan Stanley & Co. Incorporated
Simon Flannery
Simon.Flannery@morganstanley.com
+1 (1)212 761 6432

Daniel Gaviria
Daniel.Gaviria@morganstanley.com
+1 (1)212 761 3312

Arizona Corporation Commission
Docket No. T-01051B-10-0194, et al.
CenturyLink – Exhibit JG-2
Direct Testimony of Jeff Glover
May 24, 2010

April 29, 2010

Stock Rating
++

Industry View
Attractive

CenturyTel

1Q10 Preview: Awaiting Embarq Synergy/Integration Update and Additional Color on Qwest Deal

Investment conclusion: CenturyLink (formerly CenturyTel) has a track record of beating and raising annual guidance when it releases quarterly results; only in two out of the last 16 quarters (2Q09 and 3Q09, before and after closing the Embarq deal) it did not do so (see side table). As such, we expect management to increase its 2010 EPS guidance ($3.10 to $3.20) when it reports 1Q results next Wednesday. Last's week announcement of CenturyLink's deal with Qwest implies that the integration of the Embarq properties is tracking ahead of schedule, and thus, management has more visibility into 2010 earnings.

On the Qwest transaction itself, we expect to get some additional granularity during the call around synergy targets and timeframes as well as details on the state approval process, including what states will need to grant formal approval to the deal and likely timelines. (For more on our views on the deal please see "*CenturyLink/Qwest Merger Creates a New Scale Player in Telecom*" published on April 23, 2010.)

What's new: 1Q results are due on Wednesday, May 5 (call: 11:30AM ET, dial-in: 866-219-5631). Our 1Q EPS estimate of $0.89 is three cents above FactSet consensus and one cent above the top end of the $0.84-$0.88 guidance.

Where we differ: We remain concerned about secular pressures facing the wireline sector, but believe that CenturyLink is well positioned, given its merger driven strategy. We are already seeing signs of a recovery in legacy Embarq's consumer segment and we believe that a recovering economy could help demand recover in the enterprise sector.

What's next: Qwest and Windstream will also release 1Q results on Wednesday. We'll get a full picture of the RLEC space once Frontier reports on Thursday.

Key Ratios and Statistics

Reuters: CTL.N Bloomberg: CTL US
Telecom Services / United States of America

Price target	++
Shr price, close (Apr 29, 2010)	$34.10
Mkt cap, curr (mm)	$10,198
52-Week Range	$37.15-26.72

Fiscal Year ending	**12/08**	**12/09**	**12/10e**	**12/11e**
ModelWare EPS ($)	3.35	3.78	3.35	3.21
Prior ModelWare EPS ($)	-	-	-	-
P/E	8.2	9.6	10.2	10.6
Consensus EPS ($)§	3.37	3.60	3.25	3.20
Div yld (%)	10.2	7.7	8.5	8.7

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
§ = Consensus data is provided by FactSet Estimates.
e = Morgan Stanley Research estimates
++ = Stock Rating, Price Target or Estimates are not available or have been removed due to applicable law and/or Morgan Stanley policy.

Guidance – A History of Beat and Raise, Partly Helped by Buyback Activity

ANNUAL GUIDANCE					DIFFERENCE vs 1Q GUIDANCE	
DATE	YEAR	RANGE LOW	RANGE HIGH	ACTUAL	LOW-END	HIGH-END
2-Feb-06	2006	2.20	2.35			
27-Apr-06		2.30	2.40			
27-Jul-06		2.35	2.45			
2-Nov-06		2.45	2.50	2.53	0.33	0.18
15-Feb-07	2007	2.60	2.70			
3-May-07		2.75	2.85			
2-Aug-07		2.90	3.00			
1-Nov-07		3.00	3.05	3.17	0.57	0.47
14-Feb-08	2008	2.90	3.00			
1-May-08		3.05	3.20			
31-Jul-08		3.20	3.30			
27-Oct-08		3.28	3.33	3.37	0.47	0.37
19-Feb-09	2009	3.20	3.30			
30-Apr-09		NA	NA			
6-Aug-09		3.20	3.30			
5-Nov-09		3.45	3.50	3.50	0.30	0.20
25-Feb-10	2010	3.10	3.20			

Source: Company data, Morgan Stanley Research

1Q Preview: Awaiting Embarq Synergy/Integration Update and Additional Color on Qwest Deal

Investment Debates

1. Are the Embarq and Qwest synergy targets realistic?
***Market view:* Yes.** Investors are comfortable with the synergy realization at Embarq, while the Qwest synergy target looks conservative.
***Our view:* They seem conservative.** Management's commentary points to an earlier than expected realization of Embarq synergies. We would not rule out if the target/timing ($375M within the first 3 years) is updated in the next months. The Qwest cost synergies also look conservative when compared to other deals (7.3% of Qwest's 2009 cash opex compared to 10.3% in the Embarq deal and +20% in other recent telecom deals).
Where we could be wrong: (1) The Embarq and Qwest deals are much larger and involve more urban properties than prior deals. (2) Deteroration of macro trends forces synergy realignment. (3) Qwest management has already taken a large portion of costs out of the business.

2. Can Revenue Generating Unit (RGU) erosion be stemmed?
***Market view:* Not really.** Footprint is now more urban/suburban with Embarq and will be more so with Qwest.
***Our view:* Difficult; but data points are increasingly encouraging.** Generally agree with consensus. RGU erosion could ultimately impact revenues, profitability and FCF. Yet, we have seen encouraging line loss trends at AT&T and Verizon, suggesting a trough in urban markets is a possibility. CenturyLink has had very good results in Embarq's footprint with only 6 months after closing the deal. In 4Q, the annual RGU rate of decline was 5.0%, a marked improvement from the 5.5% seen in 3Q and the lowest since 4Q08.
Where we could be wrong: Unemployment is not under control yet; in March, the unemployment rate in Nevada and Florida stood at 13.4% and 12.3%, up from 13.2% and 12.2% respectively in February

3. Is the dividend sustainable?
***Market view:* Mixed.** Secular pressures are ultimately a risk to FCF generation. Video/wireless strategies are uncertain and also a risk.
***Our view:* It is sustainable.** The Embarq deal is expected to be FCF accretive in the first full year after closing. The Qwest deal is expected to be FCF accretive immediately after closing. Moreover, management decided to leave the dividend unchanged, but more importantly, the payout ratio is expected to be relatively unchanged too. The proforma 2009 FCF, including synergies, was $3.4B, implying a 45.1% dividend payout. With respect to the video and wireless strategy, management has a track record of being prudent in launching new products, and it may very well choose, in the case of wireless, to expand the existing 'agency' relationship that exists between Qwest and Verizon Wireless.
Where we could be wrong: Management pursues a facilities based wireless strategy and either purchases more spectrum that the FCC is looking to redeploy, or to acquires a national wireless operator.

Morgan Stanley is acting as financial advisor to Qwest Communications International Inc. ("Qwest") in connection with its merger with CenturyTel Inc. ("CenturyTel"), as announced on April 22, 2010. The proposed merger is subject to the approval of CenturyTel and Qwest shareholders, as well as regulatory approvals and other customary closing conditions.

This report and the information provided herein is not intended to (i) provide voting advice, (ii) serve as an endorsement of the proposed transaction, or (iii) result in the procurement, withholding or revocation of a proxy or any other action by a security holder.

Qwest has agreed to pay fees to Morgan Stanley for its financial services, including transaction fees that are subject to the consummation of the proposed transaction.

Please refer to the notes at the end of the report.

Exhibit 1
Morgan Stanley 1Q10 Estimates

CenturyLink	1Q09	4Q09	1Q10E
EPS	**$0.95**	**$0.96**	**$0.89**
Revenue ($M)	**1,910**	**1,839**	**1,810**
% growth	na	-6.9%	-5.2%
EBITDA ($M)	**960**	**944**	**912**
% margin	50.3%	51.3%	50.4%
Capex ($M)	**96**	**337**	**217**
% of Rev	5.0%	18.3%	12.0%
Access lines (000)	**7,543**	**7,039**	**6,901**
% growth	na	-8.8%	-8.5%
Incremental losses (000)	(172)	(146)	(138)
% growth	16.7%	-24.2%	-19.8%
DSL subs (000)	**2,117**	**2,236**	**2,284**
Net adds (000)	64	47	48
% growth	-31.9%	27.0%	-25.0%
FCF (OCF - capex)	**809**	**334**	**420**
Dividend Payout %	21%	63%	52%
FCF (calc by company)	**558**	**306**	**402**
Dividend Payout %	31%	68%	54%

Source: Company data, Morgan Stanley Research

Questions for Management

Qwest deal: Can you provide us with a more granular detail on synergy targets and expected realization timelines? What states require an approval and what are the likely timelines? When do you expect to file the proxy?

Embarq integration/synergies: Management expected to realize additional incremental operating cost synergies of approx. $10M in 1Q10 and approx. $200M for the full year. Any updates on this?

Once the North Carolina conversion is completed, which states will follow? Is management still expecting to have 80% of the integration done by the end of 2010? When is it expected to be completed?

Economy: How did the economic environment play out in 1Q10? Management mentioned that it had seen some stabilization in Las Vegas and Florida markets. Is this still the case?

Guidance: Any updates/changes to the 2010 outlook (refer to Exhibit 2)? When providing 2010 guidance, management said it expected $0.08 to $0.10 in pressure related to reduced interstate USF revenue and $0.06 to $0.08 in pressure from the "expected migration of network traffic from a wireless carrier customer". Any updates?

Broadband stimulus/Regulatory: What are the company's thoughts on the FCC's National Broadband Plan released in March?

Spectrum: The Company mentioned that it plans to do a trial with LTE, "sometime toward the end of the year". Any updates on this?

Cable/wireless competition: What percentage of access lines were lost to cable versus wireless substitution? Did cable competition increase/decrease in the quarter?

Leverage: What is the company's target leverage?

Uses of cash: Management believed that the company should pay off approx. $500M of debt maturities this year and address the best use of FCF next year, when there are no significant debt maturities. Is this still the case?

Broadband/Access Lines: The Company added 47,000 high-speed customers in 4Q09. Any updates for 1Q10? How did net adds trend in the Embarq markets? Any updates on the rate of line loss in the most urban markets?

Pension: CenturyLink expected to make a voluntary pre-tax contribution of $300M to one of its pension plans in 1Q10. Any updates?

Video/IPTV: How did video adds trend in 1Q10? Management mentioned that CenturyLink plans to launch IPTV in five additional markets in 2010. Does the Qwest deal change these plans?

Wireless strategy: Any updates to management's wireless strategy, and in particular to the intended use of the 700MHz spectrum?

Regulatory/Other: What are management's expectations on dividend taxation, bonus depreciation, and the national broadband plan implementation?

Exhibit 2

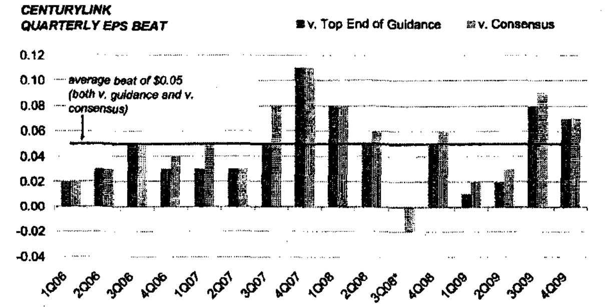
Guidance vs. Morgan Stanley Estimates

2010	Guidance	MS
Operating revenues	5.5% to 6.5% lower than 2009 pro forma	-5.7%
EPS	$3.10 to 3.20	$3.35
FCF	$1.475B to $1.525B	$1.556B
Capex	$825M to $875M	$852M
Implied Y/Y change	-12.8% to -17.7%	-15.0%
Div Payout	57% to 59%	56%
Line loss	7.5% to 8.5%	-7.9%
1Q10	**Guidance**	**MS**
Revenues	$1.77B to $1.80B	$1.81B
EPS	$0.84 to $0.88	$0.89

Source: Company data, Morgan Stanley Research

Exhibit 3

Average Quarterly EPS Beat of 5 Cents Since 1Q06



Source: Company data, Morgan Stanley Research

* In 3Q08 management noted that earnings from its interest in an unconsolidated wireless partnership were ~$4M lower for than it had anticipated, due to 2007 audit adjustments recorded by the partnership's general partner late in 3Q. Excluding the adjustments, diluted EPS in 3Q08 would have been $0.025 higher and would have likely beat consensus and the top end of the guidance range.

Morgan Stanley is currently acting as financial advisor to Verizon Wireless with respect to the proposed acquisition of certain of its wireless assets by AT&T, Inc. and Atlantic Tele-Network, as required by the conditions of the regulatory approvals granted for Verizon Wireless' purchase of Alltel Corporation earlier this year. The proposed acquisitions are subject to customary regulatory approvals, as well as other customary closing conditions. Verizon Wireless has agreed to pay fees to Morgan Stanley for its financial services. Please refer to the notes at the end of the report.

Exhibit 4

CenturyLink Pro-forma Income Statement

	Pro-Forma for EQ 2008 (1)	2009	2010E	2011E	2012E	2013E	Pro-Forma for EQ 1Q09	2Q09	3Q09	4Q09	1Q10E	2Q10E	3Q10E	4Q10E
Total revenues	**8,236**	**7,530**	**7,098**	**6,910**	**6,709**	**6,517**	**1,910**	**1,906**	**1,874**	**1,839**	**1,810**	**1,785**	**1,760**	**1,743**
% growth	-3.2%	na	-5.7%	-2.6%	-2.9%	-2.9%	na	na	na	-6.9%	-5.2%	-6.3%	-6.1%	-5.2%
% growth q/q							-3.4%	-0.2%	-1.7%	-1.9%	-1.6%	-1.4%	-1.4%	-1.0%
Operating Expenses														
Cost of services and products	2,669	2,552	2,417	2,363	2,308	2,255	636	629	683	604	608	611	602	596
% growth	0.5%	na	-5.3%	-2.2%	-2.3%	-2.3%	na	na	na	na	-4.4%	-3.0%	-11.8%	-1.3%
% of revenues	32.4%	33.9%	34.0%	34.2%	[illegible]	[illegible]	33.3%	33.0%	36.4%	32.8%	[illegible]	34.2%	34.2%	34.2%
Selling, general and administrative	1,722	1,177	1,146	1,119	1,100	1,082	313	310	262	292	290	287	285	284
% growth	-13.8%	na	-2.6%	-2.3%	-1.7%	-1.7%	na	na	na	na	-7.6%	-7.3%	8.9%	-2.7%
% of revenues	20.9%	15.6%	16.1%	16.2%	16.4%	16.6%	16.4%	16.3%	14.0%	15.9%	16.0%	16.1%	16.2%	16.3%
Depreciation and amortization	1,647	1,463	1,408	1,401	1,394	1,387	372	372	362	356	355	353	351	349
% growth	-6.2%	-11.2%	-3.8%	-0.5%	-0.5%	-0.5%	na	na	na	na	-4.6%	-5.3%	-3.1%	-2.0%
Total expenses	**6,037**	**5,192**	**4,971**	**4,884**	**4,802**	**4,724**	**1,322**	**1,312**	**1,307**	**1,252**	**1,252**	**1,251**	**1,238**	**1,229**
% growth	-5.8%	-14.0%	-4.3%	-1.8%	-1.7%	-1.6%	na	na	na	-8.6%	-5.2%	-4.7%	-5.2%	-1.8%
% revenues	73.3%	69.0%	70.0%	70.7%	71.6%	72.5%	69.2%	68.8%	69.7%	68.1%	69.2%	70.1%	70.3%	70.5%
Total operating income	**2,198**	**2,338**	**2,128**	**2,027**	**1,907**	**1,794**	**589**	**594**	**568**	**587**	**558**	**535**	**522**	**513**
% growth	4.9%	6.3%	-9.0%	-4.7%	-5.9%	-6.0%	na	na	na	-3.3%	-5.3%	-10.1%	-8.1%	-12.6%
% margin	26.7%	31.0%	30.0%	29.3%	28.4%	27.5%	30.8%	31.2%	30.3%	31.9%	30.8%	29.9%	29.7%	29.5%
EBITDA	3,845	3,801	3,535	3,428	3,301	3,180	960	967	930	944	912	887	873	862
% growth	-0.2%	-1.2%	-7.0%	-3.0%	-3.7%	-3.7%	-3.0%	[illegible]	-3.8%	-4.6%	[illegible]	-8.2%	-6.1%	-8.6%
% margin	46.7%	50.5%	49.8%	49.6%	49.2%	48.8%	50.3%	50.7%	49.6%	51.3%	50.4%	49.7%	49.6%	49.5%
Other income (expense)														
Interest expense	(605)	(572)	(549)	(522)	(507)	(470)	(144)	(140)	(143)	(144)	(141)	(137)	(136)	(135)
Other income and expense	35	30	17	17	17	17	6	6	9	9	5	4	4	4
Income before taxes	**1,629**	**1,796**	**1,595**	**1,522**	**1,417**	**1,341**	**450**	**460**	**434**	**452**	**421**	**401**	**390**	**383**
Income tax expense	(607)	(670)	(594)	(566)	(527)	(499)	(168)	(173)	(164)	(165)	(157)	(149)	(145)	(142)
% PBT (implied tax rate)	37.3%	37.3%	37.2%	37.2%	37.2%	37.2%	37.3%	37.5%	37.9%	36.4%	37.2%	37.2%	37.2%	37.2%
% Statutory Tax Rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Net income (total)	**1,022**	**1,126**	**1,002**	**956**	**890**	**842**	**282**	**288**	**269**	**287**	**265**	**252**	**245**	**240**
% growth	14.9%	na	-11.0%	-4.6%	-6.9%	-5.4%	na	na	na	1.3%	-6.2%	-12.4%	-9.0%	-16.3%
% margin	12.4%	15.0%	14.1%	13.8%	13.3%	12.9%	14.8%	15.1%	14.4%	15.6%	14.6%	14.1%	13.9%	13.8%
Noncontrolling interests		(1)	(1.8)	(2)	(2)	(2)	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
NI (loss) to common shareholders	1,022	1,125	1,000	954	888	840	282	287	269	287	264	251	245	240
% growth	14.4%	na	-11.1%	-4.6%	-6.9%	-5.4%	na	na	na	1.2%	-6.3%	-12.5%	-9.1%	-16.4%
% margin	12.4%	14.9%	14.1%	13.8%	13.2%	12.9%	14.8%	15.1%	14.4%	15.6%	14.6%	14.1%	13.9%	13.8%
EPS - Basic	**$3.37**	**$3.79**	**$3.35**	**$3.21**	**$3.00**	**$2.86**	**$0.95**	**$0.97**	**$0.90**	**$0.96**	**$0.89**	**$0.84**	**$0.82**	**$0.80**
% growth	19.8%	na	-11.5%	-4.2%	-6.5%	-4.9%	12.5%	14.6%	26.3%	-0.1%	-7.3%	-13.0%	-9.1%	-16.2%
EPS - Diluted	$3.35	$3.78	$3.35	$3.21	$3.00	$2.86	$0.95	$0.97	$0.90	$0.96	$0.89	$0.84	$0.82	$0.80
% growth	21.6%	na	-11.3%	-4.2%	-6.5%	-4.9%	na	na	na	-0.3%	-7.2%	-12.9%	-9.1%	-16.0%
Diluted shares outstanding	305	298	298	297	296	294	295.7	297.3	298.4	299.3	298.6	298.6	298.4	298.0
% growth y/y	-5.9%	-2.3%	0.2%	-0.4%	-0.5%	-0.5%	-7.0%	-3.6%	0.1%	1.5%	1.0%	0.4%	0.0%	-0.4%
% growth q/q							0.3%	0.5%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%

Source: Company data, Morgan Stanley Research. (1) 2008 proforma by us; 1Q09 and 2Q09 are proforma calculated by us. 2009 is proforma provided by the company
E= Morgan Stanley Research estimates

Exhibit 5

CenturyLink Pro-forma Balance Sheet

	Pro-Forma for EQ						PF Company	PF MS						
	2008	2009	2010E	2011E	2012E	2013E	1Q09	2Q09	3Q09	4Q09	1Q10E	2Q10E	3Q10E	4Q10E
Assets														
Cash and cash equivalents	350	162	384	1,048	1,081	673	156	41	531	162	117	155	259	384
Accounts receivable	750	686	650	632	614	596	638	740	671	686	675	665	656	650
Other current assets	345	276	262	255	247	240	258	290	256	276	272	268	264	262
Total current assets	**$1,445**	**$1,124**	**$1,295**	**$1,935**	**$1,942**	**$1,510**	**1,052**	**1,070**	**1,458**	**1,124**	**1,063**	**1,089**	**1,179**	**1,295**
Gross PP&E	30,125	15,557	16,409	17,335	18,274	19,199	30,103	30,323	15,609	15,557	15,774	15,988	16,199	16,409
Accumulated depreciation	(19,818)	(6,460)	(7,867)	(9,268)	(10,662)	(12,049)	(20,030)	(20,381)	(6,245)	(6,460)	(6,814)	(7,187)	(7,518)	(7,867)
Net PPE	10,307	9,097	8,541	8,066	7,612	7,151	10,073	9,942	9,363	9,097	8,960	8,821	8,681	8,541
Goodwill	7,880	10,252	10,252	10,252	10,252	10,252	9,615	9,615	10,034	10,252	10,252	10,252	10,252	10,252
Investments and other assets	2,044	2,090	2,090	2,090	2,090	2,090	2,219	2,219	2,102	2,090	2,090	2,090	2,090	2,090
Total assets	**21,676**	**22,563**	**22,178**	**22,344**	**21,896**	**21,003**	**22,959**	**22,846**	**22,957**	**22,563**	**22,365**	**22,252**	**22,202**	**22,178**
Liabilities														
STDebt and current maturities of LTD	22	500	25	25	25	25	22	22	769	500	250	100	50	25
Accounts payable	443	395	390	381	372	364	370	436	332	395	398	399	394	390
Accrued expenses and other liabilities	889	812	798	780	764	748	918	824	1048	812	814	814	804	798
Total current liabilities	**$1,354**	**$1,707**	**$1,213**	**$1,186**	**$1,161**	**$1,136**	**1,310**	**1,281**	**2,149**	**1,707**	**1,462**	**1,314**	**1,248**	**1,213**
Long-term debt	9,037	7,254	7,254	7,420	7,053	6,299	8,120	7,956	7,455	7254	7,254	7,254	7,254	7,254
Deferred credits and other liabilities	3,809	4,135	4,135	4,135	4,135	4,135	4,334	4,334	3,989	4135	4,135	4,135	4,135	4,135
Total liabilities	**14,201**	**13,096**	**12,602**	**12,742**	**12,349**	**11,570**	**13,764**	**13,571**	**13,593**	**13,096**	**12,850**	**12,702**	**12,637**	**12,602**
Shareholders' equity														
Common stock	295	299	299	299	299	299	297	297	297	299	299	299	299	299
Paid-in capital	4,839	6,014	6,014	6,014	6,014	6,014	5,867	5,867	5959	6014	6014	6014	6014	6014
Treasury Stock	0	0	(25)	(75)	(125)	(175)	0	0	0	0	0	0	-12.5	-25
Accumulated OCI (net of tax)	(897)	(85)	(85)	(85)	(85)	(85)	(117)	(117)	(112)	(85)	(85)	(85)	(85)	(85)
Retained earnings	3,238	3,233	3,368	3,443	3,439	3,373	3,143	3,223	3212	3,233	3,281	3,316	3,344	3,368
Non-controlling interest	0	6	6	6	6	6	5	5	7	6	6	6	6	6
Total shareholders' equity	**7,475**	**9,467**	**9,577**	**9,602**	**9,548**	**9,432**	**9,195**	**9,275**	**9,364**	**9,467**	**9,515**	**9,550**	**9,565**	**9,577**
Total liabilities and SE	**21,676**	**22,563**	**22,178**	**22,344**	**21,896**	**$21,003**	**22,959**	**22,846**	**22,957**	**22,563**	**22,365**	**22,252**	**22,202**	**22,178**

Source: Company data, Morgan Stanley Research. E= Morgan Stanley Research estimates

Exhibit 6

CenturyLink Pro-forma Cash Flow Statement

	Pro-Forma for EQ						Pro-Forma for EQ							
	2008	2009	2010E	2011E	2012E	2013E	1Q09	2Q09	3Q09	4Q09	1Q10E	2Q10E	3Q10E	4Q10E
Operating activities from continuing operations														
Net income	1,135	1,125	1,000	954	888	840	282	287	269	287	264	251	245	240
Adjustments to reconcile net income to net cash provided	0	0												
	0	0												
Income from discontinued operations, net of tax	0	26					26	0						
Depreciation and amortization	1,527	1,463	1,408	1,401	1,394	1,387	372	372	362	356	355	353	351	349
Income from unconsolidated cellular entities	(12)	(0)					(1)	0						
Minority interest	0	0												
Deferred income taxes	166	233					96	9	12	116				
Nonrecurring gains and losses	76	40					40	0						
Changes in current assets and current liabilities:	0	0												
Accounts receivable	(13)	(89)	36	17	18	18	64	(5)	25	(173)	11	9	9	6
Accounts payable	(169)	65	(5)	(9)	(9)	(9)	50	15			3	2	(6)	(4)
Other accrued taxes	(65)	31	(14)	(18)	(17)	(16)	19	12			2	0	(10)	(6)
Other current assets and other current liabilities, net	(15)	(6)	14	7	7	7	(15)	9			4	4	4	3
Increase (decrease) in other noncurrent assets	(147)	25					(17)	1	(11)	52				
Other, net	119	(21)					(11)	14	(57)	33				
Net cash (used in) - operating activities cont. ops	**2,601**	**2,891**	**2,439**	**2,352**	**2,282**	**2,227**	**905**	**714**	**601**	**671**	**639**	**619**	**593**	**588**
Investing activities from continuing operations	0	0												
Acquisitions, net of cash acquired	(149)	637	0				0	0	419	218	0	0	0	0
Payments for property, plant and equipment (Capex)	(962)	(1,003)	(852)	(926)	(939)	(925)	(96)	(283)	(286)	(337)	(217)	(214)	(211)	(209)
Proceeds from sale of assets	44	12					12	0						
Investment in unconsolidated cellular entities	0	0					0	0						
Other, net	14	7					7	0						
Net cash(used in) - investing activities cont. ops	**(1,053)**	**(347)**	**(852)**	**(926)**	**(939)**	**(925)**	**(76)**	**(283)**	**133**	**(120)**	**(217)**	**(214)**	**(211)**	**(209)**
Financing activities from continuing operations	0	0												
Proceeds from issuance (payments) of debt	144	(1,306)	(475)	167	(368)	(754)	(747)	(335)	246	(470)	(250)	(150)	(50)	(25)
Proceeds from issuance (repurchases) of common stock	(829)	153	(25)	(50)	(50)	(50)	(0)	4	93	57	0	0	(13)	(13)
Cash dividends	(624)	(758)	(865)	(879)	(892)	(906)	(170)	(170)	(209)	(209)	(216)	(216)	(216)	(216)
Other, net	8	(821)					(106)	(45)	(373)	(298)				
Net cash (used in) - financing activites cont. ops	**(1,301)**	**(2,733)**	**(1,365)**	**(762)**	**(1,310)**	**(1,709)**	**(1,023)**	**(546)**	**(243)**	**(921)**	**(467)**	**(366)**	**(279)**	**(254)**
Net increase (decrease) in cash and cash equivalents	**247**	**(189)**	**222**	**664**	**33**	**(408)**	**(194)**	**(115)**	**491**	**(369)**	**(45)**	**38**	**103**	**125**
Cash at the beginning of period	103	350	162	384	1,048	1,081	350	156	41	531	162	117	155	259
Cash at the end of period	**$350**	**$162**	**$384**	**$1,048**	**$1,081**	**$673**	**$156**	**$41**	**$531**	**$162**	**$117**	**$155**	**$259**	**$384**
One time items related to EQ acq/integrations									121					
Adj Div Payout as % of FCF (OCF - capex)	38.1%	40.2%	54.5%	61.6%	66.4%	69.6%	21%	40%	28%	63%	51%	53%	57%	57%
Dividend Payout (as defined by CTL)	39.3%	47.8%	55.6%	61.5%	66.5%	69.6%	31%	45%	61%	68%	54%	56%	56%	57%

Source: Company data, Morgan Stanley Research. E= Morgan Stanley Research estimates

MORGAN STANLEY ModelWare	**Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations.** For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

Disclosure Section

The information and opinions in Morgan Stanley Research were prepared by Morgan Stanley & Co. Incorporated, and/or Morgan Stanley C.T.V.M. S.A. and their affiliates (collectively, "Morgan Stanley").
For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures, or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Simon Flannery.
Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at www.morganstanley.com/institutional/research/conflictpolicies.

Important US Regulatory Disclosures on Subject Companies

As of March 31, 2010, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: AT&T, Inc., CenturyTel, Equinix Inc., Level 3 Communications, Inc., Rackspace Hosting, Inc., SBA Communications, Verizon Communications, Windstream Corp..
As of March 31, 2010, Morgan Stanley held a net long or short position of US$1 million or more of the debt securities of the following issuers covered in Morgan Stanley Research (including where guarantor of the securities): American Tower Corp., AT&T, Inc., BCE Inc., CenturyTel, Cincinnati Bell Inc., Crown Castle Corp., FairPoint Communications, Frontier Communications Corp, Leap Wireless, Level 3 Communications, Inc., MetroPCS Communications, Qwest Communications Int'l, Rogers Communications, Inc., Sprint Nextel Corporation, Telephone & Data Systems, TELUS Corp., tw telecom inc, US Cellular Corporation, Verizon Communications, Windstream Corp..
Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of American Tower Corp., CenturyTel, Cincinnati Bell Inc., Clearwire Corporation, Crown Castle Corp., Frontier Communications Corp, Qwest Communications Int'l, tw telecom inc, Windstream Corp..
Within the last 12 months, Morgan Stanley has received compensation for investment banking services from American Tower Corp., AT&T, Inc., CenturyTel, Cincinnati Bell Inc., Clearwire Corporation, Crown Castle Corp., Equinix Inc., FairPoint Communications, Frontier Communications Corp, Level 3 Communications, Inc., Qwest Communications Int'l, TELUS Corp., tw telecom inc, Verizon Communications, Windstream Corp..
In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from American Tower Corp., AT&T, Inc., BCE Inc., CenturyTel, Cincinnati Bell Inc., Clearwire Corporation, Crown Castle Corp., Equinix Inc., FairPoint Communications, Frontier Communications Corp, Iowa Telecom, Leap Wireless, Level 3 Communications, Inc., MetroPCS Communications, Neutral Tandem, Inc., Qwest Communications Int'l, Rackspace Hosting, Inc., Rogers Communications, Inc., SAVVIS Inc., SBA Communications, Sprint Nextel Corporation, Telephone & Data Systems, TELUS Corp., tw telecom inc, Verizon Communications, Windstream Corp..
Within the last 12 months, Morgan Stanley & Co. Incorporated has received compensation for products and services other than investment banking services from AT&T, Inc., BCE Inc., Crown Castle Corp., Sprint Nextel Corporation, Verizon Communications.
Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: American Tower Corp., AT&T, Inc., BCE Inc., CenturyTel, Cincinnati Bell Inc., Clearwire Corporation, Crown Castle Corp., Equinix Inc., FairPoint Communications, Frontier Communications Corp, Iowa Telecom, Leap Wireless, Level 3 Communications, Inc., MetroPCS Communications, Neutral Tandem, Inc., Qwest Communications Int'l, Rackspace Hosting, Inc., Rogers Communications, Inc., SAVVIS Inc., SBA Communications, Sprint Nextel Corporation, Telephone & Data Systems, TELUS Corp., tw telecom inc, Verizon Communications, Windstream Corp..
Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: American Tower Corp., AT&T, Inc., BCE Inc., Cincinnati Bell Inc., Clearwire Corporation, Crown Castle Corp., FairPoint Communications, Frontier Communications Corp, Level 3 Communications, Inc., Qwest Communications Int'l, Rogers Communications, Inc., Sprint Nextel Corporation, Verizon Communications.
An employee, director or consultant of Morgan Stanley is a director of AT&T, Inc., Sprint Nextel Corporation, Verizon Communications.
Morgan Stanley & Co. Incorporated makes a market in the securities of American Tower Corp., AT&T, Inc., CenturyTel, Cincinnati Bell Inc., Clearwire Corporation, Crown Castle Corp., Equinix Inc., Frontier Communications Corp, Iowa Telecom, Leap Wireless, Level 3 Communications, Inc., MetroPCS Communications, Neutral Tandem, Inc., PAETEC Holding Corp., Qwest Communications Int'l, Rackspace Hosting, Inc., SAVVIS Inc., SBA Communications, Sprint Nextel Corporation, Telephone & Data Systems, tw telecom inc, US Cellular Corporation, Verizon Communications.
The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.
The fixed income research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts' or strategists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.
Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report.
Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Global Stock Ratings Distribution

(as of March 31, 2010)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	**1042**	**41%**	**325**	**43%**	**31%**
Equal-weight/Hold	**1095**	**43%**	**348**	**46%**	**32%**
Not-Rated/Hold	**15**	**1%**	**4**	**1%**	**27%**
Underweight/Sell	**373**	**15%**	**87**	**11%**	**23%**
Total	**2,525**		**764**		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

Important Disclosures for Morgan Stanley Smith Barney LLC Customers

Citi Investment Research & Analysis (CIRA) research reports may be available about the companies or topics that are the subject of Morgan Stanley Research. Ask your Financial Advisor or use Research Center to view any available CIRA research reports in addition to Morgan Stanley research reports.

Important disclosures regarding the relationship between the companies that are the subject of Morgan Stanley Research and Morgan Stanley Smith Barney LLC, Morgan Stanley and Citigroup Global Markets Inc. or any of their affiliates, are available on the Morgan Stanley Smith Barney disclosure website at www.morganstanleysmithbarney.com/researchdisclosures.

For Morgan Stanley and Citigroup Global Markets, Inc. specific disclosures, you may refer to www.morganstanley.com/researchdisclosures and https://www.citigroupgeo.com/geopublic/Disclosures/index_a.html.

Each Morgan Stanley Equity Research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval is conducted by the same person who reviews the Equity Research report on behalf of Morgan Stanley. This could create a conflict of interest.

Other Important Disclosures

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Client Link at www.morganstanley.com.

For a discussion, if applicable, of the valuation methods and the risks related to any price targets, please refer to the latest relevant published research on these stocks.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The "Important US Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits.

The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

Morgan Stanley may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

To our readers in Taiwan: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. Information on any securities/instruments issued by a company owned by the government of or incorporated in the PRC and listed in on the Stock Exchange of Hong Kong ("SEHK"), namely the H-shares, including the component company stocks of the Stock Exchange of Hong Kong ("SEHK")'s Hang Seng China Enterprise Index; or any securities/instruments issued by a company that is 30% or more directly- or indirectly-owned by the government of or a company incorporated in the PRC and traded on an exchange in Hong Kong or Macau, namely SEHK's Red Chip shares, including the component company of the SEHK's China-affiliated Corp Index is distributed only to Taiwan Securities Investment Trust Enterprises ("SITE"). The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

To our readers in Hong Kong: Information is distributed in Hong Kong by and on behalf of, and is attributable to, Morgan Stanley Asia Limited as part of its regulated activities in Hong Kong. If you have any queries concerning Morgan Stanley Research, please contact our Hong Kong sales representatives.

Morgan Stanley Research is disseminated in Japan by Morgan Stanley Japan Securities Co., Ltd.; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents); in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore, which accepts responsibility for its contents; in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Smith Barney Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Canada by Morgan Stanley Canada Limited, which has approved of, and has agreed to take responsibility for, the contents of Morgan Stanley Research in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main and Morgan Stanley Private Wealth Management Limited, Niederlassung Deutschland, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that Morgan Stanley Research has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the United States by Morgan Stanley & Co. Incorporated, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized and regulated by the Financial Services Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. Morgan Stanley Private Wealth Management Limited, authorized and regulated by the Financial Services Authority, also disseminates Morgan Stanley Research in the UK. Private U.K. investors should obtain the advice of their Morgan Stanley & Co. International plc or Morgan Stanley Private Wealth Management representative about the investments concerned. RMB Morgan Stanley (Proprietary) Limited is a member of the JSE Limited and regulated by the Financial Services Board in South Africa. RMB Morgan Stanley (Proprietary) Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at Professional Clients only, as defined by the DFSA. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria to be a Professional Client.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Morgan Stanley Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities/instruments is available on request.

Morgan Stanley

MORGAN STANLEY RESEARCH

The Americas	Europe	Japan	Asia/Pacific
1585 Broadway	20 Bank Street, Canary Wharf	4-20-3 Ebisu, Shibuya-ku	1 Austin Road West
New York, NY 10036-8293	London E14 4AD	Tokyo 150-6008	Kowloon
United States	United Kingdom	Japan	Hong Kong
Tel: +1 (1) 212 761 4000	Tel: +44 (0) 20 7 425 8000	Tel: +81 (0) 3 5424 5000	Tel: +852 2848 5200

Industry Coverage:Telecom Services

Company (Ticker)	Rating (as of)	Price* (04/29/2010)
Simon Flannery		
AT&T, Inc. (T.N)	O (03/08/2006)	$26.14
American Tower Corp. (AMT.N)	E (03/12/2009)	$41.05
BCE Inc. (BCE.TO)	O (11/21/2008)	C$30.88
CenturyTel (CTL.N)	++	$34.1
Cincinnati Bell Inc. (CBB.N)	E (11/03/2006)	$3.46
Clearwire Corporation (CLWR.O)	U (12/08/2008)	$7.7
Crown Castle Corp. (CCI.N)	O (11/11/2009)	$38.34
Equinix Inc. (EQIX.O)	E (05/13/2009)	$101.35
FairPoint Communications (FRCMQ.PK)	NA (10/29/2007)	$.08
Frontier Communications Corp (FTR.N)	E (05/07/2007)	$8.07
Iowa Telecom (IWA.N)	E (11/25/2009)	$16.95
Leap Wireless (LEAP.O)	E (08/07/2009)	$18.5
Level 3 Communications, Inc. (LVLT.O)	U (02/14/2008)	$1.53
MetroPCS Communications (PCS.N)	E (08/07/2009)	$7.79
Neutral Tandem, Inc. (TNDM.O)	E (01/22/2010)	$17.45
PAETEC Holding Corp. (PAET.O)	E (06/26/2008)	$5.28
Qwest Communications Int'l (Q.N)	++	$5.28
Rackspace Hosting, Inc. (RAX.N)	O (09/23/2009)	$18.39
Rogers Communications, Inc. (RCIb.TO)	O (04/27/2005)	C$35.84
SAVVIS Inc. (SVVS.O)	E (04/28/2010)	$18.98
SBA Communications (SBAC.O)	E (03/12/2009)	$35.5
Sprint Nextel Corporation (S.N)	U (10/19/2009)	$4.39
TELUS Corp. (T.TO)	E (12/19/2008)	C$37.94
Telephone & Data Systems (TDS.N)	U (02/19/2009)	$35.33
US Cellular Corporation (USM.N)	E (03/10/2009)	$42.78
Verizon Communications (VZ.N)	E (01/22/2009)	$29.22
Windstream Corp. (WIN.O)	O (04/17/2006)	$11.14
tw telecom inc (TWTC.O)	E (06/26/2008)	$17.88

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

EXHIBIT JG-3

Arizona Corporation Commission
Docket No. T-01051B-10-0194, et al.
CenturyLink – Exhibit JG-3
Direct Testimony of Jeff Glover
May 24, 2010

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's changes CenturyTel's outlook to negative; reviews Qwest's ratings for upgrade

Global Credit Research - 22 Apr 2010

Approximately $23 billion of Debt Affected

New York, April 22, 2010 -- Moody's Investors Service has affirmed the Baa3 long-term and Prime-3 short-term debt ratings of CenturyTel, Inc. ("CenturyTel" or the "Company") and changed the rating outlook to negative following the announcement that CenturyTel plans to acquire Qwest in a stock-for-stock transaction. In connection with the announcement, Moody's also placed the ratings of Qwest Communications International Inc. ("QCII") and its subsidiaries under review for upgrade.

Under the terms of the agreement, Qwest shareholders will receive 0.1664 CenturyTel shares for each share of Qwest common stock they own. The transaction reflects an enterprise value of approximately $25 billion, including the planned assumption of about $14 billion of Qwest's debt. The companies anticipate closing this transaction in the first half of 2011. CenturyTel expects that after a few years it will be able to generate significant expense savings from the merger, initially estimated at about $575 million annually. Non-recurring integration costs will likely be in the $1.0 billion range, spread over several years. While broadband deployment is likely to remain a strategic priority of the new company, approximately $50 mm of capital spending synergies are also possible, bringing total annual synergies to $625mm. The merger will produce a company with operations in 37 states, 17 million access lines and 5 million broadband customers.

The affirmation of CenturyTel's ratings reflects Moody's expectations that the combined company's pro forma leverage will remain between 2.8 and 3.0 times Debt to EBITDA (Moody's adjusted, before synergies) over the next two to three years and that its dividend payout ratio will decline modestly, although the absolute level of dividends will increase. Moody's Senior Vice President Dennis Saputo said "While the acquisition of Qwest significantly increases CenturyTel's exposure to more competitive urban/suburban markets (about 80% of Qwest's access lines are in five metropolitan markets), the enhanced scale of the Company, combined with the addition of Qwest's national state-of-the-art fiber optic network, is expected to generate meaningful expense and capital efficiencies, especially those related to transport costs, network expansion and new product development." He added, "The new company should be able to capitalize on growth in enterprise services revenues, especially as the economy rebounds and given Qwest's selection as one of three carriers competing for the U.S. Government's Networx contract." The combined company is expected to generate significant free cash flow, especially after anticipated synergies. The rating affirmation also reflects CenturyTel management's commitment to an investment grade rating and its historically balanced use of free cash flow between debt reduction and shareholder returns.

The negative rating outlook for CenturyTel reflects the considerable execution risks in integrating a sizeable company so soon after another large acquisition (Embarq in July 2009) while confronting the challenges of a secular decline in the wireline industry. The negative outlook also considers the possibility that the Company may not realize planned synergies in a timely manner, especially if competitive intensity increases.

The affirmation of CenturyTel's Prime-3 short-term debt rating reflects its sizeable cash balance, ample committed back-up facilities, manageable near-term debt maturities and our expectation that it will generate significant free cash flow over the next 12 to 18 months.

The review of Qwest's ratings will evaluate the ability of the company to improve its operating performance and continue to reduce its leverage in light of the secular challenges confronting the sector and the potential distraction caused by working toward closing the merger. Positive rating pressure could develop prior to the merger based on improved fundamentals, specifically, if the company can sustain stable EBITDA over the foreseeable future. Qwest's rating might also be upgraded further if the company is acquired by CenturyTel.

Before the transaction can close, several regulatory approvals, including those of numerous state Public Utility Commissions, are required and conditions may be imposed by some of these states' regulatory authorities, or the FCC. Moody's affirmation of CenturyTel's ratings assumes that any condititions that may be imposed will not have a material impact on the Company's financial profile.

The Obama administration and Federal Communication Commission have proposed comprehensive reforms of inter-carrier compensation and universal service rules as part of an effort to expand broadband deployment, especially to un-served and under-served markets. "While the details of the final regulatory overhaul are far from clear and could change significantly over time, Moody's believes that the proposed merger of these two companies is likely to reduce the combined company's exposure to an adverse decision since the merger lowers the percentage of universal service and access revenues in the new company", added Saputo.

Moody's has taken the following rating actions:

On Review for Possible Upgrade:

..Issuer: Qwest Communications International Inc.

....Probability of Default Rating, Placed on Review for Possible Upgrade, currently Ba2

....Corporate Family Rating, Placed on Review for Possible Upgrade, currently Ba2

....Multiple Seniority Shelf, Placed on Review for Possible Upgrade, currently (P)Ba3

....Senior Unsecured Conv./Exch. Bond/Debenture, Placed on Review for Possible Upgrade, currently B1

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently a range of B2 to Ba3

..Issuer: Qwest Corporation

....Senior Unsecured Bank Credit Facility, Placed on Review for Possible Upgrade, currently Ba1

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently a range of Ba1 to Baa1

..Issuer: Qwest Services Corp.

....Senior Secured Bank Credit Facility, Placed on Review for Possible Upgrade, currently Ba3

..Issuer: Mountain States Telephone and Telegraph Co.

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently Ba1

..Issuer: Northwestern Bell Telephone Company

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently Ba1

..Issuer: Qwest Capital Funding, Inc.

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently B1

Outlook Actions:

..Issuer: CenturyTel, Inc

....Outlook, Changed To Negative From Stable

..Issuer: Embarq Corporation

....Outlook, Changed To Negative From Stable

..Issuer: Embarq Florida, Inc.

....Outlook, Changed To Negative From Stable

..Issuer: Carolina Telephone & Telegraph Company

....Outlook, Changed To Negative From Stable

..Issuer: Centel Capital Corp.

....Outlook, Changed To Negative From Stable

..Issuer: United Telephone Co. of Pennsylvania

....Outlook, Changed To Negative From Stable

..Issuer: Qwest Communications International Inc.

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Qwest Corporation

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Qwest Services Corp.

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Qwest Capital Funding, Inc.

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Mountain States Telephone and Telegraph Co.

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Northwestern Bell Telephone Company

....Outlook, Changed To Rating Under Review From Stable

Please refer to Moodys.com for additional research.

Moody's most recent rating action for CenturyTel was on September 14, 2009, at which time Moody's assigned a Baa3 rating to the company's Series P and Series Q note offerings.

Moody's most recent rating action for Qwest Communications International was on January 7, 2010, at which time Moody's assigned a Ba3 rating to the company's new note issuance.

The principal methodology used in rating CenturyTel and Qwest was Moody's Global Telecommunications Industry rating methodology, which can be found at www.moodys.com in the Rating Methodologies sub-directory under the Research and Ratings tab(December 2007, document #106465). Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodologies sub-directory on Moody's website.

CenturyTel, Inc., headquartered in Monroe, Louisiana is a regional communications company that served approximately 7.0 million total access lines in 33 states as of December 31, 2009.

Qwest , headquartered in Denver, CO. is a RBOC and nationwide inter-exchange carrier (IXC). It served about 10.3 million access lines in 14 western states as of December 31, 2009.

New York
Dennis Saputo
Senior Vice President
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Alexandra S. Parker
Managing Director
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

MOODY'S
INVESTORS SERVICE

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

 All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of MOODY'S Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."

Any publication into Australia of this Document is by MOODY'S affiliate MOODY'S Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to wholesale clients (within the meaning of section 761G of the Corporations Act 2001). By continuing to access this Document from within Australia, you represent to MOODY'S and its affiliates that you are, or are accessing the Document as a representative of, a wholesale client and that neither you nor the entity you represent will directly or indirectly disseminate this Document or its contents to retail clients (within the meaning of section 761G of the Corporations Act 2001).

EXHIBIT JG-4

Arizona Corporation Commission
Docket No. T-01051B-10-0194, et al.
CenturyLink – Exhibit JG-4
Direct Testimony of Jeff Glover
May 24, 2010

STANDARD
&POOR'S

Global Credit Portal
RatingsDirect®

April 22, 2010

Research Update:

CenturyTel 'BBB-' Rating On Watch Negative On Deal To Acquire Qwest Communications; Qwest 'BB' Rating On Watch Positive

Primary Credit Analyst:
Allyn Arden, CFA, New York (1) 212-438-7832;allyn_arden@standardandpoors.com

Table Of Contents

Research Update:

CenturyTel 'BBB-' Rating On Watch Negative On Deal To Acquire Qwest Communications; Qwest 'BB' Rating On Watch Positive

Overview

- U.S. ILECs CenturyTel and Qwest Communications International Inc. have signed a definitive agreement under which CenturyTel will acquire Qwest in a tax-free, stock-for-stock transaction.
- We are placing our ratings on CenturyTel, including the 'BBB-' corporate credit rating, on CreditWatch with negative implications.
- We are also placing our 'BB' corporate credit rating on Qwest on CreditWatch with positive implications.
- We currently expect that if the transaction is completed as planned, the corporate credit rating of the combined entity is likely to be 'BB+' or 'BB'.

Rating Action

On April 22, 2010, Standard & Poor's Ratings services placed its ratings on Monroe, La.-based incumbent local exchange carrier (ILEC) CenturyTel Inc. on CreditWatch with negative implications, including the 'BBB-' corporate credit, 'A-3' commercial paper, and all other issue ratings. At the same time, we placed the 'BB' corporate credit rating on Denver-based ILEC Qwest Communications International Inc. on CreditWatch with positive implications.

The CreditWatch placements follow the announcement that CenturyTel and Qwest have signed a definitive agreement under which CenturyTel will acquire Qwest in a tax-free, stock-for-stock transaction. CenturyTel shareholders will own approximately 50.5% and Qwest shareholders will own 49.5% of the combined company.

We also placed the senior secured and unsecured debt at Qwest Communications International Inc. and Qwest Capital Funding Inc. on CreditWatch with positive implications. Additionally, we placed the senior unsecured debt at Qwest subsidiary Qwest Corp. on CreditWatch with developing implications, meaning that we could raise or lower the ratings. Issue-level ratings at the Qwest entities will depend on the outcome of the overall corporate credit rating review, the ultimate capital structure of the combined entity, and our recovery analysis.

The CreditWatch listings are based on our preliminary view that if the merger is consummated under the proposed terms, we anticipate the corporate credit rating of the merged entity to likely be either 'BB+' or 'BB'. The transaction is subject to shareholder and regulatory approvals and we expect it to close in the first half of 2011.

Rationale

Based on preliminary information, we expect that CenturyTel's combined pro forma 2009 leverage will be about 3.2x (including unfunded pension and other postretirement obligations [OPEBs] and the present value of operating lease payments), or about 3.0x including potential operating synergies. Total debt to EBITDA would be significantly higher than CenturyTel's current leverage of 2.3x on a stand-alone basis, but lower than Qwest's 4.0x stand-alone leverage. Still, the pro forma leverage is probably not supportive of an investment-grade credit profile, despite prospects for potential deleveraging, given the integration challenges and continuing access-line losses across the industry.

While the transaction improves CenturyTel's scale, making it the third-largest wireline operator in the U.S., with about 17 million access lines and 5 million broadband customers, it also increases the company's exposure to higher density markets, which have significant competition from the cable providers. Access-line losses at legacy CenturyTel were about 8.8% in the fourth quarter of 2009 compared to 11.2% at Qwest. While estimated operating cost synergies of about $575 million, which represent about 3% of total revenue, appear achievable, integration efforts will be difficult given the size of the combined company and CenturyTel's integration of previously acquired Embarq will likely not be complete until the end of 2011. Additionally, one-time integration costs of $800 million to $1 billion will constrain the combined company's initial net free cash flow generation.

CreditWatch

In resolving the CreditWatch, we will meet with management to review its business and financial strategies, including evaluating the prospective financial policy of the combined entity. We currently expect that if the transaction is completed as planned, the corporate credit rating on the combined entity is likely to be 'BB+' or 'BB'.

Related Criteria And Research

"Key Credit Factors: Business And Financial Risks In The Global Telecommunication, Cable, And Satellite Broadcast Industry," published Jan. 27, 2009, on RatingsDirect.

Ratings List

Ratings Placed On CreditWatch Negative

	To	From
CenturyTel Inc.		

Corporate Credit Rating	BBB-/Watch Neg/A-3	BBB-/Stable/A-3
Ratings Placed On CreditWatch Positive		
Qwest Communications International Inc.		
Corporate Credit Rating	BB/Watch Pos/--	BB/Negative/--
Ratings Placed On CreditWatch Developing		
Qwest Corp.		
Corporate Credit Rating	BB/Watch Dev/--	BB/Negative/--
Qwest Corp.		
Senior Unsecured	BBB-/Watch Dev	BBB-
Recovery Rating	1	1
Ratings Placed On CreditWatch Negative		
CenturyTel Inc.		
Senior Unsecured	BBB-/Watch Neg	BBB-
Commercial Paper	A-3/Watch Neg	A-3
Carolina Telephone & Telegraph Co.		
Senior Unsecured	BBB-/Watch Neg	BBB-
Centel Capital Corp.		
Senior Unsecured	BBB-/Watch Neg	BBB-
Embarq Corp.		
Senior Unsecured	BBB-/Watch Neg	BBB-
Sprint - Florida, Inc.		
Senior Secured	BBB+/Watch Neg	BBB+
Ratings Placed On CreditWatch Positive		
	To	From
Qwest Communications International Inc.		
Senior Secured	BB/Watch Pos	BB
Recovery Rating	3	3
Senior Unsecured	B+/Watch Pos	B+
Recovery Rating	6	6
Qwest Capital Funding Inc.		
Senior Unsecured	B+/Watch Pos	B+
Recovery Rating	6	6
Qwest Services Corp.		
Senior Secured	B+/Watch Pos	B+

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

BEFORE THE ARIZONA CORPORATION COMMISSION

Joint notice and application of Qwest Corporation, Qwest Communications Company, LLC, Qwest LD Corp., EMBARQ Communications, Inc. d/b/a CenturyLink Communications, EMBARQ Payphone Services, Inc. d/b/a CenturyLink, and CenturyTel Solutions, LLC for approval of the proposed merger of their parent corporations Qwest Communications International, Inc. and CenturyTel, Inc.	DOCKET NOS. T-01051B-10-0194 T-02811B-10-0194 T-04190A-10-0194 T-20443A-10-0194 T-03555A-10-0194 T-03902A-10-0194

REBUTTAL TESTIMONY OF

Jeff Glover

ON BEHALF OF

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

OCTOBER 27, 2010

EXHIBIT
CTL-2
ADMITTED

Q. Please state your name and business address.

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

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

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

Q. Are you the same Jeff Glover who supplied direct testimony in this proceeding on May 24, 2010?

A. Yes. I am.

Q. What is the purpose of your Rebuttal Testimony?

A. I am providing rebuttal testimony concerning financial and related issues raised in the direct testimonies of certain parties in the proceeding before the Arizona Corporation Commission ("Commission") related to the proposed merger (the "Transaction") of Qwest Communications International, Inc. ("Qwest") and CenturyLink. Specifically, I will address the testimonies of Mr. Armando Fimbres[1], Mr. Pedro M. Chaves[2], and Ms.

[1] Direct Testimony of Armando Fimbres, Public Utilities Analyst V, on behalf of Utilities Division, Arizona Corporation Commission, [hereafter "Staff, Fimbres"].

[2] Direct Testimony of Pedro M. Chaves, Public Utilities Analyst III, on behalf of Utilities Division, Arizona Corporation Commission, [hereafter "Staff, Chaves"].

Pamela J. Genung[3], who provided testimony on behalf of the Utilities Division of the Commission (collectively "Staff"); Mr. William A. Rigsby[4], who provided direct testimony on behalf of the Residential Utility Consumer Office ("RUCO"); Mr. Timothy Gates[5] and Dr. August Ankum[6], who provided direct testimony on behalf of Eschelon Telecom of Arizona, Inc., Electric Lightwave, LLC, Mountain Telecommunications of Arizona, Inc. d/b/a Integra Telecom; tw telecom of Arizona, LLC, Level 3 Communications, LLC, and McLeod USA Telecommunications Services, Inc. d/b/a PAETEC Business Services (collectively, these competitive local exchange carriers are the "Joint CLECs"); and Mr. Charles King[7], who provided responsive testimony on behalf of The Department of Defense and all other Federal Executive Agencies ("DOD"). I note that on October 21st, the Communications Workers of America ("CWA") filed a Notice of Withdrawal that seeks, among other things, to withdraw CWA's intervention and pre-filed testimony in this case[8]. As a result, I will not directly address the direct testimony of CWA witnesses Mr. Randy Barber and Mr. Jasper Gurganus, but I will

[3] Direct Testimony of Pamela J. Genung, Public Utilities Analyst V, on behalf of Utilities Division, Arizona Corporation Commission, [hereafter "Staff, Genung"].
[4] Direct Testimony of William A. Rigsby on behalf of the Residential Utility Consumer Office,. [hereafter "RUCO, Rigsby"].
[5] Direct Testimony of Timothy J Gates on behalf of Eschelon Telecom of Arizona, Inc., Electric Lightwave, LLC, Mountain Telecommunications of Arizona, Inc. d/b/a Integra Telecom, tw telecom of Arizona LLC; Level 3 Communications, LLC; and McLeodUSA Telecommunications Services, Inc. d/b/a PAETEC Business Services, [hereafter "Joint CLECs, Gates"].
[6] Direct Testimony of August H. Ankum, Ph.D. on behalf of Eschelon Telecom of Arizona, Inc., Electric Lightwave, LLC, Mountain Telecommunications of Arizona, Inc. d/b/a Integra Telecom, tw telecom of Arizona LLC; Level 3 Communications, LLC; and McLeodUSA Telecommunications Services, Inc. d/b/a PAETEC Business Services, [hereafter "Joint CLECs, Ankum"].
[7] Initial Testimony of Charles W. King on behalf of The Department of Defense and all other Federal Executive Agencies, [hereafter "DOD, King"].
[8] CWA's: 1) Notice of Withdrawal; and 2) Notice of filing settlement agreement between CWA and Joint Applicants, filed October 21, 2010.

address concerns raised by other parties that appear to be based on Mr. Barber's or Mr. Gurganus' direct testimony.

My rebuttal testimony regarding financial and related issues is to be read in conjunction with the rebuttal testimonies provided by other witnesses representing CenturyLink and Qwest (collectively, the "Joint Applicants"). I have reviewed and agree with the rebuttal testimonies presented by those other Joint Applicant witnesses.

Q. Please summarize your rebuttal testimony.

A. I will respond to the Staff and intervenor witness testimonies noted above regarding financial concerns raised in the testimonies, principally based on the relevant Staff recommended conditions for approval of the proposed Transaction. I will address the following general matters:

1. The standard of review applied and the approach used in evaluating the proposed Transaction, notably based on the testimonies of Mr. Fimbres and Mr. Chaves;
2. The financial analyses of Staff witnesses Mr. Fimbres and Mr. Chaves, as well as of RUCO witness Mr. Rigsby, which analyses lead them to endorse the financial public interest benefits of the Transaction;
3. CenturyLink's responses to certain of Staff's proposed conditions for approval;

4. Perspectives on use of the Risk Factors section of the Securities and Exchange ("SEC") Form S-4 filing ("S-4") in this proceeding;[9]
5. The Joint CLECs' recommendation that CenturyLink and Qwest should be required to share synergy savings with wholesale customers in Arizona;
6. The claim that the Transaction is similar to certain previous problematic incumbent local exchange carriers ("ILEC") mergers, including those in which there were fundamental flaws that led to bankruptcies; and
7. Other financial issues raised by intervenor witnesses.

I. THE STANDARD OF REVIEW APPLIED AND THE APPROACH USED IN EVALUATING THE PROPOSED TRANSACTION, NOTABLY BASED ON THE TESTIMONIES OF MR. FIMBRES AND MR. CHAVES.

Q. What is your understanding of the standard of review to be applied by the Commission in this transfer of control proceeding?

A. I am not an attorney, but I have reviewed the testimony of Staff witness Mr. Fimbres, who responds to a question about the standard of review used by the Staff in evaluating if the merger is in the public interest, saying that . . .

> "[t]he Public Interest can be explained simply as 'the benefits or merits which will flow to the public' from any transaction filed for consideration by the Commission. Logically this test or standard means that the transaction, the acquisition of Qwest by CenturyLink in this matter, should first cause no harm to

[9] CenturyLink SEC Form S-4, filed July 16, 2010, available at http://www.sec.gov/Archives/edgar/data/18926/000095012310066042/y84818a1sv4za.htm#113.

> customers of the entities involved in the transaction. If a transaction can be evaluated to first cause no harm, the more important determination of considering the benefits or merits can be undertaken."[10]

Mr. Fimbres does not provide a source for this standard, which is different from the standard of review cited by CenturyLink in its Joint Notice and Application for Expedited Approval of Proposed Merger ("Application").[11] I note that, in the Application, CenturyLink cited A.A.C. R14-2-803(C): "At the conclusion of any hearing on the organization or reorganization of a utility holding company, the Commission may reject the proposal if it determines that it would impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service." RUCO witness Mr. Rigsby indicates in his testimony that he also relied upon the standard of review referenced by CenturyLink.[12] CenturyLink witness Ms. Kristin McMillan addresses the standard more fully in her testimony.

---

[10] Staff, Fimbres, p. 23, line 26 through p. 24, line 3.

[11] See *Before the Arizona Corporation Commission, Joint Notice and Application of Qwest Corporation, Qwest Communications Company, LLC, Qwest LD Corp., Embarq Communications, Inc. d/b/a CenturyLink Communications, and CenturyTel Solutions, LLC for Approval of the Proposed Merger of their Parent Corporations Qwest Communications International Inc. and CenturyTel, Inc.*, Docket Nos. T-01051B, T-03902A, T-02811B, T-2043A, T-04190A, T-03555A, May 13, 2010 [hereafter "Application"], p. 9, ¶¶ 16-17.

[12] RUCO, Rigsby, p. 3, line 18 through p. 4, line 25.

Q. Can you summarize from a financial point of view why the proposed Transaction is expected to benefit Arizona customers and, therefore, satisfies the Arizona standard of review if it does require a showing of benefit?

A. Yes. The merger is a direct and constructive response to industry pressures. Competition in the telecommunications industry is robust and is increasing in terms of business services provided by competitive local exchange carriers ("CLECs"), and residential and business services provided by cable operators, including those that offer voice over Internet protocol ("VoIP") services. Wireless carriers also are capturing a very large percentage of the marketplace, particularly among residential subscribers; it is generally accepted that currently more than 25% of the residential telephone customer base nationwide has "cut the cord" to use only wireless voice telecommunications services.[13] Illustrating the competitive pressures, Qwest reported total access lines that fell by 10.5% year-over-year at the end of the second quarter of 2010, while CenturyLink reported an 8.0% decline pro forma (adjusting for the acquisition of Embarq Corporation ("Embarq")).[14] Technologies are changing as customers are demanding higher

[13] Dan Frommer, *Almost a Third of U.S. Households Have Cut the Landline Cord*, SFGate (San Francisco Chronicle), August 18, 2010, available at http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2010/08/18/businessinsider-chart-of-the-day-almost-a-third-of-us-households-have-cut-the-landline-cord-2010-8.DTL; Frommer states that "[a]lmost 30% of U.S. households have cut the cord, up from about 25% a year ago, via a Citi Investment Research report by analyst Jason Bazinet." At the end of 2009, the Center for Disease Control reported that 24.5% of homes were wireless-only; see Stephen J. Blumberg, Ph.D., and Julian V. Luke, Division of Health Interview Statistics, *National Center for Health Statistics, Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July-December 2009*, available at http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201005.pdf. See, also, Dane Jasper, *Why Include Phone*, September 9, 2010, Sonic.net CEO, available at

[14] Qwest Communications 2010: Second Quarter Historical Financial Info, August 4, 2010, available at http://investor.qwest.com/index.php?s=68, slide 12. CenturyLink Reports Second Quarter 2010 Earnings, August 4, 2010, available at http://phx.corporate-

throughput for data and a range of new applications, including those provided by wireless carriers (that are in the process of introducing 4G technologies) or cable television companies (that are moving toward deployment of very high-speed DOCSIS 3.0 services).

From a financial point of view, the wireline telecommunications industry is coping with a shrinking base of voice-only customers (generally contracting between 6% and 12% annually), greater risks in terms of deploying technologies (with uncertainty surrounding how far fiber should be pushed toward the premises), pressures on margins and cash flows (as most carriers are reporting at least some margin compression), more critical scrutiny from debt and equity investors (among the major carriers only three, including CenturyLink, have corporate credit ratings that are investment grade), the need to rationalize operations to achieve efficiencies (such that rapid consolidation is occurring in the industry, including among the largest carriers), and pending federal financial regulatory reforms. The financial benefits of the proposed Transaction, therefore, are centered on creating a combined company with greater scope and scale, strong financial characteristics (low leverage, prudent dividend payout ratio, diversification of markets and revenue sources, increased access to financial markets, etc.), and the ability to generate significant free cash flows. It is also important to note that the combined company is not acquiring any new debt as the Transaction is a stock-for-stock merger.

---

ir.net/External.File?item=UGFyZW50SUQ9MzkyMDAyfENoaWxkSUQ9Mzk2MzQxfFR5cGU9MQ==&t=1, p. 12.

The combined company is positioning itself to generate incremental cash flows through synergies and incremental revenues from expanded service offerings based on the combination of CenturyLink and Qwest assets. The result will be higher cash flows that can be used to fund operations, invest in new service capabilities, and reduce debt from current levels, which are affirmative benefits of the merger. In addition, CenturyLink believes that the merged company's market capitalization will provide a larger and more liquid equity base (more shares outstanding and a higher market capitalization). All else being equal, the increase in market capitalization generally improves access to capital markets, which is an important consideration for the Commission in this review process. Finally, the combined company will be run by a management team that has been effective in responding to customers, in generating better operating results through synergies and efficiencies, and in investing in network and services.

Based on the financial benefits of the proposed Transaction, CenturyLink believes that the Arizona standard has been met, even if it were judged to include the requirement of a benefit showing by the Joint Applicants. As such, the imposition of unnecessary conditions could undermine the expected financial benefits and hinder the Company's ability to respond flexibly to the rapidly changing and increasingly competitive telecommunications marketplace—a result which would harm Arizona customers and public policy.

II. THE FINANCIAL ANALYSES OF STAFF WITNESSES MR. FIMBRES AND MR. CHAVES, AS WELL AS OF RUCO WITNESS MR. RIGSBY, WHICH ANALYSES LEAD THEM TO ENDORSE THE FINANCIAL PUBLIC INTEREST BENEFITS OF THE TRANSACTION.

Q. How does Staff financial witness Mr. Chaves evaluate the proposed Transaction?

A. Mr. Chaves focuses his assessment of the Transaction on the capital structure of Qwest today and the capital structure of the post-merger combined company. Mr. Chaves summarizes CenturyLink's capital structure and Qwest's capital structure, and then compares them with capital structures of other companies in the local telephone industry. Mr. Chaves' conclusion regarding CenturyLink's capital structure is that the Company is "less leveraged when compared to the average of telephone companies," as he summarizes in his Table 2, and that CenturyLink's equity ratio is better than the threshold level of equity that Staff considers financially prudent.[15]

Q. What is Staff witness Mr. Chaves' overall conclusion regarding whether the proposed Transaction will be beneficial from a financial perspective to Arizona customers?

A. As noted above, Staff witness Mr. Chaves concludes that the Arizona Qwest subsidiaries will "benefit" from the proposed Transaction, which will provide "improved access to the capital markets because the post-merger ultimate parent, CenturyTel, Inc., will have a

[15] Staff, Chaves, p. 4, lines 5-11; see, also p. 4, lines 1-3, and p. 5, line 1 through p. 6, line 12.

financially prudent capital structure as opposed to [Qwest's] negative equity position."[16] However, despite finding conclusively that the proposed Transaction meets Staff's definition of the required standard for approval, Mr. Chaves and Staff propose specific financial conditions about which I will comment in the following section of my testimony.

Q. Does Staff witness Mr. Fimbres add financial commentary about the proposed Transaction?

A. Yes. Staff witness Mr. Fimbres affirms the combined company's capacity for increased investment, testifying that "Arizona customers could benefit from the increased financial strength of the combined company to more aggressively pursue FTTN [fiber-to-the-node] and fiber-to-the-cellular tower ('FTTCT')".[17] Mr. Fimbres also points to "issues and questions" raised by the Arizona Consumers Council (the "Council") related to whether the post-merger company has a plan to service the "unprecedented debt that they want to acquire" and whether CenturyLink will have "the resources to expand and incorporate the new and expanded internet operations."[18] In addition, Mr. Fimbres cites another Council concern, whether CenturyLink will be able to "expand and build . . . operations in rural Arizona that are unserved or under served at reasonable rates."[19] Mr. Fimbres provides no financial analyses about these issues raised by the Council, but lists them as questions

[16] Staff, Chaves, p. 6, lines 16-19.
[17] Staff, Fimbres, p. 10, lines 8-10.
[18] Staff, Fimbres, p. 23, lines 14-17.
[19] Staff, Fimbres, p. 23, lines 18-19.

for which he will seek answers. Finally, Mr. Fimbres summarizes Staff's position regarding the financial benefits of the proposed Transaction, stating that Staff concludes "that the proposed transaction does offer financial benefits and is, therefore, in the Public Interest from a purely financial prospective [sic]."[20]

Q. Do you agree with the evaluations by Staff witnesses Fimbres and Chaves?

A. Both Staff witnesses are correct that Qwest will be strengthened through the proposed Transaction. The combined company's balance sheet will be improved over Qwest's current balance sheet, as the various credit rating agencies have signaled and as will be discussed below. I will provide more detail about the fact that Qwest's credit rating is on watch for upgrade at all three credit rating agencies. Further, the assumption is that post-merger CenturyLink's balance sheet, combined with incremental cash flows generated through the proposed Transaction, should support ongoing investment in the Company's network in Arizona.

Q. What about the concerns of the Council that Mr. Fimbres notes in his testimony?

A. With respect to the Council's concerns about whether the Company has a "plan" to service the increased level of debt, I note that CenturyLink has provided Highly Confidential information regarding its plan to further strengthen its balance sheet and I will discuss later in my testimony that the Company also will generate higher levels of

[20] Staff, Chaves, p. 24, lines 23-25.

cash flow to service the debt. At the very least, the combination of CenturyLink and Qwest will improve the balance sheet of Qwest as Mr. Chaves has testified. However, with the improved cash flows from synergies, the Company is confident that the "balance sheet plan" (already provided to the Commission) is credible as it reveals positive improvement over the next five years. No Staff witness or other intervenor credibly can suggest that the proposed Transaction will result in a balance sheet that is a problem.[21] With respect to the questions about whether the combined company will have the resources for ongoing investment, including in unserved or underserved regions, the simple answer is that the combined company will generate significant levels of free cash flows (that I detail later in my testimony) and the merger provides *increased cash flows* because of the expected synergies compared with the cash flows that might have been available to Qwest in Arizona if the merger were not to occur. Staff witness Genung provides commentary about the sources of synergy savings in her testimony, and does not suggest that the targets are unrealistic.[22] The post-merger company, therefore, clearly will have the financial resources necessary to fund network investments in Arizona.

Q. What is RUCO witness Mr. Rigsby's assessment of the proposed Transaction?

[21] RUCO witness Mr. Rigsby reinforces this point when he states, "Although CenturyLink would be taking on Qwest's additional long-term debt, the combined entity would have improved cash flow of $7.8 billion versus CenturyLink's $3.5 billion in cash flow based on CenturyLink's adjusted 2009 income statement figures – a point cited earlier by analysts with Bank of America/Merrill Lynch." RUCO, Rigsby, p. 23, line 20 through p. 24, line 3.
[22] Staff, Genung, p. 25, lines 1-17.

A. Mr. Rigsby recommends that the Commission should approve the proposed Transaction provided that no integration or acquisition costs are passed on to Arizona ratepayers.[23] Mr. Rigsby provides a balanced, substantive view of the merger when he testifies that RUCO's . . .

> "recommendation is based on my belief that the Proposed Merger should result in a combined entity which will be financially stronger, be able to mitigate the effects of land-line losses, and be able to provide additional and improved telecommunications products and services to Qwest's Arizona ratepayers. As discussed in further detail, I find the Proposed Merger results in the merged company having a better balanced capital structure and an improved cash flow. Furthermore, the CEO and CFO of CenturyLink have established track records of conservative financial policies."[24]

Mr. Rigsby, therefore, highlights three fundamental financial benefits resulting from the proposed Transaction, which are that the combined company will have (i) a better balanced capital structure than Qwest (as also explained by Staff witness Mr. Chaves), (ii) improved operating focus, including enhanced cash flows and the potential for mitigated line losses versus Qwest on a standalone basis (as explained separately by Staff witness Ms. Genung), and (iii) sound leadership with "established track records of conservative financial policies."[25] I believe that Mr. Rigsby has captured important benefits for Arizona flowing from the Transaction, and I would add only that the post-merger company will have new operating capabilities in combining the Qwest assets with those of CenturyLink. As such, the RUCO witness provides additional support for core financial benefits arising from the combination of Qwest and CenturyLink.

---

[23] RUCO, Rigsby, p. 4, lines 29-31.
[24] RUCO, Rigsby, p. 5, lines 1-9.
[25] Staff, Genung, p. 8, lines 16-18.

Q. How does RUCO witness Mr. Rigsby analyze the proposed merger?

A. Mr. Rigsby begins by summarizing the published comments of the independent financial community, including financial analysts who track the public equity markets and the credit analysts who track the public debt markets. Mr. Rigsby's summaries of the analysts' commentaries appear fair and accurate. Mr. Rigsby's analysis adds a theme that is important, as he reports that Bank of America/Merrill Lynch credit analysts Kevin Christiano and Connie Chan stated, according to Mr. Rigsby, that "bondholders should be comforted by the fact that both CenturyLink's Glen Post and Stewart Ewing will be the respective CEO and CFO of the merged company. According to the analysts, both CenturyLink executives have a long track record of pursuing conservative financial policies."[26] Mr. Rigsby points throughout his testimony to this important insight—that CenturyLink's leadership is proven and its policies are consistently conservative in managing financial risk. In CenturyLink's opinion, this history is substantive evidence about the Company's capabilities and good judgment in providing customer-centric service while maintaining a sound financial profile.

Q. Does RUCO witness Mr. Rigsby point to other CenturyLink capabilities that he considers important?

A. Yes. Mr. Rigsby points to CenturyLink's success in competing for customers, including its success in reducing access line losses:

[26] RUCO, Rigsby, p. 12, lines 18-21.

> "CenturyLink's response [regarding its success in the most urban of the former Embarq areas] is consistent with opinions expressed in Value Line's quarterly update of the telecommunications utility industry in which analyst Mary Beth Wiedenkeller observed that 'lines losses have abated somewhat of late, likely thanks to aggressive pricing and bundling options, particularly those that incorporate Internet and TV programming.' Ms. Wiedenkeller went on to say that by diversifying service network areas and offerings, many companies in the telecommunications utility group have been able to generate handsome cash flows . . ."[27]

Mr. Rigsby continues in a later section of his testimony to make a similar point, when he quotes another Value Line analyst, Justin Hellman, who "went on to say that the merged entity will probably be better positioned to offset the declining access line situation noted above by offering competitive video and high-speed Internet services."[28] CenturyLink believes that its success in competing for customers, to which Mr. Rigsby and the analysts point, is a sign of the Company's focus on meeting the needs of its customers, which is entirely consistent with the public interest.

Q. What does RUCO witness Mr. Rigsby conclude as a result of his review of independent financial analysts' commentary regarding the proposed Transaction?

A. Mr. Rigsby concludes that the "majority of professional securities analysts [he] reviewed expressed neutral to positive recommendations on the Proposed Merger."[29] CenturyLink believes that the opinions of professional independent analysts, while still opinions, provide an important sanity check about the financial logic of a company's decisions.

---

[27] RUCO, Rigsby, p. 13, line 21 through p. 14, line 6, citing The Value Line Investment Survey, quarterly update of CenturyLink dated June 25, 2010.
[28] RUCO, Rigsby, p. 16, lines 9-12.
[29] RUCO, Rigsby, p. 16, lines 3-5.

And, that financial logic generally is based on the longer-term strategic positioning of the company in serving customers. In addition, Mr. Rigsby affirms that the Joint Applicants' shareholders "overwhelmingly voted to approve the Proposed Merger"[30]—reinforcing the public equity market's positive view of the Transaction—and that other state regulators already have approved the Transaction.[31] Thus, Mr. Rigsby provides additional data that affirm the benefits that are expected to result from the proposed Transaction.

Q. Did RUCO witness Mr. Rigsby perform an independent financial analysis of the proposed Transaction?

A. Yes. My Rigsby stated that he performed his own financial analysis of the merger as a "reasonable sanity check on the projections presented by CenturyLink."[32] After explaining that his independent estimates of CenturyLink forward-looking EBITDA were higher than those estimated by CenturyLink and his estimates of the projected Qwest results were lower than those provided for Qwest, Mr. Rigsby summarizes his conclusion from his independent financial analysis:

> "I believe that the combined entity, resulting from the Proposed Merger, would have an improved financial status which would have the ability to attract capital on fair and reasonable terms and have the financial ability to provide safe, reasonable and adequate service."[33]

Q. What is RUCO witness Mr. Rigsby's final recommendation?

---

[30] RUCO, Rigsby, p. 15, lines 17-20.
[31] RUCO, Rigsby, p. 15, lines 20-23.
[32] RUCO, Rigsby, p. 18, line 30 through p. 31, line 2.
[33] RUCO, Rigsby, p. 22, lines 5-9.

A. As summarized above, Mr. Rigsby recommends that the "Commission approve the Proposed Merger on the condition that Qwest's Arizona ratepayers be shielded from any integration/acquisition costs that the combined entity may attempt to pass on to them."[34] As noted in CenturyLink's discovery responses, the one-time transaction costs incurred by CenturyLink associated with the merger are recorded at the parent company level and are not allocated to operating subsidiaries. The proper treatment of integration costs should be determined under the applicable laws or regulations, as appropriate, not as a condition to the approval of the transaction.

III. CENTURYLINK'S RESPONSES TO CERTAIN OF STAFF'S PROPOSED CONDITIONS FOR APPROVAL.

Q. Please respond to Staff proposed Condition 1 that requires that the merged company will not recover any one-time transfer, branding, or any merger or transaction-related costs through any rates or fees charged to retail or wholesale customers.[35]

A. As noted in CenturyLink's discovery responses, the one-time transaction costs incurred by CenturyLink associated with the merger are recorded at the parent company level and are not allocated to operating subsidiaries. The proper treatment of integration costs should be determined under the applicable laws or regulations, as appropriate, not as a condition to the approval of the transaction.

[34] RUCO, Rigsby, p. 24, lines 19-22.
[35] Staff, Fimbres, p. 28, lines 6-10.

Q. Please respond to Staff proposed Condition 2 that requires the post-merger Company to provide the Commission with access to all books of account, all documents, data, and records that pertain to the proposed merger.[36]

A. CenturyLink will continue to abide by all current rules and regulations regarding access to books of account, as well as all Qwest and CenturyLink agreements that remain in force as of closing. However, to grant access to "all documents, data and records that pertain to the proposed merger"—as the Staff suggests in Condition 2—is overly broad, potentially intrusive, and could generate costs that would unfairly burden the combined company relative to its competitors. CenturyLink objects to the expansive language in Staff's Condition 2, which is proposed without evidence that it will mitigate any defined harm.

Q. Please respond to Staff proposed Condition 3 regarding the Commission's right to "review, for reasonableness, all financial aspects of this transaction at any time and in any rate proceeding or earnings review, regardless of the form of regulation."[37]

A. CenturyLink recognizes that the Commission and the Staff have the right to evaluate how the financial aspects of this Transaction affect rate proceedings or earnings' reviews. CenturyLink does not agree that there is evidence of the need for such a condition as part of this merger review proceeding. As such, CenturyLink will agree to discuss with the Commission and the Staff those matters in any rate proceedings or earnings reviews, and

[36] Staff, Fimbres, p. 28, lines 11-13.
[37] Staff, Fimbres, p. 28, lines 14-16.

the Company respects the Commission's rights to seek pertinent financial information in such review processes.

Q. Please respond to the Staff proposed Condition 8 that requires the Company to maintain books and records in accordance with the Uniform System of Accounts ("USOC").[38]

A. CenturyLink has complied with, and intends to comply with, all applicable rules and regulations regarding its books and records. As such, Staff Condition 8 does not appear necessary.

Q. Please respond to Staff proposed Condition 10 that requires the post-merger company to provide the Commission access to books and records as part of the Commission's responsibility for ensuring just and reasonable rates.[39]

A. CenturyLink will continue to abide by all current rules and regulations regarding access to books and records, as well as all Qwest and CenturyLink agreements that remain in force as of closing.

Q. Please respond to Staff proposed Condition 13 that requires that the post-merger company will not file for funding from the Arizona Universal Service Fund ("AUSF").[40]

[38] Staff, Fimbres, p. 28, lines 34-36.
[39] Staff, Fimbres, p. 29, lines 6-9.

A. CenturyLink objects to Condition 13, as the Company believes that the AUSF is intended to provide support for investment that benefits customers in high-cost areas. The Company believes that it should not forfeit the potential for such funding as it could prove harmful to customers whose rights to telecommunications services are protected by such a program. CenturyLink will comply with all rules and regulations of the Commission, but seeks to protect its customers against decisions or conditions that could create harm in this merger process. Through proposed Condition 13, Staff is seeking, as a result of this merger review, to change what is defined today under Commission decision and rules, without asking the Commission to engage in a properly conducted rulemaking proceeding. Without addressing the intent of the combined company to file for AUSF funding in the future, CenturyLink believes that such a condition in the context of this transaction review proceeding is highly inappropriate.

Q. Please respond to Staff proposed Condition 34 that requires notification of the Commission if the post-merger company's equity-to-total capital ratio is below 40 percent.[41]

A. CenturyLink objects to Staff's proposed Condition 34 as such a requirement is not imposed on Qwest or other Arizona communications companies at the present. Further, Mr. Chaves provides no specific support for the 40% percent threshold. Based on Table 2 of his testimony, eight out of the 12 common equity ratios for the companies shown are

[40] Staff, Fimbres, p. 29, lines 16-17.
[41] Staff, Fimbres, p. 32, lines 15-19.

below 40%, including Verizon Communications.[42] The proposed condition does not protect against any potential merger-related harm, as the merged company expects to have an *improved* capital structure, which was confirmed by Staff witness Mr. Chaves and RUCO witness Mr. Rigsby.

Q. Please respond to Staff proposed Condition 35 that requires notification of the Commission related to specific financial events.[43]

A. Staff Condition 35 requires that, within 30 days from filing its Form 10-Q or 10-K, the merged company will report if any of several financial events occur: 1) default on any CenturyLink loan or any loan of the Company's Arizona subsidiaries; 2) a delisting of CenturyLink from trading on a major trading exchange; and 3) the assignment of a non-investment grade credit rating by Fitch Ratings, Standard and Poor's or Moody's Investor Services or their successors to CenturyLink or its Arizona subsidiaries. The proposed condition adds a "requirement" that the Company will "utilize [its] access to the capital markets provided through [the] parent company as necessary and appropriate to maintain an adequate capital structure and to provide funds for capital and operational needs." CenturyLink believes that the Condition is unnecessary, including the provision regarding maintaining an adequate capital structure. The occurrence of any of identified "events" would be publicly available information. CenturyLink's current financial

[42] Staff, Chaves, p. 5, Table 2.
[43] Staff, Fimbres, p. 32, lines 20-30.

strength and historic commitment to maintaining a conservative balance sheet should provide assurance to the Commission and put aside unwarranted concerns and reporting.

Q. Please respond to Staff proposed Condition 36 that prohibits CenturyLink from recovering "any acquisition adjustment."[44]

A. CenturyLink objects to the proposed condition, as it is my understanding that the treatment of "any acquisition adjustment" is a ratemaking issue and is not appropriately addressed in a merger review proceeding but instead in a future proceeding based on then applicable laws and regulations.

Q. Please respond to Staff proposed Condition 38 that proposes that CenturyLink will report on synergy savings on an annual basis.[45]

A. CenturyLink notes that such reporting is very difficult to track as the Company does not have specific systems for verifying and reporting on a semi-annual basis "[c]osts and projected savings associated with each respective activity on a Merged Company total company basis; . . . [c]onsolidation and organizational changes to network operations and staffing levels in the Arizona operations; . . . [and i]mpacts on Arizona operations and customers."[46] Not only is the condition vague and overly broad (e.g., "impacts on Arizona operations and customers"), but, as time passes, it will become increasingly difficult to discern what is a merger-related synergy and what is an ongoing business

[44] Staff, Fimbres, p. 32, line 31.
[45] Staff, Fimbres, p. 33, lines 3-8.
[46] Staff, Fimbres, p. 33, lines 5-8.

decision. Finally and possibly more fundamental, proposed Condition 38 does not protect against any defined potential harm to Arizona or Arizona customers. If the proposed condition is somehow related to concerns regarding service quality, there are service quality standards and reporting requirements that provide more direct and helpful information to the Commission. As such, Staff's proposed Condition 38 is unnecessary and should not be adopted by the Commission.

Q. Please respond to Staff proposed Condition 43 that sets out terms for reporting any material changes to the Transaction's terms or conditions.[47]

A. Based on its past experience, CenturyLink does not anticipate any material changes to the Transaction's terms and conditions, however, CenturyLink will notify the Commission if there are any material changes.

Q. Please respond to Staff proposed Condition 46 that requires the post-merger company to report certain operating statistics annually during the first three years after the close.[48]

A. CenturyLink objects to Staff proposed Condition 46 that creates new and unnecessary reporting requirements that are not imposed on Qwest at the present or on other communications companies operating in the state. First, there is no defined harm against which the proposed condition protects. Second, the costs associated with such a

[47] Staff, Fimbres, p. 33, lines 36-39.
[48] Staff, Fimbres, p. 34, lines 7-15.

condition are unnecessary and potentially harmful to customers through the diversion of resources and the potential to force expense, investment and employees to deployed formulaically rather than based on identified need. Third, the Commission has service quality metrics to ensure customers' needs are met satisfactorily, and those metrics capture the most important information about whether a carrier is failing to maintain the appropriate staffing levels or network plant investment. Fourth, the metrics proposed by the Staff—Operating Expense per 1,000 Working Access Lines, Annual Investment per 1,000 Working Access Lines, and Full-Time Equivalent Employees per 1,000 Working Access Lines ratios by Wire Center—focus the Commission on attempting to micromanage the Company, which is a waste of the Commission's limited time and resources as well as Company management's time and money. As such, the Commission should reject Staff's proposed Condition 46.

IV. PERSPECTIVES ON USE OF THE RISK FACTORS SECTION OF THE FORM S-4 IN THIS PROCEEDING.

Q. Several of the intervenor witnesses cite the SEC Form S-4 that CenturyLink filed on July 16, 2010, noting the "Risk Factors" associated with the Transaction as reasons to be concerned. Can you respond?

A. Yes. Obviously, there are numerous benefits associated with the Transaction, which also are detailed in the CenturyLink S-4 and in the CenturyLink and Qwest testimonies in this proceeding. Certain intervenor witnesses highlight the recitation of Risk Factors as if

CenturyLink is suggesting some degree of probability that OSS systems will be changed or that integrations or other risks noted are *likely* problems.[49] It is important to understand the purpose of the "Risk Factors" section in SEC filings by companies with publicly-traded securities. These items are mentioned as a matter of full disclosure of any and all risks to shareholders, as would be included in any public company's SEC Form S-4 or annual Form 10-K. As described, these "Risk Factors" represent general recitals of risks of which companies and the public are generally well aware. The disclosure of risk factors provides legal protection to investors and to a company whose securities are publicly-traded; but the disclosures are not intended to suggest that the risks are likely outcomes. As noted previously and affirmed in the testimony of RUCO witness Mr. Rigsby, CenturyLink has a long history of successfully executing ILEC transactions, a fact that underscores that the Company fully understands the importance of the customer, and is capable of managing operating risks, and delivering superior service through these types of combinations.[50] In summary, there is no evidence that failures or problems such as those recited in the "Risk Factors" have occurred in past CenturyLink transactions, and CenturyLink believes there is little likelihood that those types of problems will occur in the proposed Transaction. I also believe that, if undue emphasis were placed upon the risk factors, mergers and financings for new investment likely would never occur. As noted earlier, despite the cited risk factors, recently the shareholders of CenturyLink and Qwest overwhelmingly approved the proposed

[49] Joint CLECs, Ankum, p. 52, line 25- page 53, line 3; Dr. Ankum cites risks related to expenses to argue that CenturyLink "has put CLECs on notice to expect changes."
[50] RUCO, Rigsby, p. 5, lines 7-9; p. 12, lines 18-21; p. 17, lines 13-14; p. 22, lines 14-21.

transaction because they concluded that the likely benefits of the proposed merger outweighed the potential risks.

Q. Are all of the S-4 Risk Factors the result of the proposed Transaction?

A. No. In fact, the S-4 operating risks cited include those that are industry-related as well as transaction-related. CenturyLink and Qwest will face many of the risks with or without the merger, that is, the companies may not be able to retain key employees; access line losses could lead to financial pressures; competitive pressures could intensify; technology changes could put the company at risk; the industry is undergoing change and the company cannot assure that its diversifications will be successful; the company may not be able to grow through future acquisitions; in the future, the relationship with other key communications companies may be at risk; and network disruptions could harm performance. If one considers many of the risks in the S-4, it is apparent that these are general disclosures of what might go wrong in any business in the telecommunications industry, and the merger-related items are potential costs which are typical in any combination, against which the thoughtful investor or observer or manager will weigh the potential benefits associated with greater efficiencies and capabilities. When CenturyLink operates its business or engages in acquisitions, the Company works to identify any and all risks. Then, the Company focuses on evaluating those risks and determining whether they can be managed adequately. To point to the Risk Factor discussion in the S-4 filing does not provide any evidence that the intervenors or Staff have assessed the risks in any detail. The Joint Applicants' boards of directors, management and investors believe that the risks are manageable and there is a net benefit to the Company's core operations—serving the customer base—in moving forward with the proposed Transaction.

V. THE CLECS' RECOMMENDATION THAT CENTURYLINK AND QWEST SHOULD BE REQUIRED TO SHARE SYNERGY SAVINGS WITH WHOLESALE CUSTOMERS IN ARIZONA.

Q. Please respond to the intervenor witnesses who argue that the Commission should require sharing of the financial benefits of the merger?

A. Dr. Ankum and Mr. Gates, on behalf of the Joint CLECs, each argue that wholesale customers should "share" in the financial benefits that flow from the merger. Dr. Ankum testifies: "And without a concrete commitment that allows CLECs to *rightfully share in the cost-savings* the combined company achieves, this will be very low on CenturyLink's priority list post-transaction."[51] [Emphasis added.] Mr. Gates argues that "CenturyLink should not be permitted to keep all of the benefits of increased economies and efficiencies for itself."[52] As such, the intervenor witnesses are not satisfied that the Commission should find "no harm" or more general benefits if such a requirement is

[51]Joint CLECs, Ankum, p. 66, lines 7-10.

[52]Joint CLECs, Gates, p.110 lines 12-14; Mr. Gates footnotes the concept, citing to the FCC's *Local Competition Order* ("Order") from 1996, ¶11, and his footnote selectively states "...the local competition provisions of the Act require that these economies be shared with entrants." In reality, the Order's paragraph concerns setting initial rules based on "economies of density, connectivity, and scale [that have] traditionally . . . been viewed as creating a natural monopoly." Nowhere does the FCC's Order suggest that there should be a sharing of economic benefits resulting from a merger.

appropriate in Arizona. The Joint CLEC intervenors contend that the Commission should make approval of the transfer of control contingent on competitive and wholesale carriers being direct financial beneficiaries of the Transaction. CenturyLink believes that the Company should be subject to the same regulations and agreements that are currently in force, but should not be obligated to make additional financial concessions that protect against no probable harms. In fact, there are more appropriate venues for resolving appropriate rates or enforcing negotiated agreements, and CenturyLink suggests that a merger proceeding is not the forum to alter rules, regulations or contractual terms.

Q. Please provide more explanation about your response to the intervenor witnesses' argument that the merged company should "share" directly with wholesale customers the financial benefits that flow from the proposed Transaction.

A. CenturyLink believes that the intervenor witnesses have no right to claim a financial share of the efficiencies or other benefits. First, CenturyLink believes that the Commission is evaluating this Transaction to determine whether the merger results in "no harm," or possibly in some benefits to Arizona, in part as measured by the merged company's financial capabilities. Both Staff witness Mr. Chaves and RUCO witness Mr. Rigsby affirm the positive financial benefits of the combination, without reference to any need for financial "sharing" with the Joint CLECs. In fact, Mr. Chaves and Mr. Rigsby focus on the improved capital structure and the capacity to create a stronger service provider, but without reference to "shared" financial benefits. Second, the intervenors here are recommending the redirection of cash flows to narrowly benefit CLECs and other wholesale customers, in spite of the fact that wholesale-specific synergies are estimated to be only approximately 2% of the entire synergy savings. Third, CenturyLink and Qwest are committed to goals that are the same as those of the Commission—achieving financial flexibility to respond to customers and market conditions—through improved balance sheet characteristics, network investment, more compelling service offerings, or some combination of these or other benefits. Requiring that retail or wholesale customers should "share" directly in the cost savings that are to be realized through the merger would undercut the combined company's ability to respond to a challenging industry and the Company's efforts to strengthen the merged entity's financial position. Importantly, the Joint Applicants have made a commitment to merge, to bear the integration risk, and to create a stronger service provider for the benefit of all Arizona customers. On the contrary, the Joint CLECs are not putting any capital at risk as part of the proposed Transaction, are not incurring any of the transaction costs, and are not taking any of the risks to create a stronger service provider for Arizona. As such, there is no rational basis for directing a dedicated new financial benefit from the Transaction to wholesale and CLEC customers.

VI. THE CLAIM THAT THE TRANSACTION IS SIMILAR TO CERTAIN PREVIOUS PROBLEMATIC ILEC MERGERS, INCLUDING THOSE IN

WHICH THERE WERE FUNDAMENTAL FLAWS THAT LED TO BANKRUPTCIES.

Q. Please respond to the concerns raised by several intervenors that the proposed transaction might be similar to the Hawaiian Telcom, Inc. ("Hawaiian Telcom") and FairPoint Communications, Inc. ("FairPoint") mergers, which eventually resulted in bankruptcies.

A. Several intervenors, including Joint CLEC witnesses Mr. Gates and Dr. Ankum, and DOD witness Mr. King, describe the failure of The Carlyle Group's ("Carlyle's") purchase of Hawaiian Telcom and the similar problems in the FairPoint acquisition of Verizon Communications Inc.'s ("Verizon") wireline operations in Maine, New Hampshire, and Vermont, but they fail to analyze with appropriate diligence or present facts regarding whether similar problems are likely in the instant Transaction.[53] Dr. Ankum and Mr. Gates summarily conclude that "ILEC local telephone operations carry a high degree of risk of failure" and the "integration of two companies' disparate operations and OSS can pose a tremendous challenge."[54] Dr. Ankum proposes two additional unsupported conclusions, which are that, "company management tends to overstate the anticipated benefits and understate the risks and uncertainties," and that "integration of a Bell Operating Company's ILEC operation can prove to be extremely expensive and difficult, and integration failures can be so costly as to not only eliminate the forecasted transaction cost savings and other synergies, but to place the post-

[53] Joint CLECs, Gates, pp. 87-103; Joint CLECs, Ankum, pp. 27-38; DOD, King, pp. 4-11.
[54] Joint CLECs, Gates, p. 100, lines 1-9; Joint CLECs, Ankum, p. 37, lines 24-25.

transaction company under severe financial pressure."[55] All of these testimonies focus on speculation about what the witnesses think "can" happen, but provide no substantive evidence relevant to the current Transaction to indicate that the problems related to the Hawaiian Telcom and FairPoint combinations will or are likely to happen in this Transaction.

Q. Please elaborate on your comment that the intervenor witnesses failed to analyze diligently the problems in the Hawaiian Telcom and FairPoint Mergers and compare those transactions with the facts in the proposed transaction.

A. First, Dr. Ankum and Mr. Gates focus on only two ILEC-to-ILEC transactions, in spite of the fact that there have been a large number of successful transactions combining ILEC operations—involving independent operations, properties sold by Regional Bell Operating Companies ("RBOCs"), and combinations of RBOCs—over the last decade and indeed well before that time.[56] In addition to several smaller transactions, CenturyLink successfully has acquired and integrated Verizon-owned properties that totaled nearly 2 million access lines in Wisconsin, Missouri, Arkansas, and Alabama since the year 2000, and has been integrating Embarq over the last year. Windstream

[55] Joint CLECs, Ankum, p. 38, lines 5-9.

[56] Dr. Ankum testifies vaguely that "most mergers are not successful." See Joint CLECs, Ankum, p. 10, line 9. It might be assumed that he is referring to mergers outside the ILEC industry, but his testimony provides no data or references to verify the statement about "most mergers." Dr. Ankum does cite in general terms several other mergers but they did not involve two ILECs combining their businesses; i.e., the combination of MCI and WorldCom (Joint CLECs, Ankum, p. 10, lines 16-22), and Qwest and US West (Joint CLECs, Ankum, p. 26, lines 15 ff.); and he makes passing reference without specifics to the combinations of SBC and BellSouth, as well as SBC and Ameritech. Dr. Ankum also alleges that Frontier is having "cut-over problems with backoffice and OSS systems reminiscent of the prior two transactions [Hawaiian Telcom and FairPoint]" but the source cited in his footnote is only a Fact Sheet from Frontier, announcing the transaction (see p. 28, footnote 33).

Corporation ("Windstream") successfully acquired Verizon properties (about 600,000 lines) in Kentucky in 2002. I know of no "failed" ILEC-to-ILEC mergers except the two cited by the intervenor witnesses. Second, CenturyLink believes that the Hawaiian Telcom and FairPoint transactions are distinguishable from virtually every other ILEC-to-ILEC transaction in terms of the specific problem that precipitated those companies' financial failure. That is, in both of those transactions, the acquiring companies were required to *create entirely new OSS* and then to cut over ("flash cut") the acquired carrier's services to those newly-created OSS. Dr. Ankum and Mr. Gates both acknowledge that every one of the state commissions that reviewed those two transactions—in Hawaii, Vermont, Maine, and New Hampshire—trace the financial and service problems to those specific OSS challenges, which then led to financial distress.[57] I reiterate that I know of no other "failed" ILEC combinations besides Hawaiian Telcom and FairPoint, and, in those two cases, the root problem, according to Mr. Gates and Dr. Ankum themselves and according to the respective commissions, was the inability to develop and implement entirely new OSS to replace the legacy Verizon OSS. In contrast, the current Transaction does not force the Company to create and implement entirely new OSS.

[57] See, for example, Joint CLECs, Gates, p. 89, line 10 through p. 100, line 15; Joint CLECs, Ankum, p. 34, line 2 through p. 35, line 25.

Q. Can you be more specific about the distinguishing characteristics between the proposed transaction on the one hand and the FairPoint-Verizon and the Hawaiian Telcom acquisitions on the other?

A. Yes. The proposed Transaction does not at all resemble the FairPoint-Verizon transaction or the Hawaii divestiture. The proposed Transaction is a stock-for-stock merger with no incremental debt. All Qwest systems, including the back-office systems (OSS), and all personnel will transfer to CenturyLink as part of the merger. These factors eliminate important risks that apparently proved highly detrimental in the cases of the two cited bankruptcies.

Turning to the specific problems that led to the bankruptcies cited by the intervenors, both Carlyle, which acquired Hawaiian Telcom, and FairPoint were required to build "de novo" the back-office software (i.e., OSS) that manages key operational functions. Those systems support order-taking, provisioning those orders through the company's systems, billing, maintenance and repair. However, as has been well-reported, the newly-developed Hawaiian Telcom and FairPoint systems performed poorly due to design and integration flaws, which resulted in a loss of customers and related financial problems. I emphasize that those significant financial commitments made by Carlyle and FairPoint are not required in the proposed Transaction because CenturyLink and Qwest have well-established, fully operational and tested systems. The financial reports issued by Hawaiian Telcom and FairPoint further point to the *substantial* costs required in developing (and then fixing) newly-developed, but ineffective, systems. In its 2007 Form 10-K filing with the Securities and Exchange Commission ("SEC"), Hawaiian Telcom reported that it initially had engaged BearingPoint, Inc. ("BearingPoint") to build the back-office and information technology ("IT") infrastructure. According to the SEC filing, the back-office and IT systems then required "substantial investments" when BearingPoint failed to perform.[58] And, in its 2008 Form 10-K filing, Hawaiian Telcom explained that the failure of the back-office systems "led to deficiencies in billings and collections, revenue assurance, and order entry flow-through," which adversely affected its business.[59] FairPoint's investment in systems development was originally estimated to be $200 million.[60] FairPoint also reported the high costs to remediate its failed systems: "In addition to the significant incremental expenses we incurred as a result of these

[58] 2007 10-K for the fiscal year ended December 31, 2007, Hawaiian Telcom Communications, Inc, available at http://www.sec.gov/Archives/edgar/data/1349120/000110465908020904/a08-2974_110k.htm, p. 7. Hawaiian Telcom described in the 10-K at p. 12 the eventual settlement that provides a sense of the magnitude of back-office systems cost: "Effective as of February 6, 2007, we reached a mutual agreement with BearingPoint that was memorialized in a Settlement Agreement and Transition Agreement. Under the Settlement Agreement, BearingPoint paid to us the aggregate amount of $52.0 million (the "Settlement Payment") on March 27, 2007 and agreed to discharge previously-submitted invoices in an aggregate amount of approximately $29.6 million as well as other amounts otherwise payable to BearingPoint. The total benefit to us under the settlement includes the cash Settlement Payment and a reduction in accounts payable ($38.6 million at February 6, 2007, including certain accrued costs) associated with reversing amounts accrued under our agreement with BearingPoint. For the year ended December 31, 2006, we recorded a recovery contractually due under our agreement with BearingPoint amounting to $24.1 million. The remaining settlement consideration was recognized in the first quarter of 2007."

[59] Hawaiian Telcom 2008 10-K, p. 12; "This [failure of the back-office systems] led to deficiencies in billings and collections, revenue assurance, and order entry flow-through. Despite BearingPoint's efforts to improve the functionality of the related systems, we continued to experience many of these same issues, requiring us to incur significant incremental expenses in 2006 to retain third-party service providers to provide call center and manual processing services in order to operate our business. To help remediate deficiencies, we also engaged the services of Accenture, which has expertise in telecommunications back-office software systems and processes. In addition to the third-party costs, we incurred additional internal labor costs in the form of overtime pay. As a result, we engaged in discussions with BearingPoint seeking reimbursement of the aforementioned costs and compensation for damages arising from failures to deliver promised services in a timely manner."

[60] "FairPoint Communications, January 16, 2008," p. 8; transcript of investor call available at http://www.sec.gov/Archives/edgar/data/1062613/000110465907003517/a07-1924_2ex99d1.htm; see, especially, p. 5.

cutover issues, we have been unable to fully implement our operating plan for 2009 and effectively compete in the marketplace ...."[61] Although, to my knowledge, neither FairPoint nor Hawaiian Telcom reported the full extent of the costs associated with lost customers, the companies have made clear that the losses were significant.[62]

I note that, to my knowledge, in all other ILEC transactions where there has not been the need to create new OSS—and there is no need in the proposed Transaction—there is a long track record of successful integrations resulting in improved combined operations, including numerous transactions involving CenturyLink. Had Dr. Ankum, Mr. Gates and

---

[61] *Id.*

[62] FairPoint Second Quarter 10-Q 2009, available at http://www.sec.gov/Archives/edgar/data/1062613/000104746909007239/a2193968z10-q.htmp, p. 40: "Following the cutover [from Verizon's systems to FairPoint's in 2009], many of these [back-office] systems functioned without significant problems, but a number of the key back-office systems, such as order entry, order management and billing, experienced certain functionality issues. As a result of these systems functionality issues, as well as work force inexperience on the new systems, we experienced increased handle time by customer service representatives for new orders, reduced levels of order flow-through across the systems, which caused delays in provisioning and installation, and delays in the processing of bill cycles and collection treatment efforts. These issues impacted customer satisfaction and resulted in large increases in customer call volumes into our customer service centers. While many of these issues were anticipated, the magnitude of difficulties experienced was beyond our expectations.... Because of these cutover issues, during the three months and six months ended June 30, 2009 we incurred $8.6 million and $28.0 million, respectively, of incremental expenses in order to operate our business, including third-party contractor costs and internal labor costs in the form of overtime pay. The cutover issues also required significant staff and senior management attention, diverting their focus from other efforts. We expect to continue to incur a modest amount of incremental costs during the third quarter of 2009 as we fully complete our cutover restoration efforts. In addition to the significant incremental expenses we incurred as a result of these cutover issues, we have been unable to fully implement our operating plan for 2009 and effectively compete in the marketplace, which we believe is having an adverse effect on our business, financial condition, results of operations and liquidity, as well as our ability to continue to comply with the financial covenants in our credit agreement." See, also, Hawaiian Telcom 2008 10-K, p, 15: "In addition to the significant expenses we have incurred, because we do not have fully functional back-office and IT systems, we have been unable to fully implement our business strategy and effectively compete in the marketplace, which has had an adverse effect on our business and results of operations. While we are continuing to work to improve the functionality of our systems and we have seen improvement, there is no certainty that these activities will be successful or when we will achieve the desired level of functionality. Until we are able to achieve this level of functionality, our lack of critical back-office and IT infrastructure will negatively impact our ability to operate as a stand-alone provider of telecommunication services, and will have an adverse effect on our business and operations." See also, p. 18.

Mr. King looked beyond the two "failed" transactions upon which they selectively focus their testimonies, they would have discovered that the ILEC industry in general, and CenturyLink in particular, have a long history of successful transactional activity and that ongoing industry consolidation is appropriate and positive as telecommunications becomes a more intensely competitive industry.

Q. Is there any risk in the proposed transaction similar to the risks that caused the financial distress for Hawaiian Telcom and for FairPoint?

A. No. The proposed Transaction does not include the risk associated with creating new OSS or a "flash cut" to a different OSS on the day the merger is completed. I note that CenturyLink has extensive experience in successfully "flash cutting" acquired operations to its own OSS, as was the case in the acquisitions of the Verizon properties in Wisconsin, Missouri, Arkansas, and Alabama over the last ten years. However, in the proposed Transaction, no immediate cutover of systems is required nor are there new and unproven systems that must be relied upon in the combination between CenturyLink and Qwest. The proposed transaction is completely and fundamentally distinguishable from the two merger-related ILEC failures. Immediately after the close of the proposed Transaction, Qwest will operate using the same systems it currently has in place, and CenturyLink will operate using its existing systems, with both OSS fully functioning and staffed by operating personnel who have been managing those systems. If the affected state commissions were correct in identifying the foundational problem in the two ILEC "failures" (i.e., the need to develop and implement entirely new OSS "from scratch" to replace the legacy Verizon systems), there clearly and definitively is no similar risk in the current Transaction. The similarities between FairPoint and Hawaiian Telcom are very clear, and the precipitating problem in those transactions is not a factor in executing the proposed Transaction.

Q. Please comment on the risks related to mergers that Mr. Gates and Dr. Ankum outline as a result of their assessment of two ILEC bankruptcies.

A. Mr. Gates and Dr. Ankum conclude from the problems of Hawaiian Telcom and FairPoint that ILEC mergers in general bear a "high degree of risk of failure."[63] This claim is not accurate or balanced, as, to my knowledge; there have been two and only two notable ILEC transactional failures in recent years. Mr. Gates cites that "the integration of two companies' disparate operations and OSS pose a tremendous challenge" which can lead to elimination of synergies and "severe financial pressures."[64] CenturyLink will not be challenged to migrate or "integrate disparate systems" at the time the merger is completed. CenturyLink reserves the right to improve its systems and integrate operations (similar to the operating rights at any other carrier including Verizon or AT&T), but there are no plans to effect a flash cut or transition at the consummation of the merger or in the months that immediately follow. Dr. Ankum also generalizes that "company management tends to overstate the anticipated benefits and understate the

[63] Joint CLECs, Gates, p. 100, lines 1-4; Joint CLECs, Ankum, p. 37, line 24 through p. 38 line 2.
[64] Joint CLECs, Gates, p. 100, lines 6-9; see also Joint CLECs, Ankum, p. 38, line 5-9.

risks."[65] On the contrary, in CenturyLink's past transactions, the Company generally has made accurate assumptions, integrated operations successfully, generated new services for customers, and achieved synergies at levels consistent with or in excess of expectations going into the transactions. In addition, other proven ILEC acquirers, such as Frontier Communications Corporation ("Frontier") and Windstream frequently have engaged in successful combinations that have achieved financial results that have exceeded expectations. I know of no other ILEC-to-ILEC transaction over the last ten years that can be characterized as overstating benefits and understating risks except in the Hawaiian Telcom and FairPoint transactions. Mr. Gates and Dr. Ankum are speculating about potential problems unique to two companies, but CenturyLink has provided convincing evidence related to a proven and long history of its capabilities with respect to acquisitions, high-quality services, and responsible management of local exchange operations—none of which have resulted in failure. Finally, on a related point, CenturyLink believes that its management team has significantly more experience in operating telecommunications businesses and integrating acquisitions than the intervenor witnesses. As such, the Commission should be wary of accepting the theoretical and speculative assertions of the intervenor witnesses.

Q. Can you address the "issues" that Mr. King raises in relation to the recently consummated Frontier transaction?[66]

[65] Joint CLECs, Ankum, p. 38, lines 3-4.
[66] DOD, King, pp. 8-9.

A. Yes. Mr. King attempts to create concerns that the recently completed Frontier-Verizon transaction may face difficulties similar to the Hawaiian Telcom and FairPoint transactions (although Mr. King indicates that the Frontier transaction is "so recent" that its performance "cannot yet be determined"). However, Mr. King can only cite to one complaint proceeding involving a single CLEC—FiberNet—in one state as the basis for concern that Frontier is experiencing systems problems in the fourteen states in which it acquired Verizon operations. As Mr. King is aware, the West Virginia Public Service Commission ("WVPSC") found that FiberNet's allegations were specific to FiberNet and transferred FiberNet's petition to a complaint proceeding for mediation. In its reply to the FiberNet accusations, Frontier noted several facts. Most importantly, any problems encountered by FiberNet with completing trouble tickets reported since closing have stemmed mainly from issues that have nothing to do with Frontier's OSS. The issues are attributable to the network Frontier inherited, and they are being addressed. In fact, the FiberNet trouble tickets in question were entered into Verizon's system before closing on July 1, 2010, but were left by Verizon for Frontier to resolve after close. Importantly, at this time, no other CLECs have filed complaints or disputes against Frontier with the WVPSC, and in any event, the filing of a single complaint does not equate to a showing that there is a meaningful problem with Frontier's transition efforts in West Virginia.

Finally, it is instructive to note Mr. King's own testimony regarding CenturyLink and the proposed Transaction when compared to these other recent transactions:

> CenturyLink is a much larger, more experienced and financially healthier company than the Carlyle Group, FairPoint or Frontier. Unlike previous acquisitions, this transaction is a stock transfer that involves no new debt. So, far, the record of CenturyLink's acquisitions has been relatively trouble-free. The combined company will display a much stronger balance sheet relative to that of Qwest at the present time.[67]

Therefore, it appears to be evident even to Mr. King that discussions of problems in other transactions have no relevance in assessing the proposed Transaction, in the absence of proof or evidence.

VII. OTHER FINANCIAL ISSUES RAISED BY INTERVENORS.

Q. Some of the Intervenor Parties filing testimony in this proceeding express concern over CenturyLink's ability to accomplish an integration of this magnitude. Are these integration concerns valid?

A. No, they are not, and I believe that those concerns are based more on speculation than fact. As RUCO witness Mr. Rigsby noted, CenturyLink has a proven track record of successfully integrating the operations of the companies it acquires—not once or twice, but multiple times over a 20 year period. The DOD witness, Mr. King, also affirms, as do the Joint Applicants, CenturyLink's proven track record of successfully integrating the operations of the companies it acquires.[68] As I stated in my direct testimony, the senior officers who will lead the combined company are tested leaders in the telecommunications industry with multiple decades of both individual and combined experience. The majority of the CenturyLink leadership team has been together since the

[67] DOD, King, p. 11, lines 21-26.
[68] DOD, King, p. 11, lines 24-25.

1980s, a fact that highlights the stability and experience of the Company's management. The long historical record is important as it demonstrates convincingly that the CenturyLink leadership team consistently has worked to provide exceptional customer service over an extended period while successfully managing multiple acquisitions and integrations. With respect to the management team's transactional experience, CenturyLink has increased its size over the years through a number of sizeable acquisitions, starting in 1997 with the acquisition of Pacific Telecom, Inc. and most recently with the 2009 acquisition of Embarq. An important by-product of the multiple acquisitions by CenturyLink is the accumulation of experienced employees and critical skill sets needed for successful acquisition and integration outcomes. At times these acquisitions have more than doubled or tripled the size of the Company within a fairly short span of years. In each instance, the integration has been successful in terms of customer service improvements and operating performance. This proven and uncontested history demonstrates that CenturyLink is accustomed to managing and executing on mergers and acquisitions of varying types, sizes and complexity, while continuing to operate as a successful service provider in a challenging industry environment.

Q. DOD witness Mr. King is concerned that the integration will require investment before the realization of synergies. Mr. King also recommends a three-year rate cap on basic business services.[69] Can you respond?

A. Yes. Mr. King states that he does "not necessarily" oppose the transaction, as CenturyLink is a larger, financially healthier company compared with other acquirers of ILEC properties, and has a "trouble-free" history.[70] However, Mr. King cites a concern related to the source of funding for the integration expenses.[71] Mr. King then speculates that "costs will be incurred before the benefits of the synergies are felt, so that they represent a new net requirement for funds. Left unstated is where the money for these transition costs will come from . . . . CenturyLink may look to its local operations, including those in Arizona, to meet the urgent requirement to increase revenue."[72] Mr. King is concerned that "additional revenue" in the form of rate increases will be required to pay for integration costs.[73] Mr. King is incorrect, as no rate increases will be required to pay for the integration process, and CenturyLink has indicated clearly that rates, if and when they are changed, will be altered only upon proper regulatory review and negotiated terms, as rate changes were handled before the merger. The other direct response to Mr. King is that post-merger CenturyLink will have the ability to pay for one-time integration

[69] DOD, King, p. 17, line 26- p. 18, line 4.
[70] DOD, King, p. 11, lines 19-27.
[71] DOD, King, p. 13, lines 7-10.
[72] DOD, King, p. 13, lines 27-28.
[73] DOD, King, p. 17, lines 1-3; "Based on the foregoing, I believe that basic business services are most susceptible to unilateral rate increases motivated by the need to raise revenue to implement the merger." Mr. King also incorrectly alleges that the post-merger company may need to engage in "cost cutting in the form of reduced resources, including capital investment and the manpower devoted to plant maintenance and customer service." DOD, King, p. 20, lines 10-13. As indicated, post-merger CenturyLink's free cash flow generation, even before synergies, will be sufficient to cover the integration costs, making Mr. King's cost cutting "concern" moot.

costs out of pre-synergy cash flow generated by the combined operations, and network investment will not be put at risk nor will ratepayers be burdened with one-time merger costs. The Company anticipates generating annual "excess" free cash flow that, based on 2009 pro forma results *and before including any synergies,* would be $1.7 billion. This residual cash flow assumes that the Company has paid all operating expenses, *and* invested approximately $2.4 billion in capital plant, *and* met its dividend obligations to equity-holders who supply critical capital. As Mr. King points out, the one-time integration expenses are expected to be $650 million to $800 million, with another $150 million to $200 million in one-time capital costs.[74] In addition, the integration expenses will not occur in a single year immediately after closing, but are expected to be phased-in over five years, while the one-time capital costs will be incurred over a shorter multi-year period. CenturyLink believes that the post-merger company will be able comfortably to fund *one-time* integration costs that at the highest estimated level *total* an aggregate $1.0 billion (the combination of the high figures of the ranges for one-time integration and capital costs) and are expected to be spread over a multi-year period. Additionally, as has been the experience of the Company in previous transactions, including the Embarq acquisition, synergies begin to be realized immediately after the consummation of the merger, providing a still larger buffer for the merged company to fund one-time integration costs without reducing the priority of network investment or raising rates. As such, Mr. King's proposed condition requiring a three-year cap on basic business services

[74] DOD, King, p. 13, lines 2-5; Mr. King reports that the high end of the one-time integration costs is $850, but the announced range is $650 million to *$800 million* (not $850 million), as found in the Merger Conference Call, slide 13.

rates is entirely unnecessary as the "concern" Mr. King is attempting to address is nonexistent.

Q. Are the published synergy targets extraordinarily large or aggressive in the proposed Transaction?

A. No, they are not. The reality is that the estimate of $575 million in operating expense savings is approximately 7% of Qwest's 2009 cash operating costs. Further, the synergy targets are modest compared with synergy expectations announced in other ILEC mergers. Illustrating the reasonableness of the expected synergies for the proposed Transaction, the estimates (operating costs and capital expenditure savings) as a percentage of cash operating costs are below the 11% expected cost savings announced when CenturyTel merged with Embarq, and are well below other merger-related synergies from ILEC transactions that generally have been 20%+ of the target company's cash operating costs in recent years, as verified by independent financial analysts.[75]

Q. Does the synergy target create an incremental risk for CLECs, based on investor expectations, as suggested by Mr. Gates?

A. No. Mr. Gates states that the merged company will be seeking "to find synergies [and] it will be under pressure to produce meaningful dividends, pay down debt and invest in advanced services" which might result in making wholesale service a "low . . .

[75] Simon Flannery, *CenturyTel: 1Q10 Preview: Awaiting Embarq Synergy/Integration Update and Additional Color on Qwest Deal,* Morgan Stanley Research, North America, April 29, 2010.

priority."[76] CenturyLink's management believes the estimated synergies can be achieved while continuing to provide high-quality service to customers and to invest in the network. As noted above, using pro forma 2009 financials, *before any expected synergies*, the merged CenturyLink and Qwest estimate that, after meeting all operating, capital and financial costs, the combined company would have had about $1.7 billion in remaining cash flow—without assuming any synergies—that could be used for additional investment (beyond the $2.4 billion in capital investment noted above), debt repayment, and other appropriate uses. As such, CenturyLink expects to be financially sound even if no synergies are achieved and, therefore, will not be unduly pressured by investors or other stakeholders. CenturyLink understands its business, and its priorities are aligned with successfully managing and operating the business in a manner that benefits its customers and other key stakeholders.

Q. Please comment on the concerns raised by the intervenor witnesses regarding the risks due to increased levels of debt on the merged company's balance sheet.

A. Staff witness Mr. Fimbres raised a question about the Company's ability to service the higher level of debt.[77] Representing the Joint CLECs, Mr. Gates testifies that CenturyLink "will have *more than quadrupled* its debt load in approximately three years."[78] [Emphasis in the original.] What Mr. Gates fails to mention is that the merged company will be far larger, and, as important, will generate significantly larger levels of

[76] Joint CLECs, Gates p.27, lines 7-11.
[77] Staff, Fimbres, p. 23, lines 14-15.
[78] Joint CLECs, Gates, p. 75, lines 12-13.

cash flows to service its debt. Illustrating the proportionate growth in operating cash flow to support investment and debt, CenturyLink's earnings before interest, taxes, depreciation and amortization ("EBITDA") at the end of 2006 was $1.2 billion and, at the end of 2007, EBITDA was $1.3 billion, while the pro forma EBITDA for the combined company at the end of 2009 was approximately $8.2 billion.[79] Accordingly, the pro forma 2009 EBITDA is higher by 6.9 times from 2006 and by 6.2 times from 2007. Further, the Company expects within three-to-five years to generate synergies that will result in annual operating cash flows that improve by $575 million and an annual capital expenditure benefit that is estimated at $50 million. Thus, the Company expects to produce operating cash flows that permit incremental reductions of debt and incremental investments in plant and services. This increased capacity to strengthen the merged company's balance sheet is a financial benefit for customers, employees and all the other stakeholders.

Q. Can you provide additional comments on the debt leverage of the pro forma company?

A. Yes. More specifically responding to Staff witness Mr. Fimbres, Qwest debt leverage will go down even as CenturyLink's leverage rises slightly. While CenturyLink's pro forma net leverage (Net Debt-to-EBITDA) will rise modestly in the near term from the

[79] The EBITDA in 2006 (in thousands) was $1,189,044 and in 2007 was $1,329,333; see 2007 CenturyTel SEC Form 10-K, available at http://www.sec.gov/Archives/edgar/data/18926/000001892608000004/form10k2007.htm; 2006 D&A was $523,506 and operating income was $665,538, while 2007 D&A was $536,255 and operating income was $793,078.

current level of 2.0 times, the Net Debt-to-EBITDA for Qwest should be reduced through the combination. Qwest's net leverage is expected to *improve* from 2.7 times at the end of 2009 to the pro forma 2009 net leverage for the merged company, which is estimated to be 2.4 times before including the positive impact of expected synergies and 2.2 times after including the full run-rate synergies.[80] The combined company's leverage level is more favorable, even before synergies, than the 2009 net leverage of the two most comparable companies in the incumbent local exchange carrier industry—Windstream and Frontier—and, again, is better than that of Qwest.[81] Because CenturyLink has no ILEC operations in Arizona, the Commission is most concerned about the effect for Qwest and its customers in the state. The pro forma company's Arizona customers (those from legacy Qwest) will be served by a merged company with a net leverage ratio *below* that of Qwest today, and the conclusion should be that this improved leverage ratio is a net benefit for the company's Arizona customer base. In addition, as I have stated, the combined company is not acquiring any new debt as the Transaction is a stock-for-stock merger, and the combined company is positioning itself to generate incremental cash flows through synergies and incremental revenues from expanded service offerings based on the combination of CenturyLink and Qwest assets.

Q. Is it correct that the merged company's debt *may not* be rated investment grade after the close of the Transaction?

[80] *See* Merger Conference Call, slides 7 and 12.
[81] Merger Conference Call, slide 12.

A. Yes, it is possible that one or several of the credit rating agencies could rate the merged company's debt below investment grade. It also is possible that some of the merged company's debt could be rated investment grade and that other debt could be rated non-investment grade (as is the case with Qwest today). Qwest, which will contribute approximately 100% of the pro forma company's Arizona ILEC lines, is expected to have a stable or higher credit rating, *which presumably will not slip,* since it is combining with a company that has a higher credit rating. In fact, all three of the major credit rating agencies have noted that Qwest's debt possibly could be upgraded in the future as a result of the proposed Transaction. Moody's, at the time of its recent upgrade of Qwest's debt to one step below investment grade, stated that Qwest's ratings *remain* on review for upgrade, as the planned acquisition "could lead to a further improvement in Qwest's credit profile."[82] In addition, S&P revised its outlook on Qwest's debt to "CreditWatch Positive" on April 22, 2010, when the Qwest-CenturyLink merger was announced, because of S&P's assessment that the combination might result in improved financial characteristics for Qwest.[83] Finally, Fitch Ratings improved its outlook on Qwest's ratings to "Watch Positive" that same day, again as a result of the announced combination.[84] The possible improved credit rating for the state's largest

---

[82] "Moody's upgrades Qwest rating," Bloomberg BusinessWeek, August 13, 2010, available at http://www.businessweek.com/ap/financialnews/D9HINI3G0.htm.

[83] Standard & Poor's Global Credit Portal, Ratings Direct, "Qwest 'BB' Rating On Watch Positive," April 22, 2010, p. 2.

[84] Fitch Ratings, *Fitch Places CenturyTel's Ratings on Watch Negative; Qwest's Ratings on Watch Positive*, April 22, 2010.

telecommunications carrier immediately after the close of the proposed Transaction is clearly a significant net benefit to Arizona customers.

Q. How will the cash flows generated by the forecasted synergies be used?

A. Staff witness Mr. Fimbres asked about the ability of the merged company to "expand and build . . . operations in rural Arizona [where customers] are unserved or under served [and do so] at reasonable rates."[85] CenturyLink has not yet defined how it will allocate the improved cash flows it expects to generate from the synergies. However, the Company intends to use the cash flows that remain after meeting all of its cash operating expenses, network investment and financial obligations to commit to additional investments and to repay debt, among other purposes.[86] Thus, the synergies will position to Company to do as well or better than Qwest could have done in the absence of the merger.

Q. Do you have concluding remarks?

A. Yes. CenturyLink wishes to serve its customers—retail and wholesale—in a manner consistent with the history of CenturyLink and Qwest, while striving to improve that service over time. CenturyLink objects to assertion of unverified and speculative risks that will lead to the imposition of costly and inefficient conditions. CenturyLink will abide by all regulatory requirements and negotiated agreements and terms, and is

---

[85] Staff, Fimbres, p. 23, lines 18-19.
[86] Glover Direct, p. 14, lines 2-4.

committed to providing superior telecommunications services to its customers. CenturyLink could not find evidence that any of the risks outlined by the Staff or other intervenor witnesses were likely to result in net harm to Arizona or Arizona customers as a result of the Transaction. In fact, the combined company's Arizona customers—the current Qwest customers—will benefit from the improved operating performance and financial strength of the post-merger company when compared to Qwest today. Thus, there will be no net harm to Arizona customers, and the Transaction will provide meaningful public interest benefits. Further, I believe that CenturyLink and Qwest have given the Commission facts that provide assurance that the merged company will have the resources and capabilities to provide services, that the Transaction will result in no net harm to customers, and that the proposed Transaction is in the public interest.

Q. Does this complete your Rebuttal Testimony?

A. Yes.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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

TESTIMONY IN SUPPORT OF
PROPOSED SETTLEMENT AGREEMENT

JEFF GLOVER

ON BEHALF OF

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

DECEMBER 1, 2010

EXHIBIT
tabbies
CTL-3
~~ADMITTED~~

Q. Please state your name and business address.

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

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

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

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

A. Yes. I am.

Q. What is the purpose of this Testimony?

A. I am providing testimony in support of the proposed Settlement Agreement ("Settlement Agreement," "Settlement" or "Agreement") between the Utilities Division Staff of the Commission ("Staff"), the Residential Utility Consumer Office ("RUCO") and the Joint Applicants which was filed in this docket on November 26th. In addition to my testimony, Michael R. Hunsucker on behalf of CenturyLink and James P. Campbell and Karen A. Stewart on behalf of Qwest are also filing testimony in support of the Settlement Agreement. Mr. Campbell's testimony discusses certain conditions contained in the Agreement and explains how the Settlement Agreement as a whole adds to the overall benefits of the merger. Mr. Hunsucker and Ms. Stewart discuss the aspects of the Proposed Settlement that address the wholesale issues raised by Staff. Together, these testimonies demonstrate that the Settlement Agreement comprehensively resolves all remaining issues and should be adopted as presented to the Commission.

Q. Please summarize your testimony.

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

Q. Please provide an update regarding the status of merger approval in other states?[1]

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

[1] See the Rebutta[illegible] [illegible]stimony of Kristin McMillan on pages 9 and 17 for the previous update of settlement agreements [illegible] [illegible]ovals.
[2] Docket NO. [illegible] Order Approving Settlement Agreements, Granting Motions to Withdraw, and Allowing Propose[illegible] [illegible]ion, released November 19, 2011.
[3] California, District of Colu[illegible]a, Georgia, Hawaii, Iowa, Louisiana, Maryland, Mississippi, New York, Ohio, Pennsylvania, Virginia, and West Virginia have each approved the merger.

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

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

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

[4] Covad Communications, Inc. and XO Communications, Inc. did not sponsor testimony and did not participate in settlement discussions in Arizona.
[5] Eschelon Telecom of Arizona, Inc., Electric Lightwave, LLC, Mountain Telecommunications of Arizona, Inc. d/b/a Integra Telecom

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

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

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

A. Yes. The merger benefits are addressed comprehensively in all of the direct and rebuttal testimonies of the CenturyLink and Qwest witnesses in this proceeding, and in Mr. Campbell's Settlement testimony. To briefly summarize from a financial perspective, the merger is a direct and constructive response to increasing competitive pressures in the telecommunications industry. The wireline telecommunications industry is coping with a number of dynamic factors including a shrinking base of voice-only customers, greater risks in terms of technology deployment, and pressures on margins and cash flows. Creating a combined company with greater scope and scale, strong financial characteristics (low leverage, a prudent dividend payout ratio, diversification of markets and revenue sources, increased access to financial markets, etc.), and the ability to generate significant free cash flows will help to effectively address these risk factors. Through synergies, greater focus on customer retention, and potentially incremental revenues from expanded service offerings based on the combination of CenturyLink and Qwest assets, higher cash flows will be generated that can be used to fund operations, invest in network infrastructure, and reduce debt from current levels, which are affirmative benefits of the merger. Finally, the combined company will be run by a management team drawn from CenturyLink and Qwest that has been effective in responding to customers, in generating better operating results through synergies and efficiencies, while investing in network infrastructure to improve and expand service.

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

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

A. While as noted above, the consummation of the proposed merger without any additional conditions satisfies the statutory requirements for Commission approval, the Settlement Agreement and the settlements reached with other parties provide additional assurances that should allow the Commission with the confidence to provide a swift approval. The settling parties include not only the Staff and RUCO representing consumers and the general public, but also the Union representing the majority of the Qwest Arizona workforce (CWA), a large sophisticated customer (DoD/FEA), several CLEC and long distance competitors (Integra, 360 Networks and Westel) and Arizona's largest cable VoIP provider (Cox).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The proposed Transaction will create numerous benefits to consumers in the State of Arizona. It is in the public interest and should be approved by the Commission. CenturyLink's willingness to provide post-merger information to confirm the expected attributes of the merger, and to provide a substantial broadband commitment, should instill further confidence in the company's ability and commitment to successfully execute this Transaction as an accomplished acquirer, integrator and operator of telecommunication properties.

Q. Do you have concluding remarks?

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

Q. Does this complete your Testimony?

A. Yes.

EXHIBIT JGSETT-1

CenturyLink™

Press Release

CenturyLink Announces Regional Operating Structure

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

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

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

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

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

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

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

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

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

For more information about the merger, visit centurylinkqwestmerger.com.

About CenturyLink

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

Forward Looking Statements

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

SOURCE CenturyLink, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN MAYES
Chairman
GARY PIERCE
Commissioner
SANDRA KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BOB STUMP
Commissioner

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

DIRECT TESTIMONY

OF

TODD SCHAFER

ON BEHALF OF

EMBARQ COMMUNICATIONS, INC. D/B/A/ CENTURYLINK COMMUNICATIONS

EMBARQ PAYPHONE SERVICES, INC. D/B/A/ CENTURYLINK, AND

CENTURYTEL SOLUTIONS, LLC

MAY 24, 2010

EXHIBIT
tabbies
CTL-4
ADMITTED

TABLE OF CONTENTS

Page

I. IDENTIFICATION OF WITNESS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Todd Schafer and my business address is 14111 Capital Blvd, Wake Forest, NC 27587.

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

A. I am employed by CenturyLink as the President for the Mid Atlantic Region.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND, WORK EXPERIENCE AND PRESENT RESPONSIBILITIES.

A. In 1987, I graduated with a B.S. from the University of Wisconsin-Stevens Point majoring in both Business Administration-Finance as well as Managerial Accounting. Immediately after graduation, I joined the Audit Division of Arthur Andersen & Co. For 3 ½ years, my role was to perform audit work at various clients.

In 1991, I became the Vice President of Urban Telephone Corporation, a subsidiary of Rochester Telephone Corporation in Clintonville, Wisconsin. Rochester Telephone later changed its name to Frontier Corporation which is now part of Citizens Communications operating under the Frontier brand name.

In 1993, I became the State of Wisconsin General Manager responsible for the five telecommunications companies owned by Frontier in Wisconsin. From 1993 until early 2001, my role as State General Manager was to oversee and lead all activities for the companies in Wisconsin including all the day to day operations, customer service, community relations, financial performance, network investment and performance, competitive and regulatory direction as well as the integration of the five once independently owned and operated companies into Frontier's Regional operating model.

In early 2001, I began working for CenturyTel becoming the General Manager for its wireline and wireless operations in eastern Wisconsin and the Upper Peninsula of Michigan. As the General Manager, my responsibility was to lead the eastern Wisconsin market responsible for overall financial performance, level of service, customer facing sales distribution, market competitiveness and network development.

In 2004, I became the Regional Vice President responsible for CenturyTel's Southern Region. From 2004 until June 2009, my role as Regional Vice President was to lead the overall performance of the eight states in the region. Financial performance, level of service, customer facing sales distribution, market competitiveness and daily operations were elements of my responsibility.

Since July 2009, I have been the President of the Mid Atlantic Region of CenturyLink leading the results for the five states in the region. My role is very similar to the role I had for CenturyTel's Southern region but significantly larger in customer and employee counts.

II. INTRODUCTION

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I am testifying in support of the Joint Application ("Application") filed by operating subsidiaries[1] of CenturyTel, Inc., d/b/a CenturyLink ("CenturyLink")[2] and operating subsidiaries[3] of Qwest Communications International Inc. ("Qwest") with the Arizona Corporation ("Commission") on May 13, 2010. My

[1] The CenturyLink, Inc. subsidiaries filing the Application are: Embarq Communications, Inc. d/b/a CenturyLink Communications, Embarq Payphone Services, Inc. d/b/a CenturyLink, and CenturyTel Solutions, LLC.

[2] CenturyTel, Inc. will change its name to CenturyLink, Inc. with shareholder approval on May 20, 2010.

[3] The Qwest subsidiaries filing the Application are: Qwest Corporation ("QC"), Qwest Communications Company LLC ("QCC"), and Qwest LD Corp., ("QLDC").

testimony will provide a brief overview and history of CenturyLink, including a description of the company's demonstrated ability to successfully complete the integration process associated with prior acquisitions. In addition, I will describe CenturyLink's highly localized business model which focuses on empowering local personnel to meet the distinct needs of the markets they serve and places the *customer* at the center of what the company does.

Q. PLEASE GIVE A BRIEF OVERVIEW AND HISTORY OF CENTURYLINK.

A. CenturyLink is a holding company that conducts business principally through wholly-owned subsidiaries that offer a broad array of high-quality communications products and services. These products and services are provided to consumers and businesses in 33 states. Headquartered in Monroe, Louisiana, CenturyLink is an S&P 500 company and has been listed in the Fortune 500 list of America's largest corporations. As of December 31, 2009, CenturyLink provided "ILEC" services over approximately seven million access lines, and high-speed Internet and data transmission services to over 2.2 million customers. With its exceptional network infrastructure, localized approach to service and its commitment to invest in broadband, CenturyLink has been a leading provider of advanced broadband services in the majority of the markets it serves. The company currently employs about 20,000 employees.

CenturyLink started as a single-exchange, family-run local telephone company in 1930. Throughout the years, CenturyLink has grown its operations into new markets by successfully acquiring and integrating companies, properties, and assets and improving and expanding services in those markets. As I will discuss in more detail below, many of these acquisitions have been relatively large transactions that greatly expanded the then-existing company's size and footprint. The company also acquired significant fiber assets in 2003 and 2005 which has enabled it to develop and grow an extensive, high-speed optical core network that provides wholesale and retail fiber transport services to customers all across the United States.

Q. COULD YOU EXPAND UPON THE WIDE ARRAY OF COMMUNICATIONS SERVICES THAT CENTURYLINK PROVIDES?

A. Yes. These services include a host of local and long-distance voice, high-speed Internet, video entertainment and wholesale local network access services, as well as a variety of broadband and high bandwidth services. In various areas, CenturyLink also offers security monitoring, home networking, data hosting, national and metro Ethernet, systems/network management and other professional, business and information services. To secure its position as a leading provider of advanced broadband services, the company has invested heavily not only to extend its fiber core network, but also to deploy fiber deeper into its local networks. CenturyLink has been a leader in the launching of DSL offerings and is expanding or preparing to expand its Internet protocol television (IPTV) product into additional locations which is made possible by the investment in faster broadband speeds. We are in the process of building out and turning up additional IPTV markets. We anticipate staggered turn ups with availability to significant customer bases throughout the rest of 2010 and the first half of 2011. The deployments are in addition to current deployments in Columbia and Jefferson City, Missouri, and Lacrosse, Wisconsin.

III. CENTURYLINK'S CONSOLIDATION HISTORY

Q. YOU HAVE STATED THAT CENTURYLINK HAS GROWN OVER TIME IN PART DUE TO A NUMBER OF SUCCESSFUL, STRATEGIC ACQUISITIONS. PLEASE DESCRIBE CENTURYLINK'S CONSOLIDATION HISTORY.

A. CenturyLink is an American business success story. What started as a family run business being operated from the parlor of a residence in northeastern Louisiana, has grown into one of the most well-respected national communications companies in the United States. Over the years, the company has successfully completed and integrated a number of acquisitions which has enabled the company to expand its national footprint and build upon its commitment to provide excellent customer service and to improve its network. With each transaction, the company has been able to increase in size and financial strength, enabling it to improve the range of services, enhance customer service and place itself in a more stable financial position.

Exhibit TS-1, which I have attached and made part of testimony, illustrates a timeline of the various acquisitions. While there are a number of examples which illustrate the company's expertise in this area as shown on Exhibit TS-1, let me speak to several of the larger ones. In the late 1990's, CenturyLink added approximately 600,000 access lines across twelve states when it acquired Pacific Telecom, Inc. At that time, the transaction more than doubled the size of the company. Over the next few years, the company engaged in a series of acquisitions that once again doubled the company's size when it added another 1.2 million access lines acquired from GTE, Ameritech, and Verizon, concentrated primarily in Alabama, Arkansas, Missouri, and Wisconsin. These acquisitions significantly expanded its presence in those states and demonstrated the company's ability to not only grow rapidly, but to also successfully integrate and operate nearly two million new access lines serving wholesale, business and residential customers. Most recently, CenturyLink acquired Embarq Corporation ("Embarq") and its 5.4 million access lines, which more than tripled the size of the company.

In each case, the integration efforts have been successful. Billing, financial and customer care system conversions have been executed smoothly and in accordance with established time frames. These efforts have included standardizing key operational processes, making strategic investments in infrastructure, aligning and holding employees accountable, providing advanced technical support in the field, enhancing communication strategies and increasing and streamlining training, among other things. Overall, the company has maintained a sharp focus on accountability and commitment at all levels of management to achieving a successful transition.

CenturyLink's senior executive management team has one of the longest tenures in the industry, and is recognized by the financial community as one of the most successful and experienced in managing mergers and acquisitions. CenturyLink is confident that, with the combined experience and leadership abilities of the management teams, the execution of this integration will be as smooth and successful as the Embarq integration and others have been in the past.

Q. WOULD YOU PROVIDE EXAMPLES OF THAT INTEGRATION PROCESS?

A. Absolutely. The best way to describe our approach to integration and other M&A processes is that the entire company works holistically to ensure that all operating units and departments are working in unison to achieve business and integration objectives. Regardless of the size of the acquisition, the company establishes carefully developed integration plans and targeted timelines for all relevant functional areas with clearly defined owners and metrics to measure progress.[4] CenturyLink's integration success is attributable to learning from each transaction, establishing workable schedules and action plans and then executing on those plans. Minimizing customer confusion and disruptions are over-arching goals of our integration process.

As an example, on July 1, 2009 CenturyTel closed on its acquisition of the much larger Embarq in a sizeable transaction which created a leading communications

[4] A graphic illustration of some of the major tracked milestones associated with integration of the Embarq transaction is attached hereto as Exhibit TS-2.

service provider which as of the end of 2009 had 7 million access lines, 2.2 million broadband customers and 535,000 video customers in 33 states. The company's significant, focused, and meaningful, progress since the CenturyTel/Embarq closing in July 2009 is indicative of its ability to successfully integrate acquisitions and its foresight in anticipating growth as it makes operational or system decisions. For example, several years ago CenturyLink made significant investment in and upgraded its financial and billing systems in order to deliver integrated, customer service and improved levels of financial accountability. These system upgrades were made with an eye towards future expansion which has enabled CenturyLink to quickly and seamlessly reach many key integration milestones. Consequently, very quickly after close, financial and human resource systems were converted. Within months, a phased schedule for converting customer billing systems was implemented. Already, approximately 25 percent of the access lines served by former Embarq systems have been successfully and seamlessly converted to CenturyLink's single integrated retail customer service and billing system. Another 25% of former Embarq access lines are expected to convert by year end 2010, with the remaining access lines converted by the third Quarter of 2011, or within about 24-27 months after closing.

The successful integration of Embarq has not been limited to systems however. Since the closing, CenturyLink has expanded its core fiber network by building or leasing fiber optic transport to connect former Embarq and CenturyTel markets in the western United States with markets on the east coast. As a result, CenturyLink's long-haul network now connects 90 percent of its service areas, reducing costs and creating revenue opportunities from new service opportunities. IPTV has been deployed in former Embarq markets and the company is ramping up its initiative to deploy IPTV in other locations. Broadband deployment has continued with the introduction of new products such as "Pure Broadband."

Broadband speeds and additional deployment to unserved areas have increased in multiple markets. And, CenturyLink has been deploying its "triple play" offering to bring more competition to customers in multiple-dwelling-unit buildings—a customer segment that was not a significant focus for former Embarq.

In addition to system conversions and network deployment, the company finalized the budgeting process, completed organizational design and many staffing decisions, and launched a new brand. On the day of closing, the company had its five-region "go-to-market" concept in place and operational. The region concept has successfully brought renewed local focus to all markets. The success of the concept has been defined and demonstrated by a local leadership structure that is focused on the local needs of communities and customers and the importance of maintaining a local market presence.

IV. CENTURYLINK'S REGIONAL "GO-TO-MARKET" MODEL

Q. YOU MENTION THE EFFECTIVENESS OF CENTURYLINK'S FIVE-REGION "GO-TO-MARKET" CONCEPT. PLEASE EXPLAIN THE ATTRIBUTES OF THAT OPERATING MODEL IN MORE DETAIL.

A. The region organizational structure brings our business closer to the customer and provides a localized approach. Upon completion of the Embarq transaction, CenturyLink implemented its proven "go-to-market" service delivery model, which presently includes five regions and 22 market clusters in the 33 states in which the company operates.[5] A regional president oversees each of the five regions, and a general manager and various operations managers are assigned to

[5] An illustration of how the regional management approach and its components fit within the overall Go-to-Market Service Delivery Model is attached hereto as Exhibit TS-3. A map showing the five regions implemented at close of the Embarq transaction is attached hereto as Exhibit TS-4.

each of the market clusters. This more de-centralized local structure enables a leaner, more efficient central corporate operation. Placing a significant percentage of company leadership in the field creates a clear local market focus, which drives operations and service decision-making closer to the customer. Together with CenturyLink's integrated retail customer care and billing system, this model promotes more accountability to the customer. The company is able to provide more direct and localized service and can respond to customers and competition more quickly, on a market-by-market basis. Essentially, this model focuses on empowering local personnel to meet the distinct needs of their markets and places the customer at the center of what the company does.

Q. WILL THAT MODEL BE INCORPORATED INTO THE AREAS OF QWEST'S OPERATIONAL STRUCTURE UPON THE COMPLETION OF THE TRANSACTION?

A. Yes, we anticipate it likely will, as CenturyLink's structure has proven to be a successful service delivery model. No changes will be made prior to closing, and we will first need to evaluate Qwest's structure and consider adjustment to the configurations necessarily to fit the newly merged operations and to ensure that any modifications continue to meet customer expectations.

Q. HAS CENTURYLINK FOUND THE LOCALLY FOCUSED BUSINESS MODEL APPROACH WORKS WELL IN URBAN MARKETS AS WELL AS RURAL?

A. Yes. CenturyLink's business model is focused on driving accountability to customers and results of the market at a local level. Markets often differ for many more reasons than population densities as even urban markets have differing levels of competition, customer needs, and unique attributes. For example, while the CenturyLink Ft. Myers, FL and Las Vegas, NV markets are clearly both urban markets, they have varying customer-types, demographics, and competitive activities between these markets. Having dedicated General Managers and their local teams in both markets helps to more clearly distinguish those unique elements and significantly improves our ability to adjust our specific strategies and tactics to meet the needs of each individual market.

Q. IN DISCUSSING A MORE LOCALIZED SERVICE APPROACH, YOU REFER TO THE COMPANY'S CUSTOMER CARE SYSTEMS. DO YOU HAVE ANY EXAMPLES OF IMPROVEMENTS THAT HAVE ENHANCED THE ABILITY OF CENTURYLINK TO PROVIDE MORE TARGETED, LOCALIZED CUSTOMER SERVICE?

A. Yes. CenturyLink employs a "neighborhood" approach to customer service call centers that enables customer calls to be matched with associates that are trained to understand the nuances of the state. The neighborhoods are designed and grouped to align available staffing with the needs of the states that are included in that group. Through the neighborhood approach, customer service associates have a focus and an "ownership" of the states for which they are responsible. They understand the service offerings in that region and are even aware of current happenings in the area as the call screens have the ability to provide real time information about the locale so that there is a real connection between the associate and the customer. This is another approach that likely will be adopted during the integration of Qwest.

Q. DOES THIS LOCALLY FOCUSED APPROACH HELP YOU TO ADDRESS THE CHANGING NATURE AND CHALLENGES OF THE BUSINESS THAT MS. MCMILLAN DISCUSSES IN HER TESTIMONY?

A. Absolutely. As Ms. McMillan discusses, there is no question that the communication industry has changed dramatically in the last several years. Customers now have, more service and provider options and more varied expectations that carriers must meet. While all markets change, markets do not all change in the same way or at the same speeds. As I mentioned, even two markets that share some common characteristics such as the two urban markets of

Ft. Myers and Las Vegas, still have unique needs that are best served through a locally focused approach that can more quickly determine and address the changes in the market.

V. CONCLUSION

Q. DO YOU HAVE ANY CONCLUDING REMARKS?

A. Yes. The Transaction brings together two leading communications companies with complementary networks and operating footprints. By building on each company's operational and network strengths, the combined company will have an impressive national presence with the local depth that will allow it to better serve all of its customers. The combination creates a company that will be well-positioned to lead the deployment of advanced services, as well as successfully managing the challenging and rapidly changing telecommunications environment in order to provide safe. reasonable, and reliable service to its customers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

EXHIBIT TS-1

CenturyLink – Experienced Consolidator

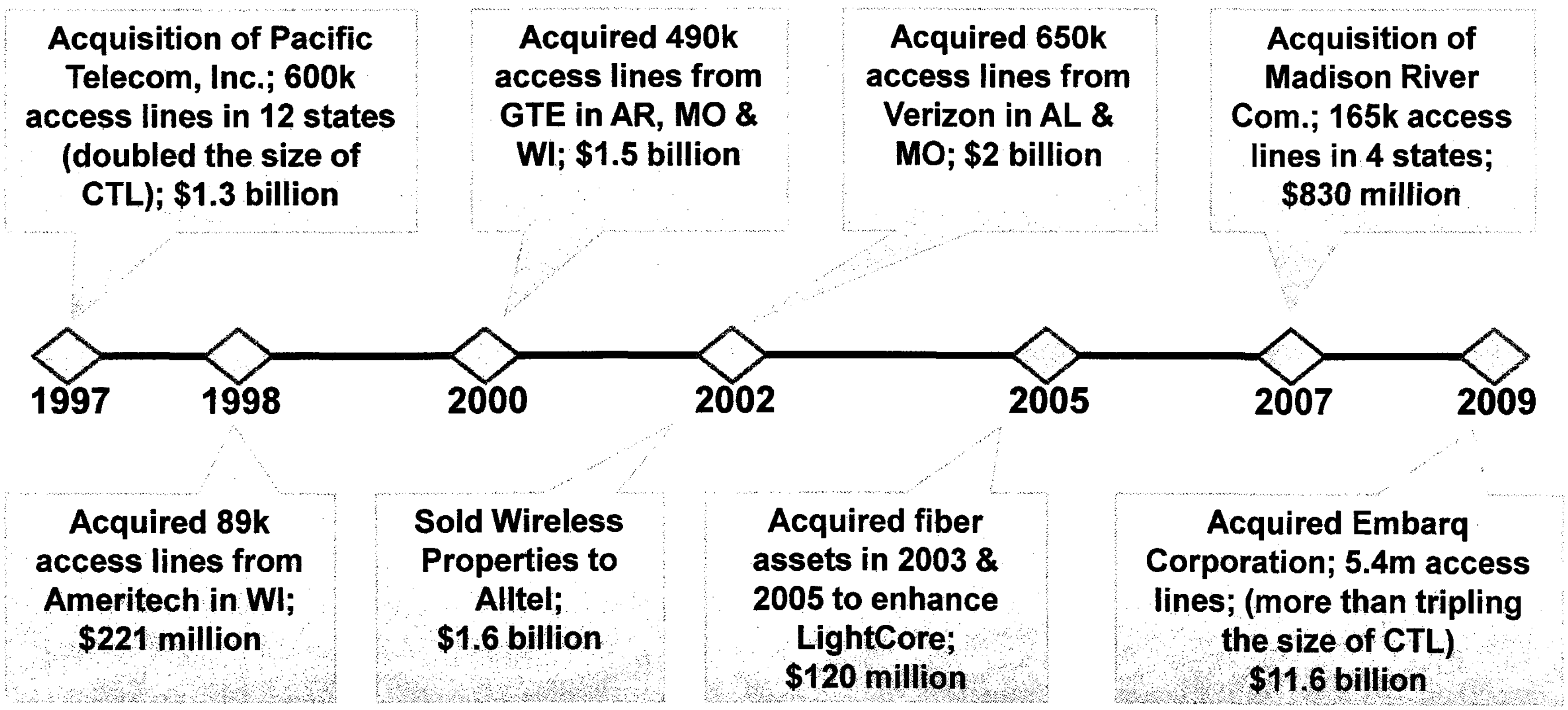


EXHIBIT TS-2

Integration Timelines

Embarq Transaction

July 1 -
- Transaction close
- CenturyLink region operating model launch

YE 2010
~ 50% customer conversion completion target

3Q 2011
~ 100% customer conversion completion target

2009 2010 2011 2012

October 2009 -
- Financial & HR systems conversion
- Brand Launch
- OH customer conversion

May 2010 -
- ~ 25% Customer conversions complete (OH & NC)

1H 2011
~100% LD traffic migration target

Qwest Transaction

Anticipate 1H2011 transaction close

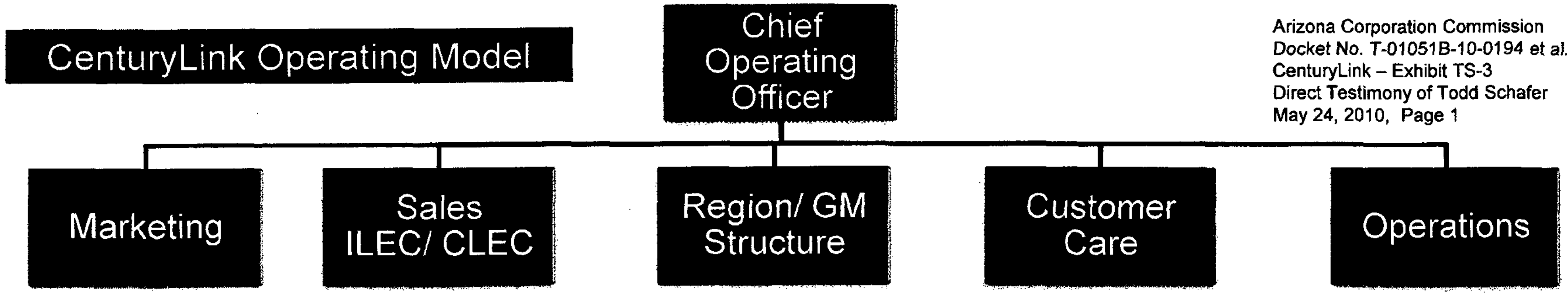
Integration process continues

2011 2012

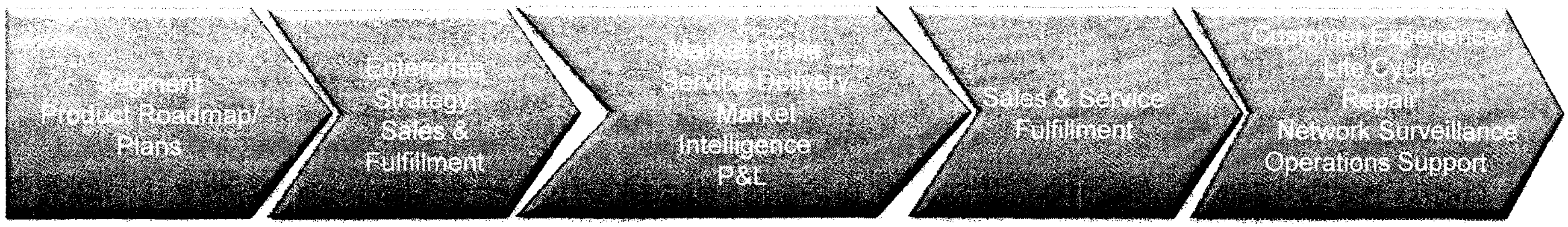
EXHIBIT TS-3

Arizona Corporation Commission
Docket No. T-01051B-10-0194 et al.
CenturyLink – Exhibit TS-3
Direct Testimony of Todd Schafer
May 24, 2010, Page 1

CenturyLink Operating Model



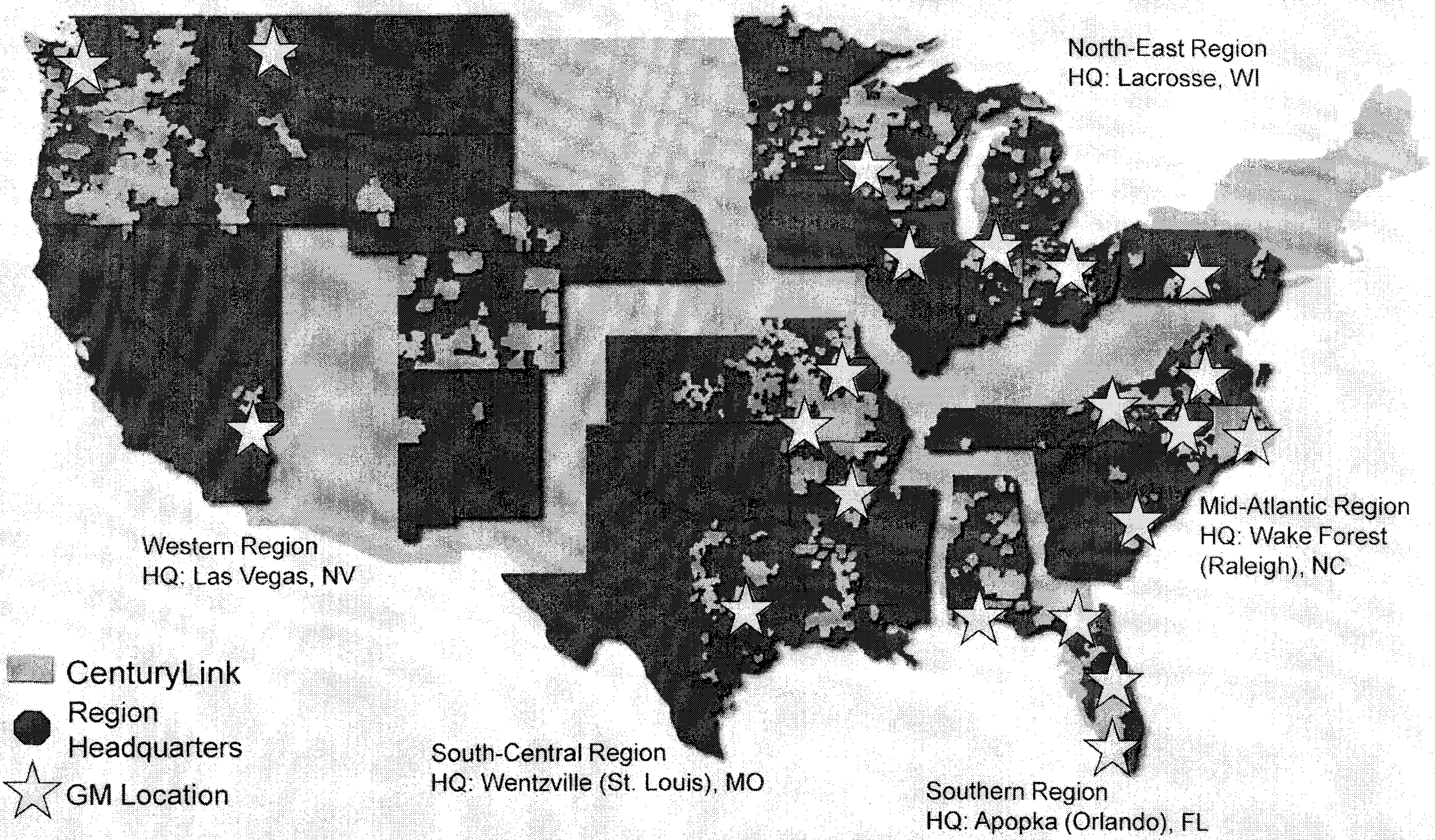
- •RVP/GM Structure
- •Area Ops Manager
- •Area Plant Supervisors
- •Technicians
- •Community Focus
- •Local Consumer Distribution:
  - Retail stores
  - Door to Door Sales
  - Multi Dwelling Unit Sales



Proven Go-to-Market Service Delivery Model

EXHIBIT TS-4

Arizona Corporation Commission
Docket No. T-01051B-10-0194 et al.
CenturyLink – Exhibit TS-4
Direct Testimony of Todd Schafer
May 24, 2010. Page 1



BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN MAYES
Chairman
GARY PIERCE
Commissioner
SANDRA KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BOB STUMP
Commissioner

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

REBUTTAL TESTIMONY

OF

TODD SCHAFER

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

OCTOBER 27, 2010

2030645.1

EXHIBIT
CTL-5

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

A. My name is Todd Schafer and my business address is 14111 Capital Blvd, Wake Forest, NC 27587.

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

A. I am employed by CenturyLink as the President for the Mid-Atlantic Region.

Q. **Are you the same Todd Schafer that filed direct testimony in this proceeding?**

A. Yes, I am.

Q. **What is the purpose of your rebuttal testimony?**

A. I am providing rebuttal testimony concerning certain operational issues and proposed conditions raised in various direct testimonies in the proceeding before the Arizona Corporation Commission ("Commission") related to the proposed merger of CenturyLink and Qwest Communications International, Inc. ("Qwest"). Specifically, I will address portions of the direct testimony and certain of the proposed conditions of Mr. Armando Fimbres and Ms. Pamela Genung[1] on behalf of the Utilities Division Staff of the Commission ("Staff" or the "Commission Staff").

I note that on October 21st, the Communications Workers of America ("CWA") filed a Notice of Withdrawal that seeks, among other things, to withdraw and remove CWA's

[1] Direct Testimony of Mr. Armando Fimbres and Ms. Pamela Genung , on behalf of Utilities Division, Arizona Corporation Commission.

intervention and pre-filed testimony in this case[2]. As a result, I will not directly address the direct testimony of CWA witness Mr. Jasper Gurganus, but I will address CenturyLink's integration process, the status of the Embarq integration and concerns raised by other parties that appear to be based on or relate to Mr. Gurganus' direct testimony.

I. RESPONSE TO CONCERNS REGARDNG CENTURYLINK'S INTEGRATION OF QWEST OPERATIONS

Q. Some of the intervenor parties[3] filing testimony in this proceeding express concern over CenturyLink's ability to accomplish an integration of this magnitude. Are these integration concerns valid?

A. No. I believe their concerns are based far more on speculation than fact. CenturyLink has a proven track record of successfully integrating the operations of the companies it acquires not once or twice, but multiple times over a 20-year period, and this experience substantiates the fact that the CenturyLink possesses the know-how, ability and expertise to successfully execute an integration of this nature. CenturyLink is a company that has grown and evolved through both small and large acquisitions—Bell lines and non-Bell lines—each of them unique in their own right. Each of these transactions has been successful from a financial, employee and operational perspective. The senior officers who will lead the combined company are proven leaders in the telecommunications

[2] CWA's: 1) Notice of Withdrawal; and 2) Notice of filing settlement agreement between CWA and Joint Applicants, filed October 21, 2010.
[3] Direct Testimony of Armando Fimbres at p. 15, Direct Testimony of Pamela Genung at p. 27, Direct Testimony of Charles King at p. 10-11, Direct Testimony of Timothy Gates at p. 26, and the Direct Testimony of August Ankum at p. 39.

industry with multiple decades of both individual and combined experience. The majority of the CenturyLink leadership team has been together since the 1980s, a fact that highlights the stability and experience of the Company's management. This level of management continuity and the successful operational track record over that time demonstrates convincingly that the CenturyLink leadership team consistently has maintained a sharp focus on achieving exceptional customer service while successfully managing multiple acquisitions and integrations. As a result of successfully managing the integrations, CenturyLink has increased its scope and scale over the years through a number of sizeable transactions, starting in 1997 with the acquisition of Pacific Telecom, Inc. (600,000 + lines in multiple states) and most recently with the 2009 acquisition of Embarq (6 million + lines in multiple states). An important by-product of the multiple acquisitions by CenturyLink is the accumulation of experienced employees and critical skill sets needed for successful integration outcomes. At times, these acquisitions have more than doubled or tripled the size of the company within a fairly short span of years. Moreover, in each instance, the integration has been successful in improving customer service and operating performance. This proven history demonstrates that CenturyLink is accustomed to managing and executing on mergers and acquisitions of varying types, sizes and complexity while continuing to operate as a successful service provider in a challenging industry environment.

Q. **Is integration planning underway?**

A. Yes, it is. Preparation for the Qwest integration process is underway. Joint CenturyLink/Qwest integration teams are hard at work reviewing all functional areas to determine the best organizational structure for the company post-merger.[4] In addition, there is an early and important focus on planning for the integrating of various company systems and practices. CenturyLink approaches the systems integration process with an open mind as the Company evaluates and prepares to adopt the best systems of merged companies. However, prior to actual adoption decisions, the planning process attempts to address such issues as critical functionality, efficiency, integration with other systems and an overall positive customer experience. It is important to note that a key factor in both the CenturyTel/Embarq transaction and this one, which sets them apart from other mergers in a very positive way, is that CenturyLink is integrating entire companies, not partial companies. Acquiring total companies such as Embarq and Qwest—personnel, systems, network assets, etc. — provides CenturyLink the ability to operate using dual systems for as long as management believes is prudent. Preparation is further focused as the employees of both companies are committed to coordinating and transitioning the companies' operations. Accordingly, there are shared integration goals between the two companies, minimizing the potential for conflicts of interest that more readily may arise when a company sells only parts of its operations.

Additionally, while final staffing decisions have not yet been made, identification of key personnel is a part of the overall process. A majority of both companies' employees are expected to be retained to help the merged company achieve its local operational and service objectives. By seeking expeditious regulatory approvals, Joint Applicants are trying to mitigate the pressure associated with uncertainty that employees and their families nationwide experience during this interim period when regulatory approvals are

[4] See Updated Response to Staff Data Request 3.2.

pending as a pre-requisite to close of the transaction. The Staff seems to recognize that extended approval timelines and uncertainty regarding approvals can have a negative impact on Arizona.[5].

Q. Several parties express concern with the purported lack of details that CenturyLink has provided with regard to its integration plans with Qwest[6]. How do you respond?

A. CenturyLink is experienced in large integrations which require processes that are thorough, well thought-out and customer focused. CenturyLink's goal is to make sure that the integration process is successful for multiple types of customers. A comprehensive review of all systems is very complex and time consuming. Various intervenors demand, on the one hand, extensively detailed execution plans early in the planning process but on the other hand they are also seeking extended timelines for any potential systems conversions. These processes require deliberate and disciplined efforts to complete. While much integration planning can begin pre-merger, as is the case with the proposed Transaction, most of the final decisions regarding integration cannot be made, and do not need to be made, until after the merger has closed.

From a sequencing standpoint, we have begun naming Tier 2 leadership, with Tier 3 leaders following later this year. CenturyLink witness Ms. Kristin McMillan provides an update on the staffing process in her Rebuttal Testimony. These individuals will be

[5] Direct Testimony of Armando Fimbres, p. 25.
[6] Direct Testimony of Armando Fimbres, p. 20 and Direct Testimony of Timothy Gates on behalf of the Joint CLECs, beginning at p. 36.

responsible for structuring their respective areas, building teams and actually operating many of the systems in question. From our perspective, it makes little sense to select systems without the input of critical, hands-on employee leaders.

The structure of this kind of parent-level transaction does not force the Company into short timelines. Having the latitude to operate the companies' systems independently upon Transaction close removes any need to rush the selection and integration of critical systems designed to seamlessly serve millions of customers. By the same token, mandating arbitrary dates before which implementation of systems integration cannot occur would be just as ill-advised. CenturyLink is committed to follow proven processes that involve careful review of all aspects of the integration to ensure that the merger goes as smoothly as possible for customers, employees and other key stakeholders.

Q. Can you generally describe CenturyLink's approach to the integration process?

A. Yes, I can. CenturyLink and Qwest are applying a disciplined method to on-going integration planning. Specifically, in the first phase of integration planning, management will: (i) establish guiding principles and strategies for companywide integration planning; (ii) identify and commit resources to integration planning efforts; (iii) resolve and escalate any critical issues as needed; and (iv) track and communicate progress to business leadership. Each functional group then has a leader who heads a functional integration team focused on the organization for which he or she has responsibility. The functional integration teams then, over time, will create objectives and also detailed work plans that assign task owners, deliverables and due dates for integration work. The work plans also will help identify resource constraints, dependencies and other issues. Finally, functional sub-teams will be employed to manage integration planning for specific functions within each leader's area of responsibility.

II. RESPONSE TO SPECIFIC CONCERNS REGARDING THE EMBARQ INTEGRATION PROCESS.

Q Several witnesses express concerns regarding operational problems allegedly arising out of CenturyLink's integration of Embarq Corporation ("Embarq")[7]. Are these concerns justified?

A. No. First of all, there are no Embarq properties in Arizona, so the specific Embarq integration issues are not relevant here. The CenturyLink/Qwest merger will allow continuous operation of the separate Arizona operating companies during the course of a thoughtful and careful integration process, and concerns that have been suggested by intervenors related to the continuing Embarq integration are not an issue in Arizona, nor have any issues been insoluble in other states.

With any integration of large, complex systems, some issues are expected to arise, but CenturyLink has and will be able to minimize the impacts of such issues. CenturyLink strives during every integration process to minimize the number and severity of those problems, and to mitigate any potential negative impact on the Company's customers and employees. CenturyLink has successfully completed conversions of multiple systems from multiple different companies over the years and has learned new things with every

[7] Direct Testimony of Pamela Genung at p. 6, Direct Testimony of Timothy Gates beginning at p.63.

conversion. Those learnings are applied to future conversions to help reduce the integration issues that may arise.

During the recent conversion of the North Carolina market to the CenturyLink billing and operational systems, some of the outside plant records were loaded incorrectly. The way in which plant was constructed in the legacy Embarq areas was not consistent between areas and not consistent with the legacy CenturyTel areas. As a result, records for some of the devices initially did not load correctly in the conversion. This led to certain problems that one of CWA witnesses cited in testimony. However, it would be helpful to add some perspective to the situation. CenturyLink researched the problem and learned that the records of approximately 2,000 out of approximately 11,500 devices did not load correctly. At this time, the records for approximately 95% of those 2,000 devices have been fixed and CenturyLink continues to work diligently on the remaining 5%. The problems were found to be manageable. Finally, CenturyLink is working to ensure that the outside plant records are correct and consistent prior to any future conversions resulting from the Embarq integration. As such, CenturyLink does not expect this problem to recur, and as I already stated, this is not an issue in Arizona, since there are no legacy Embarq territories in Arizona.

Q. **What is CenturyLink doing to ensure that problems with incorrect plant records do not occur in future conversions?**

A. As I indicated earlier, every system conversion or integration inevitably is going to have some issues. Now that we are more fully aware of the differences in outside plant records, CenturyLink is taking additional steps to identify and to correct those plant records *before* the conversion takes place. For instance, CenturyLink has identified those devices that may be at a higher risk for having incorrect plant records and is going to have technicians test those devices to determine if there are any problems prior to future conversions. In proactively implementing these additional steps, CenturyLink is confident that it will minimize the problems encountered in future conversions.

Q. Why is it necessary to integrate the CenturyLink and Embarq systems?

A. The systems need to be integrated so that all employees are working off the same platform and using the same processes. It is very inefficient to have employees working with multiple systems and platforms. Doing so would require employees to have a working knowledge of a number of systems. That inefficiency would translate over to longer times to complete service orders. Having multiple different systems would also increase the likelihood of inconsistencies or inaccuracy of records information. As already indicated earlier, increasing the risks of inaccurate information does not align with CenturyLink's goals of providing the highest level of customer service delivered efficiently.

Q. Is the integration of Embarq's operations moving along as planned?

A. Yes. A significant amount of planning and testing goes into the conversion of each Embarq market prior to that conversion taking place. As I mentioned previously, CenturyLink takes what was learned from each previous market conversion and applies that learning to future conversions. It is for this very reason that we chose to convert

Embarq to CenturyLink's systems on a phased basis, rather than to "flash cut" all of Embarq's customers at once. A phased approach to the conversion minimizes the potential for system-wide problems and mitigates any possible negative impacts on customers and employees alike. In my view, CenturyLink's experience with these issues is really unmatched in the industry. Our experience in successfully integrating companies in merger transactions better positions CenturyLink to achieve a smooth and efficient integration in the Qwest merger.

Q. Please place the Embarq conversion processes in Ohio and North Carolina in their proper perspective.

A. The Ohio and North Carolina markets have been converted, representing approximately 25% of the legacy Embarq access lines.[8] It is important not to lose perspective of the entirety of what was completed. Since the conversions of North Carolina and Ohio, over 8 million bills have been accurately produced over one million customer orders have been processed and over 350,000 jobs dispatched to technicians have been completed in these two states on the converted systems. The problems encountered in North Carolina on top of the heavy seasonal summer load caused CenturyLink to produce lower service level metrics than desired since conversion. However, as the plant records for these devices have been corrected, as seasonal load levels have started to ease, and as employees have become more familiar with the new systems, the service quality levels

[8] In addition, the Nevada, New Jersey, Tennessee, and Virginia markets were also recently converted in the first weekend of October bringing the total number of converted lines to approximately 50%. These recent conversion has gone well.

have improved. We believe our customer service metrics should continue improving and have already returned to levels being experienced prior to the conversion.

III. RESPONSE TO ISSUES AND CONDITIONS AS PROPOSED BY STAFF.

Q. Please comment on Staff Condition 14 regarding maintaining or improving service quality.

A. First, let me state that CenturyLink is committed to provide the quality of service its customers demand, CenturyLink believes that the Commission's existing service quality rules and the Qwest Service Quality Tariff provide the necessary requirements, incentive and enforcement mechanisms to encourage continued quality service and enable the Commission to monitor results. In addition, the genesis of Staff's concern and justification for this condition is absent. Ms. Genung initially concludes that, based on complaint data she gathered independently from eleven current CenturyLink ILEC states, that her analysis "produced more favorable results for CenturyLink when compared to Qwest in Arizona on an annualized basis." She also concludes that "Staff has no significant concerns about CenturyLink's ability to meet the standards in the Qwest Service Quality Tariff". "She questions some of the "more extensive" information supplied by CenturyLink that she states "cannot be compared explicitly" due to differences in the size of markets being compared, but this does not provide a reasonable justification for imposing a condition regarding maintaining or improving Qwest's pre-merger complaint status. Because Staff has found no significant concerns about

CenturyLink's ability to meet its service quality obligation, such a condition is not warranted[9].

Q. Please comment on Staff Conditions 15, 17, 37, and 39 that require various commitments and extensive reporting regarding retail support centers, reporting of rearrangement plans for major network components, integration reporting, consumer benefits, layoffs and facilities closings, etc.

A. CenturyLink does not support these conditions. Staff's proposed conditions are intrusive, burdensome and place a unique requirement on the newly combined company to provide advance notice (up to 6 months) of changes that, absent the transaction, would have been routinely planned and implemented without Commission involvement. More importantly, these types of reports are not requirements of any of the competitive providers. They also will utilize resources of Qwest in Arizona that would be better focused on the marketplace. The conditions restrict management discretion and would place additional burdens on the process of integration, distracting management from its important focus on ensuring quality service in Arizona through existing or newly integrated systems.

CenturyLink understands the need to keep the Commission and its Staff informed of system integration plans and progress in a timely and reasonable manner and agrees to do so in Arizona. However, mandatory conditions are not needed, particularly impositions of the types of heavy burdens proposed by Staff that do not specifically address demonstrable harms.

[9] See also the Rebuttal Testimony of Qwest witness Mike Williams for a discussion of Qwest's current service quality results.

Q. What is your position regarding Staff Condition 18 requiring an Internet Protocol Television ("IPTV") and Broadband deployment plan for Commission consideration within six months of a decision in the docket?

A. CenturyLink does not support this condition as proposed. CenturyLink is committed to bringing advanced services including broadband to Arizona but a disciplined review of the readiness of the network and the marketplace is required and a mandatory deadline is not appropriate. It is unclear from Staff's testimony what it expects to be contained in the requested plans. It is also not clear what "Commission consideration" entails since, it is my understanding the Commission does not regulate broadband or IPTV service due to the lack of authority to do so. CenturyLink is willing to update the Commission on its plans, as developed, and therefore, a mandatory condition is not necessary.

Q. Please comment on Staff Condition 41 requiring an additional annual report on a wire center basis showing (a) the number of local exchange subscribers utilizing fixed VoIP technology; (b) the number of broadband capable subscriber lines by technology and (c) total capital expenditures associated with broadband deployment by technology.

A. CenturyLink does not believe this reporting requirement is either justified or appropriate as a condition of approval of the transaction. Qwest's current annual reporting includes an identification of local exchange subscribers using fixed VoIP technology, additional reporting by wire center is unnecessary. In addition, Qwest's broadband subscriber information is currently available to the Staff pursuant to the FCC's Form 477 semi-annual report and does not need to be replicated here. Finally, the Commission's current annual report contains information regarding Qwest's capital spending in Arizona and will remain available as required by Commission regulation after the transaction. Specific information regarding broadband capital expenditures is not necessary given the Commission's lack of jurisdiction over broadband.

Q. Please comment on Staff Condition 42 requiring a 6 month report for two years on the Embarq integration progress.

A. This condition is unnecessary and inappropriate. There is no legacy CenturyLink or Embarq ILEC operating in Arizona. Thus the integration of Embarq will not impact Qwest's Arizona operations. Further, the integration process of the Embarq properties is on schedule and anticipated to be completed in the third quarter of 2011. Any concerns relating to overlap with the Qwest integration processes are unfounded.

Q. Do you have any concluding remarks?

A. Yes. The Transaction brings together two leading communications companies with complementary networks and operating footprints. By building on each company's operational and network strengths, the combined company will have an impressive national presence with the local depth that will allow it to better serve all of its customers. The combination creates a company that will be well-positioned to lead in the deployment of advanced services as well as successfully manage the challenging and rapidly changing telecommunications environment.

Further, the imposition of far-reaching and burdensome reporting conditions, such as those proposed by the Commission Staff, are unfounded. Considering the vast operational, managerial and integration expertise of CenturyLink and the combined companies, the Transaction will produce no harmful effects to service and customers. Therefore, it is in the public interest and we respectfully ask the Commission for approval.

Q. Does this conclude your rebuttal testimony?

A. Yes.

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN MAYES
Chairman
GARY PIERCE
Commissioner
SANDRA KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BOB STUMP
Commissioner

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

DIRECT TESTIMONY

OF

KRISTEN MCMILLAN

ON BEHALF OF

EMBARQ COMMUNICATIONS, INC. D/B/A/ CENTURYLINK COMMUNICATIONS

EMBARQ PAYPHONE SERVICES, INC. D/B/A/ CENTURYLINK, AND

CENTURYTEL SOLUTIONS, LLC

MAY 24, 2010

EXHIBIT
tabbies
CTL-6
ADMITTED

TABLE OF CONTENTS
DIRECT TESTIMONY OF KRISTEN MCMILLAN

I. IDENTIFICATION OF WITNESS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Kristin McMillan and my business address is 330 South Valley View Boulevard, Las Vegas, Nevada 89107.

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

A. I am employed by CenturyLink as Vice President, State External Relations – Western Region.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND, WORK EXPERIENCE AND PRESENT RESPONSIBILITIES.

A. After graduating with a Bachelor of Science degree from the University of Minnesota, I earned law and MBA degrees from Santa Clara University. I am admitted to practice law in the states of Nevada and California (inactive status in California). After working briefly in private practice in California, I moved to Nevada and was employed with the Public Service Commission of Nevada (now the Public Utilities Commission) in a legal capacity. I worked in private practice for almost 20 years thereafter, with an emphasis in administrative law, including utilities and telecommunications. I was active in executive level law firm management during my last seven years in private practice, including six years as the president and managing shareholder of a prominent Nevada law firm with offices in Las Vegas, Reno and Carson City.

In March 2006, I began my position with Sprint as Nevada's State Executive, and then Embarq upon its separation from Sprint in May 2006. In that role, I was responsible for leading the strategic development of legislative, regulatory, government and public affairs and advocacy efforts for Embarq in Nevada. As Senior State Executive from 2008-2009, I gained responsibilities as a supervising director in other states as well, including Washington, Oregon, Minnesota, Nebraska and Wyoming. Since July 2009, in my current role with CenturyLink, I lead external initiatives involving governmental, regulatory and legislative endeavors in the Western Region states of CenturyLink - Nevada, Washington, Oregon, Montana, Wyoming, Idaho, Colorado, California, New Mexico and Nebraska.

I am very active in community leadership. I currently serve as the 2010 Chairman of the Board of Trustees of the Las Vegas Chamber of Commerce, and am on the Boards of the Foundation for Independent Tomorrow, United Way of Southern Nevada, Desert Research Institute Foundation and Nevada Development Authority.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I am testifying in support of the Joint Notice and Application for Approval ("Application") filed by subsidiaries[1] of CenturyTel, Inc. d/b/a CenturyLink

[1] The CenturyLink, Inc. subsidiaries filing the Application are: Embarq Communications, Inc. d/b/a CenturyLink Communications, Embarq Payphone Services, Inc. d/b/a CenturyLink, and CenturyTel Solutions, LLC.

("CenturyLink")[2] and subsidiaries[3] of Qwest Communications International Inc. ("Qwest") with the Arizona Corporation Commission ("Commission") on May 13, 2010. My testimony will describe the proposed transaction as set forth in the Application, and further demonstrate why the Application should be approved under the Commission's Affiliated Interest Rules. My testimony will also describe the various benefits of the proposed transaction which are consistent with the overall public interest.

Q. ARE OTHER WITNESSES FILING DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes. James P. Campbell, the State President of Qwest in Arizona will describe the Qwest operations in Arizona and the benefits to customers and competition from achieving a stronger combined company as a result of this transaction. In addition, Jeff Glover, CenturyLink's Vice President – Regulatory Operations & Policy, will discuss the financial benefits of the proposed transaction. His testimony discusses why the proposed transaction will create a financially stronger service provider – one with a solid balance sheet and greater flexibility to continue investing in local networks, broadband deployment and customer service enhancements. Finally, CenturyLink's President of the Mid-Atlantic Region, Todd Schafer, will provide an overview of CenturyLink's operations and history, including its extensive experience in successfully integrating prior acquisitions and will describe the company's highly localized business model that provides for

---

[2] CenturyTel, Inc. changed its name to CenturyLink, Inc. with shareholder approval on May 20, 2010.

[3] The Qwest subsidiaries filing the Application are: Qwest Corporation ("QC"), Qwest Communications Company LLC ("QCC"), and Qwest LD Corp., ("QLDC").

a sharp focus on its local markets and customers. The combined testimony of all the witnesses will demonstrate why this transaction is not only good for Arizona consumers and businesses, but also for the State of Arizona as a whole in terms of meeting and advancing telecommunication service needs in a challenging economic environment.

III. DESCRIPTION OF THE TRANSACTION

Q. PLEASE GENERALLY DESCRIBE THE TRANSACTION SUBJECT TO THIS PROCEEDING.

A. The proposed transaction ("Transaction") is a simple stock-for-stock exchange by which CenturyLink will acquire Qwest. It does not involve complex financial or tax structures. Nor does it require additional debt or any refinancing. As further discussed by Mr. Glover, the Transaction is designed to create a strong and stable company in both the short and long run, with greater financial resources and access to capital to invest in networks, systems and employees. From a financial standpoint, CenturyLink will have the scale and stability to make necessary ongoing infrastructure investments needed to serve the next generation of consumers whose preferences are likely to dictate that communication companies become more innovative, diverse, and faster to market in their product offerings than they are today.

The Application and "Agreement and Plan of Merger" ("Merger Agreement") describe the Transaction. Simply stated, the Merger Agreement calls for a business combination at the parent level whereby a subsidiary of CenturyLink will merge with and into Qwest. The separate existence of the subsidiary will then cease and Qwest will continue as a direct, wholly owned subsidiary of CenturyLink. Upon closing of the Transaction, Qwest shareholders will receive 0.1664 CenturyLink shares for each share of Qwest common stock they own at closing. At that time, CenturyLink shareholders are expected to own approximately 50.5 percent of the combined company, and Qwest shareholders approximately 49.5 percent. As a result of the Transaction, CenturyLink will have local exchange footprints in 37 states, including in Arizona, Utah, North Dakota and South Dakota where CenturyLink currently does not have incumbent local exchange carrier ("ILEC") operations.

Following completion of the Transaction, four directors from the Qwest Board will be added to the CenturyLink Board of Directors, including Edward A. Mueller, Qwest's Chairman and Chief Executive Officer. This addition will increase the number of CenturyLink directors from 13 pre-Transaction to 17 post-Transaction.

Q. HOW WILL THE MERGED ENTITY BE STRUCTURED?

A. The corporate structure will essentially remain as it is today except that Qwest will be under CenturyLink. Exhibit A to the Application accurately illustrates the organizational structure of the relevant companies before and after closing. As mentioned, the Transaction contemplates a parent-level transfer of control of Qwest so there is no direct effect on any of the regulated operating subsidiaries in Arizona for either company. At closing, Qwest will become a direct, wholly-owned subsidiary of CenturyLink and all Qwest subsidiaries, including QC, will be indirectly owned and controlled by CenturyLink but otherwise will experience no change in their existing corporate status or structure. In addition, the Transaction changes nothing with respect to the corporate structure of CenturyLink's regulated operating subsidiaries as all remain in place under the same status, structure, ownership and control as exists today.

Q. PLEASE IDENTIFY THE CENTURYLINK ENTITIES IN THE STATE OF ARIZONA THAT ARE REGULATED BY THE COMMISSION.

A. There are three CenturyLink subsidiaries currently certificated by the Commission, with relatively minimal operations within the state. None of these subsidiaries provides local exchange service to residential or business customers. Embarq Communications, Inc. d/b/a CenturyLink Communications is certificated to provide resold long distance services (Decision No. 68828). As of April 27, 2010, the company had less than 200 long distance customers in the state of Arizona. Embarq Payphone Services, Inc. d/b/a CenturyLink is certificated as a coin-operated pay telephone provider (Decision No. 61049) and, as of April 27, 2010, was serving less than 25 payphones in Arizona. CenturyTel Solutions is authorized to provide resold long distance services and competitive local exchange services (Decision No. 63638). However, it does not currently serve any customers in Arizona. I will refer to these companies collectively as the "CTL Regulated Entities." None of the CTL Regulated Entities is experiencing a change in control as a result of this Transaction. The control of these companies will remain with CenturyLink where it resides today.

Q. WILL THE TRANSACTION RESULT IN ANY CHANGES IN THE MANNER IN WHICH THE CTL REGULATED ENTITIES ARE REGULATED OR CERTIFICATED BY THE COMMISSION TODAY?

A. No, these entities will retain the same individual corporate identities and continue to exist as they do today under the ownership and control of CenturyLink. As a result, each of these companies will maintain its current operating authority and will continue to abide by all applicable statutes, rules, regulations, Commission orders, commitments, and tariffs or pricelists, as applicable, under which they are currently regulated.

In addition, the Transaction will be seamless to customers. Immediately after the Transaction, customers will continue to receive the same full range of high quality products and services at the same rates, terms and under the same conditions as they did immediately before the close of the Transaction. Any subsequent service, term or price changes will be made, just as they are now, in accordance with applicable rules and laws. CenturyLink has been successful in past acquisitions in minimizing customer confusion and helping to make the integration of acquired companies as seamless and customer-friendly as possible.

Q. WHAT AUTHORITY ARE THE JOINT APPLICANTS SEEKING FROM THE COMMISSION IN THIS PROCEEDING?

A. The Joint Applicants seek a finding by the Commission that the Transaction meets the Commission's standards applied to proposed mergers of public utility holding companies, contained in A.A.C. R 14-2-801 et seq. Specifically, the Applicants ask the Commission to recognize that the Transaction will not impair the financial status of any of the operating subsidiaries, prevent them from attracting capital at fair and reasonable terms, or impair the ability of any of those entities to provide safe, reasonable and adequate service.

The Joint Applicants hold the opinion that should the Commission determine that other rules or statutes apply, the standard for Commission approval is whether the Transaction is in the "public interest." As demonstrated in my testimony, in combination with the other witnesses on behalf of CenturyLink and Qwest, the Transaction is in the public interest.

Q: WOULD YOU COMMENT ON THE CHANGING NATURE OF THE COMMUNICATIONS BUSINESS AND THE CHALLENGES FACED BY PROVIDERS?

A. The communications industry has changed dramatically in the last several years. It continues to experience change at a frenetic pace. Consumers are constantly seeking innovative technologies and alternative modes of communication as they experience the benefits of more convenient and ubiquitous ways to communicate and obtain data and video. Competition for voice, Internet, data and video is widespread with increasing competition from wireless companies, cable operators and VoIP providers. Mr. Campbell's testimony provides further insight into the nature and extent of competition in Qwest's Arizona markets. The pressure on all of these companies to relentlessly invest and innovate is intense.

The evolving market and technology dynamics have significantly altered the fundamentals of operating a wireline business. Carriers such as Qwest and CenturyLink have no choice but to adapt and grow if they are to compete more effectively and survive. Our business will require greater and greater strategic flexibility to bring new products on line, and will need to do so more quickly. We will need to be stronger and have greater product and revenue diversity as we develop expanded broadband services and higher speeds. We need to have the national breadth and local depth to provide more new and innovative IP products such as IPTV and other video choices, VoIP services, enhanced fiber-to-the-cell tower connectivity and other high bandwidth services. As a combined company, with complementary strengths and operating footprints, we will have greater potential to effectively reach more types of customers with a broader range of competitive products and connectivity solutions than either company could standing alone.

Q. HOW DOES THE TRANSACTION HELP TO PROVIDE THAT OPPORTUNITY TO THE BENEFIT OF CUSTOMERS?

A. First, the Transaction brings together two leading communications companies with complementary network and operating footprints, which will result in a balanced urban and rural footprint.[4] The combined enterprise will have over 17 million telephone access lines and serve over five million high-speed internet customers across 37 states. It creates a truly nationwide platform for high-speed internet deployment by merging Qwest's long-haul fiber network with CenturyLink's complementary long-haul fiber network and its core metropolitan rings. Combined, it gives CenturyLink approximately 180,000 route miles of

[4] CenturyLink's local-service network operates in 33 states while Qwest's local network operates in 14 mostly Western states. The merger will enable the companies to have complementary local exchange footprints in 10 of the combined 37 states. Additionally, CenturyLink will be able to provide voice and advanced telecom services in four additional states: Arizona, Utah, North Dakota and South Dakota.

fiber[5] which will enable a more diverse mix of product offerings and an enhanced ability to reach customers with those products. The combined network will be a key differentiator in our industry and it will heighten the ability to compete for broadband Internet services as well as for the customer-desired "triple play" of broadband, voice and video.

A key benefit will come from leveraging each company's operational and network strengths, resulting in a company with an impressive national presence and local depth. CenturyLink has proven the effectiveness of its region-based local market focus, as further described by CenturyLink operations witness Schafer. Qwest has industry-leading enterprise, government and wholesale customer capabilities, as explained in more detail by Qwest witness James Campbell. These witnesses also attest to the extensive investments that each company has made in advanced networks and the expansion of their individual fiber core networks. The merger of these complementary and additive strengths will increase the likelihood of bringing to market more advanced services and compelling choices for customers, at an accelerated pace.

The increased capabilities of the combined company will also diversify the company's revenue structure and thereby create a stronger competitor. The company will be better situated, both financially and operationally, with more flexibility to meet the challenges of a rapidly changing and intensely competitive communications environment.

[5] An illustrative map is attached as Exhibit KM-1.

The bottom line is that the combined company will be better-positioned to lead the deployment of advanced services as well as successfully manage its transition to a new era in a challenging and rapidly changing telecommunications environment. The result is a win not only for the company, but also for its customers and the communities it serves.

Q. CAN YOU PROVIDE A MORE CONCRETE EXAMPLE OF THE POTENTIAL BENEFITS THAT CAN BE DERIVED FROM LEVERAGING THE COMPLEMENTARY STRENGTHS OF THESE TWO COMPANIES?

A. As I mentioned, Qwest is a national provider of services to the enterprise market, and has particular strength in serving large business and government customers. Thus, the Transaction gives the combined company an increased prominence in the enterprise and government broadband markets. CenturyLink, by contrast, focuses on businesses with regional and local needs. The transaction will enable post-merger CenturyLink to build on Qwest's strength in providing complex communications services to large businesses and government entities on a national and global scale to provide a broader array of services to enterprise customers in CenturyLink territories. For much of the country, the combination of Qwest's long-haul network with CenturyLink's fiber rings in metropolitan areas, the combination will create a service partner that can offer strategic products to a broader array of businesses, including those seeking access to a nationwide long-distance network. Where the networks are geographically coincident, it will also allow for more diverse routing options, provide redundant routing for backup purposes, and offer other communications and information services that are attractive to businesses in the financial sector, government entities, and other customers who require solutions for highly sensitive data operations.

Q. WHAT QUALIFICATIONS AND ABILITY DOES CENTURYLINK HAVE TO OPERATE THE COMBINED COMPANY AND TO CONTINUE TO PROVIDE HIGH QUALITY SERVICES TO CUSTOMERS?

A. CenturyLink's senior officers are proven leaders in the telecommunications industry and have established a solid, consistent reputation for running a high-performing enterprise that serves customers well. To that end, Glen F. Post, III, the current CEO and President of CenturyLink, will continue to be the CEO and President of the post-merger CenturyLink. R. Stewart Ewing, Jr. the current Chief Financial Officer (CFO) of CenturyLink, will continue to be the CFO of the post-merger CenturyLink. Karen A. Puckett, the current Chief Operating Officer (COO) of CenturyLink, will continue to be COO of post-merger CenturyLink. It is noteworthy that Mr. Post, Mr. Ewing and Ms. Puckett have a combined total of approximately 88-years experience in the communications industry, and have worked together at CenturyLink for the past decade—nearly unheard of in an industry such as ours. Also, Christopher K. Ancell, currently the Executive Vice President of Business Markets Group for Qwest, will be the President of the Business Markets Group for post-merger CenturyLink and will continue to lead Qwest's successful and growing enterprise business segment.[6] These leaders are industry veterans with a stable base of knowledge, experience and leadership. All

[6] Additional senior leaders will be announced in the coming months.

of these leaders possess the depth of knowledge, experience and leadership to move this company forward through the next era of change and challenge.

The company's extensive merger and acquisition track record also provides a clear indication of its ability to successfully execute on its business plans and provide high quality service. As Mr. Schafer explains in his testimony, CenturyLink has a long history of successfully integrating acquired properties and assets, and expanding into new state jurisdictions. These successful acquisitions and subsequent integrations have generated benefits for both the company and its customers. The senior management team of CenturyLink is very familiar with and well-equipped to face the challenges and opportunities that an acquisition and integration of this magnitude presents. CenturyLink will benefit from that continued steady hand as it faces the challenges and opportunities ahead.

Furthermore, ensuring that CenturyLink continues to provide high quality service and customer experience pre- and post-merger is vitally important. CenturyLink understands that continuing to meet customer needs is its top priority. The Transaction will not change that focus. To the contrary, the customer service, network and operations functions that are critical to each company's success today will continue to be key areas of focus when the Transaction is complete, and the post-Transaction company will be staffed to ensure that continuity. QC will continue to be managed by employees with extensive knowledge of the local communications business and with a commitment to the needs of the local community.

Q. WOULD YOU COMMENT ON CENTURYLINK'S TECHNICAL EXPERTISE?

A. CenturyLink's technical expertise is reflected in the multitude of services it provides today in 33 states and also in its highly skilled workforce, which includes engineers, IT personnel and technicians that have long been operating networks and systems for the benefit of millions of customers. Going forward, the post-Transaction CenturyLink will have a combined pool of technical expertise from both companies from which to draw support, training and the deployment of new and innovative products like IPTV.

Q. HOW WOULD YOU DESCRIBE "THE FIT" BETWEEN THE TWO COMPANIES, PARTICULARLY AS IT RELATES TO A COMMITMENT TO CUSTOMER SERVICE?

A. CenturyLink and Qwest are both holding companies with complementary cultures. Their primary focus has been the ownership and operation of subsidiary ILECs on a multi-state basis. Both companies have deep roots in serving and meeting the communication needs of customers by investing heavily in quality, reliable voice and data networks. Both companies and their employees are dedicated to local community involvement and employee volunteerism. Both companies have strong management teams and a base of experienced employees who share the common view that successfully providing high quality communication services in these dynamic times is contingent upon the ability to respond quickly to rapid changes in markets, technology and customer demands.

CenturyLink's region-based, local operating model will reinforce this shared philosophy. As stated in the testimony of CenturyLink operations witness Schafer, this approach will likely be implemented to ensure that the customer is at the center of everything the company does. This structure has proven successful in driving customer service, responsiveness and accountability closer to the customer and enabling the company to be more proactive and successful in direct response marketing efforts on a market-by-market basis.

Q. ARE THERE OTHER AREAS WHERE YOU BELIEVE THAT THE TRANSACTION WILL HAVE POSITIVE BENEFITS?

A. Yes, as I mentioned, the Transaction will also have a positive impact on the state of competition. Healthy competition is in large part driven by the existence of a variety of viable network platforms in a given market. Competition is most robust in markets where there is intermodal competition: that is, where services are being delivered over wireless, wireline, and cable platforms. If any of those platforms is rendered unsustainable, it would negatively impact competition and consumers. The combination of CenturyLink and Qwest network infrastructure and operating experience ensures that a stable, capable, reliable network operator will be available to weather long-term technological and competitive changes yet to come.

Q. IN YOUR TESTIMONY THUS FAR, YOU HAVE DESCRIBED HOW THE TRANSACTION IS CONSISTENT WITH THE AFFILIATED INTEREST RULES AND PROMOTES THE PUBLIC INTEREST. DO YOU BELIEVE THERE ARE ANY POTENTIAL HARMS THAT COULD RESULT FROM THE MERGER?

A. No. The Transaction will not disrupt existing service arrangements or regulatory commitments. Both companies have affirmed that existing wholesale and interconnection arrangements and commitments will remain intact, and that the operating companies will honor the terms of existing Commission-ordered regulatory commitments. In this regard, the Transaction will not have any impact on compliance with the regulatory requirements of this Commission. The Transaction will not in any way affect this Commission's jurisdiction over QC, QCC, QLDC or the CTL Regulated Entities, the type of regulation that they are subject to, or any binding regulatory commitments that have been placed by the Commission. Moreover, as described in Mr. Glover's testimony, the Transaction will not impair the financial status of the operating subsidiaries, prevent them from attracting capital at fair and reasonable terms, or impair the ability of any of those entities to provide safe, reasonable and adequate service.

IV. SUMMARY

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. The Transaction meets the requirements of the Affiliated Interest Rules and is in the public interest. It is a straightforward, parent-level stock-for-stock transaction without any complex financing structures. It combines two leading communications companies with customer-focused, industry-leading capabilities and complementary networks and operating strengths. The Qwest regulated subsidiaries will continue to provide services as they do today, but with the added benefit of a financially stronger parent and a more localized approach to service and meeting evolving customer demands. The combined company's senior management team will consist of proven leaders with extensive experience in the industry and a successful track record of transactional integration.

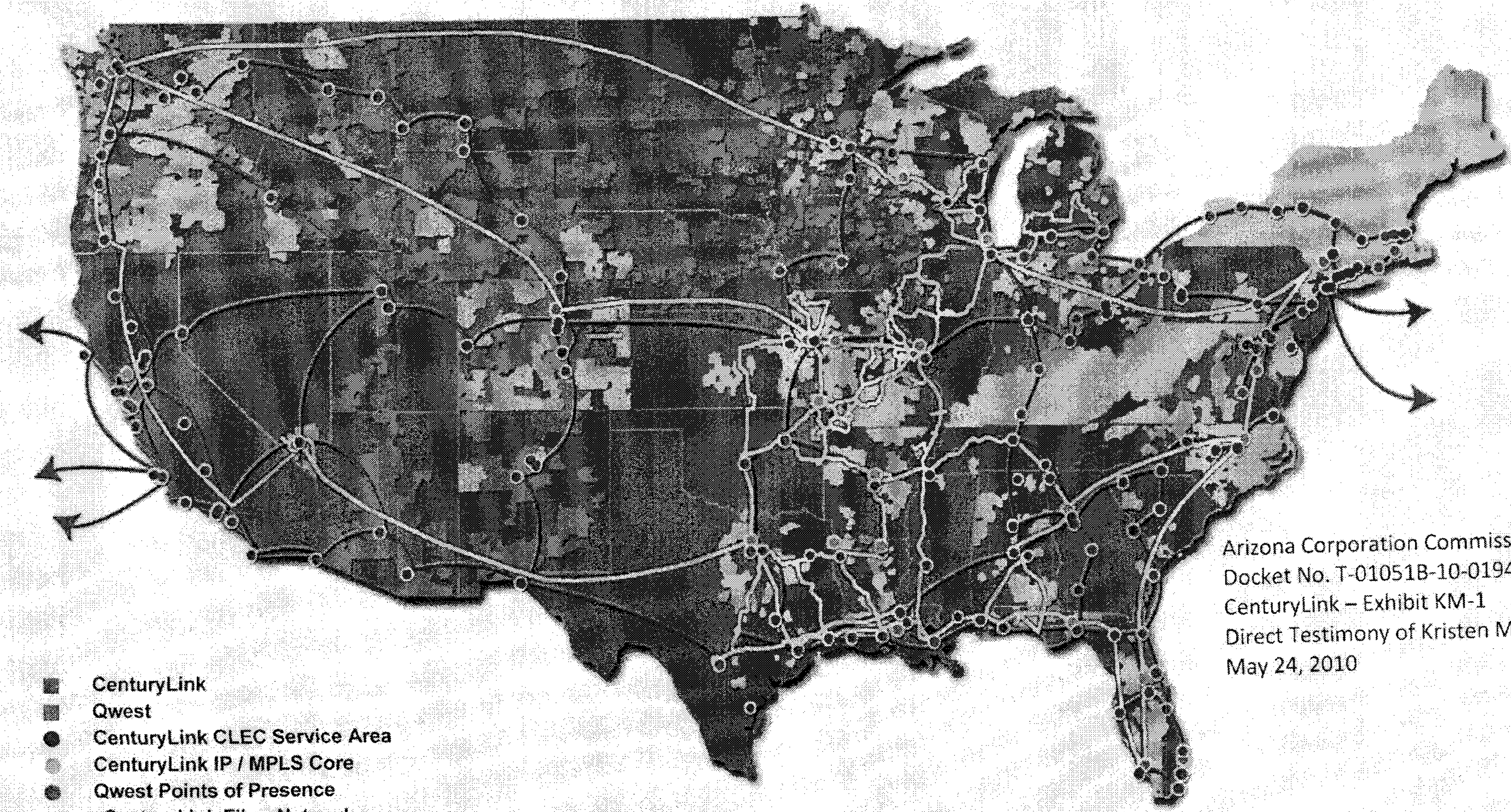
CenturyLink will become stronger, and more diverse and flexible, by leveraging the complementary financial, operational and network strengths of each of the two companies. This will help to ensure and accelerate the continued deployment of advanced, broadband services to the benefit of both residential and business customers and competition in general. The combined company's expertise in bringing high-speed broadband services to market, together with the robust, nationwide fiber network, will also improve its competitive potential in the enterprise business market. In sum, the company will be better positioned for future growth and service to Arizona customers amid a rapidly changing and intensely competitive communications environment.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

EXHIBIT KM-1

Local Operating Model / Premier Nationwide Network



Arizona Corporation Commission
Docket No. T-01051B-10-0194, et al.
CenturyLink – Exhibit KM-1
Direct Testimony of Kristen McMillan
May 24, 2010

- CenturyLink
- Qwest
- CenturyLink CLEC Service Area
- CenturyLink IP / MPLS Core
- Qwest Points of Presence
- CenturyLink Fiber Network
- Qwest Fiber Network

CenturyLink™

Qwest

BEFORE THE ARIZONA CORPORATION COMMISSION

Joint notice and application of Qwest Corporation, Qwest Communications Company, LLC, Qwest LD Corp., EMBARQ Communications, Inc. d/b/a CenturyLink Communications, EMBARQ Payphone Services, Inc. d/b/a CenturyLink, and CenturyTel Solutions, LLC for approval of the proposed merger of their parent corporations Qwest Communications International, Inc. and CenturyTel, Inc.	DOCKET NOS. T-01051B-10-0194 T-03902A-10-0194 T-04190A-10-0194 T-02811B-10-0194 T-20443A-10-0194 T-03555A-10-0194

REBUTTAL TESTIMONY OF

Kristin McMillan

ON BEHALF OF

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

OCTOBER 27, 2010

EXHIBIT
tabbies
CTL-7
~~ADMITTED~~

Q. Please state your name and business address.

A. My name is Kristin McMillan and my business address is 6700 Via Austi Parkway, Las Vegas, Nevada.

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

A. I am employed by CenturyLink, Inc. as Vice President, State External Relations – Western Region.

Q. Are you the same Kristin McMillan that filed direct testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. I am providing rebuttal testimony on behalf of the Arizona subsidiaries of CenturyLink, Inc. in this proceeding before the Arizona Corporation Commission ("Commission") concerning the proposed merger of Qwest Communications International, Inc. and CenturyLink, Inc. (the "Transaction").[1] My rebuttal testimony relates to certain policy issues and proposed conditions raised in the direct testimonies of witnesses representing the Utilities Division of the Commission ("Staff" or "Commission Staff") and various intervenors in the proceeding. Specifically, I will address portions of the testimonies of Mr. Armando Fimbres and Ms. Pamela Genung on behalf of the Commission Staff; Mr.

[1] The CenturyLink subsidiaries in Arizona filed the merger approval application (the "Application") in conjunction with the Qwest subsidiaries in Arizona (together, the "Joint Applicants"). The CenturyLink subsidiaries consist of Embarq Communications, Inc. d/b/a CenturyLink Communications, Embarq Payphone Services, Inc. d/b/a CenturyLink, and CenturyTel Solutions, LLC (collectively, for purposes of this testimony, "CenturyLink" or the "Company").

Timothy Gates, who provides testimony on behalf of Eschelon Telecom of Arizona, Inc., Electric Lightwave, LLC, and Mountain Telecommunications of Arizona, Inc d/b/a Integra Telecom; tw telecom of arizona, llc; Level 3 Communications, LLC; and McLeodUSA Telecommunications Services, Inc. d/b/a PAETEC Business Services; (collectively, these competitive local exchange carriers are the "Joint CLECs"); Dr. August Ankum, who also provides testimony on behalf of the Joint CLECs; and Mr. Charles King on behalf of the Department of Defense and all other Federal Executive Agencies ("DOD").

Q. Are there other CenturyLink and Qwest witnesses providing rebuttal testimony?

A. Yes. CenturyLink witness Jeff Glover provides rebuttal testimony concerning financial and related issues, including proposed conditions raised in the testimonies of Commission Staff, the Residential Utility Consumer Office ("RUCO") and intervenor witnesses. CenturyLink witness Todd Schafer provides rebuttal testimony on operational and integration issues, as well as certain proposed conditions raised in the testimonies of Commission Staff. Qwest witness James Campbell provides rebuttal testimony addressing certain conditions proposed by the Commission Staff. CenturyLink witness Michael Hunsucker and Qwest witnesses Karen Stewart and Michael Williams provide rebuttal testimony concerning wholesale issues and conditions raised in the testimonies of Staff and the intervenor witnesses. Mr. Williams also addresses retail service quality issues in Staff's testimony. Qwest witness Robert Brigham provides rebuttal testimony concerning issues related to competition raised in the testimonies of Staff and the intervenor witnesses.

Q. Do the Joint Applicants intend to address every assertion or criticism in the testimonies of other witnesses?

A. No. Rebuttal testimony from the Joint Applicants will discuss in more detail why CenturyLink and Qwest believe the Application should be granted and will respond to and rebut a number of the positions of the Staff, RUCO and intervenor witnesses. However, it is not feasible to respond to each and every statement in the direct testimony of other parties and, to do so, would make the rebuttal testimony unnecessarily lengthy. To the extent particular statements are not addressed by the Joint Applicants, this does not necessarily mean that Joint Applicants agree with or acquiesce in those statements. We have attempted to focus on the major points addressed in the responsive testimony and to organize the rebuttal around those points. Joint Applicants will also be addressing some topics in our post-hearing briefs, including legal issues raised in the testimonies.

I. THE TRANSACTION MEETS THE APPLICABLE STANDARD OF REVIEW, AND THE APPLICATION SHOULD BE GRANTED.

Q. Are you aware of the standard of review to be applied in this merger proceeding?

A. Yes. I will provide some comments in response to testimony filed by Staff on the standard of review, but will do so in the following context. I am not testifying in my capacity as an attorney in this proceeding and, while licensed in Nevada and California, I am not a licensed attorney in the State of Arizona. Accordingly, this testimony reflects my understanding of the applicable legal standard of review. To the extent that any legal issues arise regarding the application of the appropriate, correct standard of review, Joint Applicants will address those issues in the post-hearing brief.

Q. What is your understanding of the standard of review to be applied in this proceeding?

A. It is my understanding that the Transaction is subject to review in accordance with the Commission's "Affiliated Interest Rule" relating to public utility holding company reorganizations. This standard is relatively narrow. If the Commission decides to hold a hearing on a proposed reorganization, it may reject the transaction only upon a determination that the proposal would "...impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service."[2]

There is also a provision of Arizona statute that is not directly applicable but provides some guidance in a related context. It prohibits a "public service corporation" from merging with or acquiring capital stock of any other public service corporation organized or existing under the laws of this state without prior authorization from the Commission."[3] While the Transaction at hand does not involve "public service corporations," it is my understanding that the Commission generally applies a "public interest" standard of review to transactions that fall within this statute.

---

[2] A.A.C. R14-2-803(C).

[3] A.R.S. § 40-285. Because Qwest and CenturyLink, Inc. are not public service corporations, the Applicants believe that A.R.S. § 40-285 does not directly apply to the Transaction.

Q. Do you agree with the testimony of Staff witness Armando Fimbres relative to the Affiliated Interest Rule and the standard of review in this proceeding?

A. I agree with the statements made by Mr. Fimbres that the Joint Applicants have provided appropriate information in the Application and direct testimony to satisfy review under the Affiliated Interest Rule. Mr. Fimbres also states that Staff used a "public interest" standard to review the Transaction, and explains the Commission should first determine that the Transaction causes no harm to customers and, then, evaluate its benefits or merits.[4] While I essentially agree that the standard of review for transactions of this kind could be considered a form of "public interest" standard, I do believe the Commission is bound to focus on facts and circumstances that would support the more specific findings required by the Commission's Affiliated Interest Rule; that is, whether or not, as a result of the Transaction, there would be impairment to the financial status of the Joint Applicants, or they would otherwise be prevented from attracting capital at fair and reasonable terms, or there would be an impairment of their ability to provide safe, reasonable and adequate service. If the Commission determines that this standard has been satisfied, then, by inference and consistent with the Affiliated Interest Rule, the Transaction would be deemed to be in the public interest. As discussed in detail in the Application and, upon viewing all of the testimony in this proceeding in a reasonable light, CenturyLink believes the Commission can find that the Joint Applicants have satisfied this standard.

Q. Regardless of the applicable legal standard, are there benefits to the Transaction?

[4] Fimbres Direct Testimony, pp. 23-24.

A. Absolutely. There are wide-ranging, positive benefits to the Transaction as discussed in the Application and all of the direct and rebuttal testimony of the Joint Applicants. The proposed merger also will be beneficial to the State of Arizona from a number of important perspectives. Like other states, Arizona is witnessing dramatic changes in the way its citizens are communicating. Increasingly robust data demand is reshaping the industry and the networks of all providers. Consumers and businesses continue to require increased broadband speeds and affordable communication packages from reliable, service-focused providers.

The merger will address these demands and bring key benefits to multiple states, including Arizona. In today's challenging economy, Arizona will benefit from a reliable, stable service provider and one that is well-positioned for long-term strategic investment within the communities it serves. The scale, scope and resources of the combined operations will place the merged company in a better position to ensure that meaningful broadband deployment and investment will continue; that voice, data and other essential services will be available; that evolving needs for 911 and other key first-responder services will be met; that schools, libraries, health care facilities, government entities and businesses will continue to have the benefits of a significant and well-established underlying network provider; and that the needs of low income customers will be met. The proposed merger with CenturyLink should be viewed by this Commission as a critical and timely enterprise that will enable the Qwest ILEC in Arizona to move forward in a positive direction, to the benefit of its customers and employees. This is particularly important as the industry approaches the next, not-yet-defined, phase of telecommunications evolution.

Q. Have specific plans been developed for the introduction of new products and services to Arizona consumers?

A. At this point in the approval process, specific plans have not been developed, which is not surprising as further discussed in the rebuttal testimony of CenturyLink witness Todd Schafer.[5] Staff witness Armando Fimbres understands and acknowledges that information regarding specific plans now will not increase the certainty that the potential benefits of the merger will be realized and that "[i]nsistence on reviewing key plans before granting approval in this matter may actually serve to undermine potential benefits by shifting the planning resources allocated by the Applicants."[6] In this regard, the Commission should look to the financial, technical and managerial strengths of the two organizations being combined, the vast integration expertise of CenturyLink, and the complementary assets of CenturyLink and Qwest, all of which provide the base upon which benefits in the form of new products and services will be delivered to Arizona.

Additionally, as mentioned in the testimony of the Joint Applicant witnesses, the merged company will possess the scale and stability to ensure that it will be well-positioned to make ongoing infrastructure improvements and invest in the advanced networks needed to serve customers into the future. This, in turn, will increase the likelihood that the

[5] Nor is the identification of specific plans for new products, services or other benefits a requirement for the approval of the proposed Transaction in Arizona.
[6] Fimbres Direct Testimony, p. 25.

merged company will introduce new and advanced products, adding choices for consumers in a competitive marketplace. These choices will include alternatives for voice, data, broadband and video products and services in Arizona. CenturyLink plans to continue its deployment of IPTV technology in various markets and considers the product a key growth driver for its future.[7] Such deployment requires skilled technicians who can assist with enablement in residential areas, as well as sales personnel to promote the product and vendors to supply services.

Q. How does the Commission's existing regulatory authority ensure that the Transaction will not result in the impairment of safe, reasonable and adequate service to consumers?

A. The Commission's present authority has proven to be very effective in assuring that service to consumers is not harmed. Both Qwest and CenturyLink are regulated entities in the state today; they meet existing service standards, file reports, make investments, and maintain a constant focus to meet the evolving needs of Arizona citizens. The Commission has invested extensive time and resources to ensure that the public interest is protected in terms of service quality, fair treatment of retail and wholesale customers, and other important matters, even as market and economic conditions change.

In addition, as described in detail by Qwest rebuttal witness Robert Brigham, the Arizona retail telecommunications market is very competitive today and competition will become

[7] CenturyLink is not providing a commitment as to when it will launch IPTV in Arizona, but understands the importance of this product in meeting the demands of our customers. The company is in the process of evaluating when and where to deploy this service. Importantly, the company has already launched IPTV in other markets, and has the knowledge and technical ability to provide this service.

more intense as new technologies are developed and customer preferences evolve. In this environment, the post-merger company has every incentive to provide high quality, innovative products and services to customers. As Mr. Brigham concludes, the competitive nature of the market, along with regulatory safeguards such as those described above, will continue to protect customers and the public interest once the merger is completed.

II. STATUS OF APPROVALS

Q. Please update the Commission on the activity in the other state proceedings or other approval processes regarding the proposed Transaction.

A. The Transaction requires state commission approvals in 21 states and the District of Columbia. While CenturyLink and Qwest are in the transaction review process for many of these jurisdictions, the approval process is now (as of October 27, 2010) favorably concluded in 11 of the 21 states requiring state commission approval—California, Hawaii, Maryland, Georgia, West Virginia, New York, Ohio, Mississippi, Louisiana, Virginia and Pennsylvania, as well as the District of Columbia.

Moreover, on July 15, 2010, CenturyLink and Qwest were notified by the Department of Justice and the Federal Trade Commission that the proposed Transaction review was completed early under the Hart Scott Rodino Act, and, as such, has clearance from a federal antitrust perspective. On July 16, 2010, CenturyLink filed with the Securities and Exchange Commission a final joint proxy statement-prospectus, which describes the

Transaction with Qwest. This final joint proxy statement-prospectus was mailed to shareholders of both CenturyLink and Qwest. Based on the information provided in the joint proxy statement-prospectus, each company held a special meeting on August 24, 2010 at which their respective shareholders voted overwhelmingly to approve the Transaction.

Q. The Application and your direct testimony identified the senior leadership of the combined company. Have additional leaders been announced?

A. Yes, on September 20, 2010, "Tier 2" leadership appointments were announced in the Operations, Business Markets, Wholesale, Finance, Network Services, Corporate Strategy & Development, Public Policy and Government Relations, Legal, Human Resources and IT organizations. Tier 2 positions are those that report directly to the senior executives identified in the Application and direct testimony. This announcement also included the alignment of the combined company's Arizona operations into one of six Regions. Arizona will be part of the newly formed Southwest Region which also includes operations in the states of Nevada and New Mexico. Terry Beeler, currently President of the Western Region for CenturyLink, will become the Southwest Region President upon the close of the Transaction. On October 19, 2010, there was an announcement of additional Tier 2 appointments, including Jerry Fenn, currently State President for Qwest in Utah, as Vice President - West Region Regulatory and Legislative Affairs, supporting the Northwest and Southwest Regions (including Arizona) except for New Mexico and with the addition of Utah.

III. THE INTERVENORS' SPECULATIVE FEARS, BASED ON COMPLETELY UNRELATED TRANSACTIONS, ARE NOT WELL FOUNDED AS THEY PERTAIN TO PROBABLE OUTCOMES IN THIS TRANSACTION.

Q. Please respond to the concerns raised by certain intervenors that the proposed Transaction might be similar to the Hawaiian Telcom, Inc. ("Hawaiian Telcom") and FairPoint Communications, Inc. ("FairPoint") mergers.

A. The intervenors which raise these concerns[8] attempt to justify the imposition of various proposed conditions based in large part upon inapt facts about other unrelated transactions and companies. For example, the intervenor witnesses attempt to compare problems resulting from the Carlyle Group's ("Carlyle's") purchase of Hawaiian Telcom and FairPoint's acquisition of Verizon Communications Inc.'s ("Verizon's") wireline operations in Maine, New Hampshire and Vermont, but the comparisons fail to correlate. The testimonies amount to mere speculation. They provide no substantive demonstration that the negative outcomes of the Hawaiian Telcom and FairPoint complications will or are likely to happen in this Transaction, and provide no basis to justify the proposed conditions.

While this matter is discussed more completely by CenturyLink witnesses Jeff Glover and Mike Hunsucker in their rebuttal testimonies, I would like to briefly emphasize two points. First, the intervenor witnesses focus largely on only two ILEC transactions, in spite of the fact that there have been a large number of successful transactions combining

[8] See generally, Ankum Direct Testimony, pp. 28 - 30; Gates Direct Testimony, pp. 87 - 99; and King Direct Testimony, pp. 4 - 8.

ILEC-to-ILEC operations over the last decade and even before that time. CenturyLink itself has demonstrated extensive experience in successfully converting lines and systems in similarly acquired operations to its own operational support systems ("OSS"), as described in detail in the direct and rebuttal testimonies of CenturyLink witness Todd Schafer and other CenturyLink witnesses. Second, the proposed Transaction is fundamentally distinguishable from the two merger-related ILEC failures relied upon by the intervenors. That is, in both of those transactions, the acquiring companies were required to create entirely new OSS and then to cut over the acquired carrier's services to those newly-created OSS either immediately upon closing or within a set time period. Dr. Ankum and Mr. Gates, on behalf of the Joint CLECs, both acknowledge that the state commissions which reviewed those two transactions—in Hawaii, Vermont, Maine, and New Hampshire—trace the financial and service problems to specific OSS challenges, which then led to financial distress.[9] In contrast, as discussed by CenturyLink rebuttal witnesses Jeff Glover and Todd Schafer, the current Transaction will involve the phased-in integration of systems. As these witnesses describe, immediately after the close of the proposed Transaction, Qwest will operate using the same systems it currently has in place, and CenturyLink will operate using its systems, with both OSS fully functioning and staffed. Thus, in stark contrast to the failed companies, there is no time-bound cutover of systems required; nor are there new systems that must be created or relied upon in the combination between CenturyLink and Qwest. Thus, the intervenor witnesses are speculating about potential problems unique to two other companies, but CenturyLink

[9] See, for example, Ankum Direct Testimony pp. 34 - 36; Gates Direct Testimony at page 89, line 10 through page 91, and pp. 94 - 96.

has shown a history of proven capability with respect to acquisitions, integrations and responsible management of local exchange operations.

IV. MANY OF THE CONDITIONS PROPOSED BY STAFF ARE UNNECESSARY AND UNFOUNDED, AND SHOULD NOT BE ADOPTED.

Q. What is the position of Staff in this Transaction, as evidenced by its direct testimony?

A. The Executive Summary of Staff witness Armando Fimbres states that, "Staff believes the public interest will be served by the proposed merger of Qwest Communications International and CenturyLink if the goals and objectives of the proposed merger are achieved."[10] Further, Staff witness Pamela Genung states that, "While CenturyLink continues to be busy integrating Embarq's systems, it should have a highly talented and experienced pool of employees available between the combined Qwest and CenturyLink companies to fulfill its obligations of the merger between the two companies."[11] Finally, Staff witness Pedro Chaves concludes that, "the proposed transaction will benefit [Qwest's] Arizona subsidiaries by providing improved access to the capital markets because the post-merger ultimate parent, [CenturyLink, Inc.], will have a financially prudent capital structure…."[12] Despite these positive endorsements and conclusions, and no assertion or demonstration of probable harm, Staff goes on to recommend denial of the Application unless forty seven (47) separate conditions are imposed. For the reasons

[10] Fimbres Direct Testimony, Executive Summary.
[11] Genung Direct Testimony, Executive Summary, and p. 27, lines 19 – 22.
[12] Chavez Direct Testimony, Executive Summary and p. 6, lines 16 – 18.

set forth in my testimony and the testimonies of the other Joint Applicant witnesses, there is no justification for the imposition of numerous and burdensome conditions on top of already present Commission requirements in the form of regulations, orders, rules, reporting and procedures, particularly in such a fiercely competitive environment as Arizona where competitive carriers are not faced with the same types of burdens. As supported through the testimonies of CenturyLink and Qwest witnesses, the post-merger company will be financially, managerially and operationally solid, and even stronger as a combined company, without the need to impose inappropriate or unnecessary conditions.

Q. What is Staff's basis for this recommendation?

A. Staff witness Armando Fimbres concludes that conditions are needed to ensure the merger is found to be in the public interest.[13] He further comments that CenturyLink has not developed detailed state-level plans at this point, but goes on to conclude that "[i]nsistence on reviewing key plans before granting approval in this matter may actually serve to undermine potential benefits by shifting the planning resources allocated by the Applicants" and, further, that "delayed approval of the proposed merger is likely to have consequences for Qwest and the Arizona telecommunications environment."[14] Staff witness Pamela Genung primarily seems to be concerned that "mergers and acquisitions carry a certain level of risk and speculation that the new company will perform properly and as expected, [and] it can be difficult to eliminate all risks."[15]

---

[13] Fimbres Direct Testimony, Executive Summary and p. 24, lines 19 – 21.
[14] Fimbres Direct Testimony, p. 25, lines 16 - 21.
[15] Genung Direct Testimony, Executive Summary.

Identification of merely hypothetical harms is not a valid justification to place burdensome, overly broad and competitively unfair conditions on the Transaction, particularly given the pervasive benefits that have been shown to be associated with the Transaction and the absence of any demonstration of probable financial harm or service impairment. There are risks associated with *any* transaction of this nature, and the Transaction is not without complexity; however, there are also possible risks if the companies remain static in the midst of explosive competition and changing market dynamics in the telecommunications industry. Balancing all of the relevant factors – the financial, technical and managerial strengths of the two organizations being combined, the vast integration expertise of CenturyLink, the attention to customer demands and service quality, the excellent employee base of both companies, and the complementary CenturyLink and Qwest assets which provide the foundation upon which benefits will be delivered to Arizona[16] – there is a high probability that this Transaction will be successful and the Joint Applicants in Arizona will be better positioned than they are today to meet the advancement of new technology and evolving demands of customers. Staff has provided no assertions or facts to show that CenturyLink is unable to provide safe, reasonable and adequate service[17] and, therefore, these conditions are not necessary. While Joint Applicants maintain that no conditions are necessary to approve the Transaction, if any conditions are imposed, they should be narrowly tailored and provide a clear, demonstrable link to the applicable standard of review.

---

[16] Staff attests to the experience of the CenturyLink management team and the technical skills and experience of the CenturyLink and Qwest workforces. Staff also has no concerns about CenturyLink's ability to meet local exchange service quality standards. See, for example, Genung Direct Testimony, p. 12, lines 18 – 24 and p. 20, lines 10 - 18.

[17] Ibid.

Q. Can you comment on some of the burdens associated with the proposed conditions?

A. Yes. A number of Staff's conditions will increase, at some level, the post-merger Joint Applicants' costs to ensure compliance and demand on allocated resources, as well as the Commission's workload to monitor, track and process the voluminous amount of information and data being sought. The sheer magnitude of the conditions, particularly those containing multiple, new tracking and reporting requirements, will generate the need for additional paperwork, personnel time and resources, and extraneous costs because much of the proposed tracking and reporting would not be required in other states in which the merged company will operate, as discussed in greater detail by CenturyLink rebuttal witnesses Jeff Glover and Todd Schafer. CenturyLink believes these resources could be directed to more productive integration and customer-serving activities, particularly when other regulatory reporting requirements exist through Commission requirements. Further, Staff's conditions, and their associated costs, would not be applicable to other providers in the market and, therefore, unnecessarily and unfairly would result in an unequal level of regulation in a highly competitive market. This would place the Joint Applicants at a competitive disadvantage in relation to other competitive market providers.

I will address a number of Staff's proposed conditions in my testimony, and other CenturyLink and Qwest rebuttal witnesses will address certain Staff conditions in their rebuttal testimonies as well.

Q. Mr. Fimbres states in support of the proposed conditions that many "parallel those adopted in other jurisdictions in the Qwest ILEC region."[18] Do you agree?

A. No. While I agree that there are some similarities in "proposed" conditions offered in the testimony presented by parties such as Staff and intervenors in other states, no Commission in the Qwest ILEC states has completed its review and, thus, no conditions have been adopted in these states. The applicable CenturyLink and Qwest entities have reached settlements with certain parties in support of the proposed Transaction in some of the Qwest ILEC states, but these agreements contain a limited number of conditions. The parties with whom the applicable joint applicants have reached agreements include the Iowa Office of Consumer Advocate, the Minnesota Department of Commerce, the Utah Division of Public Utilities, the Utah Office of Consumer Services and the Salt Lake Community Action Program. In addition, the joint applicants in Iowa have reached a settlement with all of the CLEC intervenors in that case. Also, the Communications Workers of America (CWA), the International Brotherhood of Electrical Workers (IBEW), CenturyLink, Inc. and Qwest Communications International, Inc. reached an agreement which resolves the concerns of the unions in all of the states in which they intervened, as well as before the FCC; consequently, the unions have withdrawn all of their interventions and support the Transaction as being in the public interest. These agreements are all publicly available documents on the respective commission websites.

Q. Please comment on Staff Condition 4 regarding conditions from other states and the FCC.

---

[18] Fimbres Direct Testimony, p. 22, lines 12-13.

A. This proposed condition would allow any party to bring conditions adopted by other states and the FCC to the Commission for review and possible adoption in Arizona.[19] Mr. Gates also recommends a similar provision in his recommended Condition 29.[20] CenturyLink strongly objects to these proposals. Any individual state conditions that may be imposed on the proposed Transaction should be based on state-specific approval standards, facts, circumstances and regulations. Due to the differences in each state, conditions and commitments do not necessarily translate from one state to another as being necessary or appropriate. In Arizona, as in other states, the Transaction is being reviewed in accordance with all of the facts and circumstances in the record before the Commission, as well as state-specific statutes and regulations. Under this scenario, it would be unfeasible to import and incorporate the commission record from another state into Arizona, just as it would be unworkable to take the Arizona record and apply it before a commission elsewhere. Even if such a process were viable and able to satisfy any procedural concerns, reopening of the hearing, potentially multiple times, would be expensive and time consuming. It would burden the resources of the Commission and all participants by unnecessarily requiring parties to re-litigate issues, facts and circumstances that have already been subject to full cross-examination, review and deliberation. As such, this proposed condition represents a latent, future unplanned expense that would subject the Joint Applicants (and all parties) to ongoing uncertainty and delay, and could negatively impact integration efforts and set back the delivery of specific plans that are potentially beneficial to Arizona. The public interest is best served by bringing all issues to light in the timeframe set for the scheduled proceedings. The

[19] Fimbres Direct Testimony, Attachment 1, p. 28, lines 18 – 21.
[20] Gates Direct Testimony, p. 184, lines 4 - 17.

Joint CLECs and Staff have had ample time to fully review the Transaction in discovery, and all parties and the Commission already have invested considerable resources in this docket. There is no justification for needlessly prolonging the process with this condition, especially when weighed against the significant potential for uncertainty, expense and the resulting delay of benefits to consumers. For these reasons and other legal infirmities that may be addressed in post-hearing briefs, the proposed condition should be rejected.

Q. Please comment on Staff Condition 5 proposing that the legacy Qwest ILEC continue to be classified as a Bell Operating Company ("BOC") pursuant to federal law and remain subject to requirements applicable to BOCs including the "competitive checklist" set forth in Section 271(c)(2)(B) of the federal law.[21]

A. Once the merger closes, the legacy Qwest ILEC will continue to be classified as a BOC pursuant to federal law and remain subject to requirements applicable to BOCs including the "competitive checklist" set forth in Section 271(c)(2)(B) of the federal law, just as it is today. Since this is a matter of federal law, there is no need to include a state-specific condition addressing this matter.

Q. Does CenturyLink have any concerns with Staff's Condition 7, proposing that the merged company continue to comply with all relevant prior Commission orders/decisions unless the Commission finds they are no longer applicable?[22]

---

[21] Fimbres Direct Testimony, Attachment 1, p. 28, lines 22 – 26.
[22] Fimbres Direct Testimony, Attachment 1, p. 28, lines 31 – 33.

A. Yes, CenturyLink is concerned that Condition 7, as proposed by Staff, could be interpreted to mean that previous Commission orders and decisions, which have by their own terms been completed or fulfilled, must be resumed or reinstated unless the Commission issues a new finding that they are no longer applicable. A more accurate statement of responsibility would be that the Qwest ILEC in Arizona should continue to comply with all relevant prior Commission orders and decisions, but only to the extent that (i) such orders and decisions are still consistent with applicable laws and regulations and/or (ii) the provisions of such orders and decisions have not already expired based upon their original terms or intent or have not been fully discharged by the Qwest ILEC. The Company does not believe such a condition is necessary because it restates an obligation that already exists, but CenturyLink does not have a significant objection if the proposed condition is worded more accurately.

Q. Can you respond to Staff's proposed Condition 9?

A. Staff witness Fimbres proposes that CenturyLink notify the Commission of any plans to merge the "ILEC operating companies of CenturyTel, Embarq and/or Qwest at least one year before any proposed internal reorganization," in accordance with applicable statutes and A.A.C. R14-2-801 *et seq.*[23] This condition should be rejected for at least two reasons.

First, there is no CenturyTel, CenturyLink or Embarq ILEC operating in Arizona. Of the Joint Applicants, Qwest Corporation is the *only* ILEC operating within the state. As such, there are no ILECs to reorganize or consolidate, and this proposal is, therefore, not

[23] Fimbres Direct Testimony, Attachment 1, p. 29, lines 1 – 5.

needed or supported. Second, if Staff is referring to a general consolidation of the various CenturyLink and Qwest operating entities within the state, such a consolidation is not likely to occur. In the improbable event that a reorganization does occur, existing statutes and regulations will govern the transaction. Under those circumstances, if the requirements of A.A.C. R14-2-801 *et seq.* are applicable, then the 120-day notice period set forth in A.A.C. R14-2-803(A) would apply, and Staff has not articulated any reason to deviate from the 120-day period. Staff's proposal would require an arbitrary revision of Commission rules on an "ad hoc" basis with no justification for treating CenturyLink differently than other carriers.

Q. Staff is proposing in Condition 11 that CenturyLink file to cancel its Certificate of Convenience & Necessity ("CPCN") for CenturyTel Solutions within 90 days following merger close.[24] Do you agree?

A. No. CenturyTel Solutions is a certificated company in eighteen states. It was established to provide competitive local exchange and, in some cases, resold long distance services and has been certificated in Arizona since 2001 pursuant to Commission Decision No. 63638. While the company has no customers in Arizona today, a condition that would require cancellation of a CPCN after the close of the merger would be unreasonable and improper in this proceeding, and would not allow CenturyTel Solutions an adequate opportunity to be heard, after proper notice has been given under the relevant laws and Commission rules.

[24] Fimbres Direct Testimony, Attachment 1, p. 29, lines 11 – 12.

In addition, Staff makes this recommendation based on Commission Decision No. 68447, which was based on market place findings made over four years ago and facts and circumstances that are not necessarily applicable to the current situation. The telecommunications industry and Arizona market have changed dramatically since then, having become much more competitive. There has been no showing that maintaining the existence of CenturyTel Solution's Arizona certificate, upon close of the merger, would cause potential harm to customers or the marketplace, or that the legal standard applicable to a forced cancellation of a CPCN even would apply in the context of this proceeding. As an adequate safeguard, the Commission Staff can periodically monitor the number of lines sold by CenturyTel Solutions within the Qwest ILEC territory to determine any potentially adverse impacts to Qwest's retail operations. If Staff believes that potential harms exist, it may bring an appropriate action for Commission review. This merger proceeding is not the proper forum to force the cancellation of a certificated right.

Q. Does CenturyLink agree to Staff's Condition 16 that no Commission regulated intrastate retail service currently offered by Qwest should be discontinued for a period of at least one year following the merger close, unless otherwise approved by the Commission?[25]

A. No. Again, Staff supplies no justification for imposing a one-year embargo of this nature and identifies no harm or impairment that this condition would reasonably be designed to address. The proposed condition is unnecessary because Qwest Corporation is already

[25] Fimbres Direct Testimony, Attachment 1, p. 29, lines 28 – 30.

required to seek Commission approval before discontinuing a tariffed retail intrastate service in accordance with existing Commission requirements and practice.[26] If the Commission determines that a request for discontinuance is not warranted, it can act on the filing at that time. Thus, this condition does not pertain in any way to the ability of Qwest Corporation to provide safe, reasonable and adequate service, and overlooks the fact that adequate protections are already in place. It should be rejected.

Q. Please comment specifically on Staff's recommended reporting Condition 44[27] and, more generally, on the extensive nature of the reporting proposals set forth in Conditions 37 – 46.[28]

A. CenturyLink will comply with Condition 44 and provide notice of the merger closure to the Commission within 45 days following the completion of the proposed merger. CenturyLink witnesses Jeff Glover, Todd Schafer and Qwest witness Jim Campbell will address the remaining reporting conditions more specifically in their rebuttal testimonies. In general, and with the exception of a couple of the conditions in that group, the proposed reporting Conditions 37 – 46 would require CenturyLink to file detailed reports for one to three years and, in at least one case, without any expiration. As detailed more specifically by witnesses Glover and Schafer, these conditions contain overly broad, and

[26] ARS § 40-367 requires a prior 30-day notice for any tariff changes, which includes the discontinuance of a service that is under an existing tariff. ARS § 40-321 provides that the Commission shall determine adequacy and sufficiency of service. Further, A.A.C. R14-2-510(F)(2) and (3) require that, "[A]ny proposed changes to the tariffs on file with the Commission shall be accompanied by a statement of justification supporting the proposed change in tariff" and "any proposed change to the tariffs on file with the Commission shall not be effective until reviewed and approved by the Commission, except as provided for by law." Thus, there are adequate protections in place via statute and rule to address the discontinuance of a service.

[27] Fimbres Direct Testimony, Attachment 1, p. 34, lines 1 – 2.

[28] Fimbres Direct Testimony, Attachment 1, p. 32, line 33 through p.34, line 15.

in some cases, vague and complicated requests for information and data on cost savings, complaint levels, new services and bundles, service quality measures, infrastructure improvements, expanded broadband coverage, costs and projected savings associated with merged company activity, organizational changes to network operations, staffing levels, layoffs or facility closings, multi-year strategic planning regarding switches, wire-specific information relating to fixed VoIP, broadband and capital expenditures, integration plans, and more. This is in addition to several other elaborate retail operations reporting conditions proposed by Staff, also addressed by Mr. Schafer.[29] The production of such reports, even if they were practicable to track and prepare, would not only be burdensome, but also would divert valuable human resources needed to attend to important integration efforts, other standard reporting requirements in various states, and initiatives focused on serving customers. Also, the combined company would be singularly saddled with the extensive reporting requirements in an intensely competitive market.

These proposals are not justified by any potential, demonstrable harm.[30] Any such reporting would place needless and competitively unfair burdens on the merged company. The bottom line is that these reporting conditions do not bear a reasonable relationship to the ability of Qwest Corporation to provide safe, reasonable and adequate

[29] See, for example, Fimbres Direct Testimony, Attachment 1, p. 29, lines 20 – 27, 31 – 38 and p.30, lines 1 – 3.

[30] Mr. Fimbres states that the reporting conditions are designed to give the Commission "useful" information on a variety of matters. Fimbres Direct Testimony, Executive Summary and p. 27, lines 3-6. CenturyLink does not believe that the desire for useful information outweighs the hardship of producing and tracking such information in the elaborate manner that Staff proposes, particularly given the competitively uneven level of reporting it will create.

service. Thus, the proposed reporting conditions should be rejected outright or tailored narrowly only after careful consideration of any clear and verifiable relationship between a potential harm and the need to protect the public interest under the applicable standard of review and jurisdictional limitations.

VI. RESPONSE TO CERTAIN TESTIMONY OF THE JOINT CLECS AND DOD AND THEIR RECOMMENDED CONDITIONS

Q. Please comment on the concern of Mr. Gates that CenturyLink is not a BOC and could have problems fulfilling the responsibilities of a BOC.[31]

A. There is no justification for Mr. Gates' concern. CenturyLink and Qwest are merging their entire companies. This is different from a scenario in which CenturyLink might have acquired some of Qwest's assets or operations. In addition, unlike other states where Mr. Gates raised this concern, CenturyLink does not have an ILEC presence in Arizona. As stated previously, the Arizona ILEC, Qwest, will continue operations as a BOC. Qwest's assets, personnel and systems will be absorbed in full. That is, on the day after the closing of the Transaction, the Qwest systems and personnel that currently manage BOC operations will continue to meet any and all obligations to customers and regulators. Qwest has operated as a BOC, even as management at Qwest has transitioned over time, and will continue to operate as a BOC with the retained ability to meet BOC obligations.

[31] Gates Direct Testimony at page 23, lines 8 - 14.

Q. Please respond to Mr. Gates' recommendation in Condition 13 that, the merged company be classified as a BOC, pursuant to applicable sections of the federal Communications Act and subject to all requirements applicable to BOCs, including but not limited to the "competitive checklist."[32]

A. CenturyLink believes that the type of condition proposed by Mr. Gates regarding the federal definition of, and requirements imposed on, a BOC is an FCC matter, and thus is not appropriate in a state transactional review process. The definition of a BOC is established under federal law. As such, Mr. Gates' proposed condition is unnecessary and not appropriate for this proceeding. Again, the Qwest ILEC in Arizona is a BOC today and will remain a BOC after the close of the merger. Furthermore, the CenturyLink Arizona operations are not BOC properties, and will not become BOCs after the merger because they are not ILECs. Mr. Gates' concerns are misplaced.

Q. Could you comment on DOD's direct testimony related to security clearances?[33]

A. Yes. Mr. King expresses concern that personnel changes after the completion of the merger might jeopardize the merged company's ability to meet its performance requirements under government contracts. CenturyLink understands the implications of security clearances related to performance on certain government contracts and is committed to making certain that such clearances are obtained as needed to ensure that contractual obligations on government contracts are being met. Further, unlike other states where Mr. King may have raised this concern, CenturyLink does not have an ILEC presence in Arizona. As stated previously, the Arizona Qwest ILEC will continue

---

[32] Gates Direct Testimony, Exhibit TG-8, p. 7.

[33] King Direct Testimony, p. 22, line 26 through p. 23, line 17.

operations with its assets and personnel absorbed in full. For all of these reasons, Commission oversight is not needed to reinforce this commitment.

Q. Can you summarize your rebuttal testimony?

A. Yes. CenturyLink and Qwest are confident that the proposed Transaction will result in the creation of a viable, financially sound, and stable service provider. The proposed Transaction addresses market conditions and challenges as it combines assets and skills in response to a rapidly changing, data-centric world. The potential for enhanced scope and scale better assures employees and customers of a stable and capable telecommunications provider.

CenturyLink's long-standing and proven track record of broadband investment, integration and operational execution is broad in scope and over-shadows and negates unsubstantiated and speculative concerns expressed by other parties in this proceeding. As our nation transitions into a broadband centered economy and operating environment, Arizona consumers must be a part of that future. They will benefit from the assurance of having a financially stable, long-term service provider with a history of good customer service, significant investment in advanced services and network reliability.

For all of the reasons set forth in the Application and the direct and rebuttal testimonies of CenturyLink and Qwest witnesses, CenturyLink recommends that the Commission approve this merger. It contains many benefits to support the public interest and properly meets the standard of review in Arizona. That is, the proposed Transaction will not

"...impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service."

Q. Does this conclude your rebuttal testimony?

A. Yes.

BEFORE THE ARIZONA CORPORATION COMMISSION

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

REBUTTAL TESTIMONY OF

MICHAEL R. HUNSUCKER

DIRECTOR, CLEC MANAGEMENT

ON BEHALF OF

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

EXHIBIT
CTL-8
~~ADMITTED~~

Table of Contents
Rebuttal Testimony of Michael R. Hunsucker

I. IDENTIFICATION OF WITNESS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Michael R. Hunsucker. My business address is 5454 W. 110th Street, Overland Park, Kansas 66211.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am currently employed by CenturyLink as Director-CLEC Management. I was named to the position in April 2008 in legacy Embarq and have continued in the same capacity after the CenturyTel/Embarq merger.

Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR - CLEC MANAGEMENT?

A. I and my team manage CenturyLink's Section 251/252 interconnection agreement ("ICA") negotiations, the implementation of ICAs, and all account management relations with our CLEC customers. My group is also responsible for managing revenue assurance, reciprocal compensation/access expense, wholesale service performance reporting and dispute resolution.

Q. WHAT POSITION DID YOU HOLD BEFORE BECOMING DIRECTOR-CLEC MANAGEMENT?

A. I was Embarq's State Executive for Texas from 2002 and Tennessee from 2007 until I accepted my current position. As State Executive, I managed Embarq's relationship with public utility commissions and state legislatures. I also managed Embarq's public affairs activities in the two states. Prior to being named to that position, I was Director-Policy for Sprint Corporation from 1992 until 2002. As Director-Policy, I developed regulatory and legislative policy for the corporation and provided written and oral testimony before state regulatory commissions for Sprint and its operating subsidiaries including its incumbent local exchange carriers ("ILECs"), and interexchange/competitive local exchange carrier ("CLEC"). Prior to being named Director-Policy, I held a variety of management positions with Sprint and its predecessor companies, primarily dealing with regulatory matters. I began my telecommunications career in 1979.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY STATE AGENCY?

A. Yes. I have testified before regulatory agencies in Florida, North Carolina, South Carolina, Tennessee, Virginia, Pennsylvania, Ohio, Illinois, Maryland, Nebraska, Georgia, Texas and Nevada.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is three-fold. First, I will complement and reinforce the rebuttal testimony of Ms. Kristin McMillan and Mr. Jeff Glover that CenturyLink's acquisition of Qwest is in the public interest as it relates to the provision of wholesale services by CenturyLink to interconnected carriers and that the CLEC testimony does not accurately reflect current or post-merger operations of CenturyLink and Qwest and demands numerous self-serving conditions. Second, my testimony explains the positions of CenturyLink and Qwest regarding the proposed merger conditions and related assertions made in the testimony of Staff. Finally, by my comprehensive treatment of the wholesale and interconnection-related issues that have been raised by the CLECs, my testimony demonstrates that where such issues are concerned the acquisition of Qwest by CenturyLink (the "Transaction") meets the applicable standard of review that is appropriate for this Transaction, as explained further by CenturyLink witness Kristin McMillan. I am not an attorney, but I will reference applicable law in my testimony to the best of my ability, and explain my understanding of the law based on my experiences with implementing and interpreting it from a business perspective on a daily basis.

Q. DO YOU INTEND TO ADDRESS EVERY ASSERTION OR CRITICISM IN THE DIRECT TESTIMONIES OF INTERVENER WITNESSES?

A. No. The Rebuttal Testimony from myself and the Joint Applicants' other rebuttal witnesses will discuss in considerable detail why CenturyLink and Qwest believe the application should be granted and will attempt to respond to a number of the positions of the intervener witnesses. However, it is simply not necessary nor reasonable to respond to each and every statement in the CLECs' and Staff's Direct testimony. To the extent particular statements in the Direct testimony are not addressed in our Rebuttal

Testimony, this does not necessarily mean that the Joint Applicants agree with or acquiesce in those statements. We have attempted to focus on the major points addressed in the Direct testimony and to organize the Rebuttal Testimony around those points.

III. PUBLIC INTEREST AND PRE-/POST-MERGER OPERATIONS

Q. THE TESTIMONY SUBMITTED BY STAFF AND THE CLECs ASSERTS THAT THE COMMISSION SHOULD PLACE NUMEROUS CONDITIONS ON ITS APPROVAL OF THIS TRANSACTION SO IT "DOES NOT HARM THE INDUSTRY."[1] DO YOU AGREE WITH THIS ASSERTION?

A. No. There are several reasons why the conditions proposed are unnecessary to protect the CLEC industry. First, the existing Qwest ILEC operating entity, including wholesale operations, will stay in place post-merger, so the relationships between Qwest and the CLECs will remain status quo and there will be none of the impacts that CLECs might encounter with completely new incumbent entities and completely new Operations Support Systems ("OSS"). Next, CLECs have significant legal protections in place today that remain in place post-merger. These protections include the provisions and obligations of the federal Telecommunications Act ("FTA" or "Telecom Act"), federal and State orders, interconnection agreements ("ICAs"), tariffs, and Qwest's § 271

[1] Gates Direct at 107.

protections, Performance Assurance Plans ("QPAP"), and Change Management Process ("CMP") commitments.[2] Additionally, the Commission retains its jurisdiction provided under the Telecom Act, including review of interconnection agreement terms and its ability to resolve disputes related to such interconnection agreements.

Furthermore, I believe CLECs will benefit from the merger without imposition of their requested conditions. A financially stronger company promotes stability and thus furthers the goal of continuing to have a solid and resilient provider of quality wholesale services to CLECs and other carriers. CenturyLink already has a very robust and experienced Wholesale Operations team in place today. Likewise, Qwest has a very robust and experienced Wholesale Operations team in place as Ms. Genung notes.[3] The result of this merger will result in the combination of two quality teams and companies. The combining of these two quality teams and companies ensures that the post-merger organization will be able to draw upon the best wholesale and interconnection practices, capabilities and personnel of each entity, thereby continuing to provide quality service to interconnecting carriers.

[2] On page 9 of his Direct, Mr. Fimbres expresses a concern regarding the impact to CLECs if there is any rapid or radical change to the post-merger affiliate's provision of transport or last mile facilities. An ILEC's obligations for transport and last mile facilities are set for in 47 CFR§ 51. There is nothing an ILEC can unilaterally do to "rapidly" or "radically" change its transport and last mile facilities obligations. Any change could only come from change to the law or to regulation and would therefore be what the lawmakers or regulators consider is appropriate to serve the public interest. Mr. Fimbres's concern is therefore misplaced.
[3] Genung Direct at 20.

Finally, as Mr. Fimbres notes, Qwest already faces significant competition in Arizona and this merger will not affect the post-merger competitive environment.[4] The proposed conditions would only serve to hamper the post-merger Qwest affiliate while conferring unwarranted competitive benefit on the CLECs. The premise that this Transaction would cause harm to the industry is speculative, unsubstantiated, and, in my opinion, false.

Q. CAN YOU PLEASE DESCRIBE THE CENTURYLINK WHOLESALE OPERATIONS ORGANIZATION AS IT EXISTS TODAY?

A. Yes. A description of the CenturyLink Wholesale Operations Organization, and the planned structure for the Organization going forward, should allay concerns about the post-merger company's abilities and commitment to quality wholesale service.

CenturyLink recognizes the value of its wholesale customers to its business operations and created the current organizational structure to ensure high quality services for its customers.

The Wholesale Operations Organization is a separate business unit within CenturyLink that is led by Bill Cheek, President - Wholesale Operations, who will retain this position in the merged company. Mr. Cheek reports directly to Glen Post, the CEO of

[4] Fimbres Direct at 7-8. Mr. Fimbres further agrees that any long term impact to the competitive environment is difficult to assess; Fimbres Direct at 8; therefore any assertions regarding long term impacts are speculative at best. See footnote 2 for example.

CenturyLink. Prior to Mr. Cheek's current position, he served in the same capacity for the legacy Embarq company and its predecessors for more than ten years. Wholesale Operations is organized around five functional areas; 1) product management and marketing, 2) wholesale operations, 3) national public access, 4) wholesale sales and account management and 5) CLEC management and service reporting.

The product management and marketing group develops and implements all wholesale products including CLEC services such as resale, unbundled network elements, collocation, and also our commercial wholesale offerings such as Local Wholesale Service (an unbundled network element – platform, which is the product that performs the functionality of CenturyLink's former "UNE-P" product).

The wholesale operations group is responsible for the company's wholesale operating support systems ("OSS") system and has four regional operation centers (Wentzville, Mo; Leesburg FL, Decatur, IN and La Crosse, WI), each of which has dedicated teams handling specific wholesale functions. These functions include order administration, project management and quality assurance.

The national public access group handles public payphones and payphone services provided to state, county and local correctional facilities across the country.

The wholesale sales and account management group is the direct sales channel for CenturyLink's data and special access products, sales engineering and account management to non-CLEC wholesale customers. This includes both in-territory sales and out-of-territory sales on the 17,500 route mile fiber optic facilities owned by corporate affiliates.

The CLEC management and service reporting group manages the ICA negotiations process, the implementation of the ICAs, account management and in-territory sales to CLEC wholesale customers. This group is essentially responsible for all aspects of the company's interactions with CLECs pursuant to applicable law across the current thirty-three state territory.

Q. HAS THE COMPANY MADE ANY RECENT STAFFING DECISIONS IN REGARDS TO POST-MERGER WHOLESALE OPERATIONS AND IF SO, PLEASE DESCRIBE THE DECISIONS AND THE IMPACT ON CLECs?

A. Yes, there was an internal announcement on Monday, September 20, 2010, regarding the Tier 2 leaders, including Wholesale Operations, effective with the close of the merger Transaction. Specifically, in regards to Wholesale Operations, Bill Cheek, President-Wholesale Operations announced the wholesale structure and Tier 2 leaders as follows:

Eric Bozich, Vice President-Product and Marketing who is currently Vice President-Product Management for Qwest.

Paul Cooper, Director-National Public Access who is currently Director-Public Access for CenturyLink.

Craig Davis, Vice President-Sales and Account Management who is currently Vice President-Wholesale Sales and Account Management for CenturyLink.

Mike Hunsucker, Vice President-Wholesale Services and Support who is currently Director-CLEC Management and Service for CenturyLink.

Warren Mickens, Vice President-Wholesale Operations who is currently Vice President-Customer Service Operations for Qwest.

This leadership team represents leaders from both CenturyLink and Qwest and represents experienced employees (in excess of 100 years of experience in the telecom industry) who are not only well-equipped to provide quality service but also committed to continuing to provide quality service to wholesale customers. As I stated earlier in my testimony, the provision of quality service to wholesale customers is a priority and will remain so after the merger closing. The CLECs have expressed concerns regarding the leadership of the wholesale organization,[5] but this recent announcement demonstrates that CenturyLink understands the need to have experienced personnel from both CenturyLink and Qwest. In fact, in the Wholesale Operations organization, CenturyLink will be retaining the same Qwest executives in the areas of wholesale operations, including OSS, and product development that are currently responsible for the Qwest systems and products that the CLECs appear to be most concerned with.

Q. IS CENTURYLINK COMMITED TO PROVIDING QUALITY WHOLESALE SERVICES TO CLECS?

---

[5] See Gates Direct at 22 for example.

A. Yes. CenturyLink has a long-standing history of and commitment to providing quality wholesale services. The provision of quality service to wholesale customers is a priority at CenturyLink, and will remain so after the merger closing.

Specifically in the Wholesale Operations area, CenturyLink has recently completed the migration of legacy CenturyTel's CLEC customers to the legacy Embarq EASE wholesale OSS system ahead of the timeframe required by the Federal Communications Commission's ("FCC's") Order in the CenturyTel/Embarq merger. CenturyLink agreed to this migration to ensure that CLEC customers had an automated system for order processing. This attention to providing quality customer service to CLECs is an integral part of CenturyLink's commitment to the wholesale market and will be maintained post-merger closing.

The CLECs assert that CenturyLink has incentives to discriminate against them in favor of CenturyLink's retail operations. While CenturyLink certainly will compete for customers on a retail basis, CenturyLink also has a strong interest in ensuring that our network is utilized by CLECs on a wholesale basis. The CLECs ignore the existence of other competitors in the market such as cable telephony providers, wireless providers and other voice over internet protocol ("VOIP") providers who do not necessarily utilize CenturyLink's network in the provision of retail end user services. CenturyLink and Qwest have invested billions of dollars in their networks in an effort to promote universal service and it should be self-evident that it is in CenturyLink's best interest to provide high quality wholesale services to CLECs that utilize those investments to provide retail services versus the worst possible outcome of losing customers to providers who do not use CenturyLink's investment at all.

Q. HOW HAS CENTURYLINK LEVERAGED ITS PREVIOUS ACQUISITION EXPERIENCE TO BENEFIT ITS WHOLESALE CUSTOMERS?

A. CenturyLink in recent years has completed significant upgrades to its billing, wholesale, financial, and human resources systems in order to successfully accommodate its growth and future growth opportunities. To date much of the systems integration that CenturyLink planned as part of its integration of Embarq has been completed on or ahead of schedule. This real-world experience puts CenturyLink in the best position to assess and address impacts to its wholesale customers that may result from this transaction.

Q. YOU PREVIOUSLY STATED THAT THE CLECS' TESTIMONY DOES NOT ACCURATELY REFLECT CURRENT OR POST-MERGER OPERATIONS. CAN YOU PROVIDE EXAMPLES?

A. Yes. A significant portion of the CLECs' Direct testimony consists of general comments about industry issues that do *not* relate to CenturyLink or Qwest but are offered merely to imply that these issues *could* apply to the Joint Applicants. Mr. Falvey, for example, speculates that the merger "will draw resources away from Qwest wholesale operations" when there is no evidence to support such a claim.[6] In fact, the evidence CenturyLink and Qwest have provided in this and other testimony shows the opposite to be true. This Commission should not base its decision on speculation, but rather on its reasonable judgment based on the facts presented as a part of the record. Moreover, the CLECs offer no convincing evidence to suggest their concerns are reasonable and well-founded as applied to this transaction.

A statement made by Mr. Gates shows the CLECs' mindset and purpose that is inconsistent with that which CenturyLink has. Mr. Gates noted that CLECs and the Joint Applicants "are rivals, and ... their economic incentive (as profit-maximizing firms) is to undermine – not help – the other provider's ability to compete for end user customers..."[7] While I reject Mr. Gates' cynical view of the Joint Applicants' wholesale business practices, I believe his statement reveals the true objective of the CLEC parties. The CLECs are hoping to achieve by their proposed conditions a series of competitive advantages that existing interconnection agreements, commission-approved processes and other accepted practices do not currently provide or apparently not to the degree desired by the CLECs.

---

[6] Falvey Direct at 6.
[7] Gates Direct at 12.

Q. MR. GATES IS CONCERNED THAT BECAUSE "CENTURYLINK HAS TRADITIONALLY OPERATED IN RURAL AREAS EXEMPT FROM FULL COMPETITION, IT HAS NOT BEEN REQUIRED TO HANDLE THE SAME QUANTITIES OF WHOLESALE CUSTOMERS AND WHOLESALE ORDERS AS QWEST IS ACCUSTOMED TO HANDLING.[8] DO YOU AGREE?

A. No, I do not. This statement does not appropriately reflect the realities of the CenturyLink Wholesale Operations as compared to Qwest's Wholesale Operations on a national basis and lacks merit. First, the premise is wrong, because it assumes that Qwest's "experience" and systems somehow vanish as a result of the merger. As discussed above, Qwest will continue to be the sole operating affiliate in Arizona post-merger and the combined company will retain key Qwest executives in wholesale functions, including Wholesale Operations. This merger transaction continues the corporate identity, systems, and human and other resources for both Qwest and CenturyLink. Qwest's "experience" and systems will not be lost, but rather will be integrated with CenturyLink to create better experiences for retail and wholesale customers alike. The structure of this transaction allows CenturyLink to use and benefit from the Qwest experience, while also using and benefiting from the ample experience CenturyLink brings to the table.

[8] Gates Direct at 24.

Second, CenturyLink is an experienced and effective wholesale provider. CenturyLink has almost two thousand active CLEC agreements on a national basis and in excess of five hundred agreements with wireless carriers across its 33-state region. Based on May 2010 YTD order volumes, CenturyLink is on pace to process almost one million ASRs and LSRs in 2010. The facts are that CenturyLink has more interconnection agreements than Qwest and the volume of orders processed are not dwarfed by the Qwest volumes at all. In addition, CenturyLink has experience with a CLEC performance plan in Nevada that is substantially similar to Qwest's Arizona Performance Assurance Plan. CenturyLink also provides certain 271 services including line sharing and local wholesale solutions, which is the successor to the unbundled network element – platform ("UNE-P") product. The appropriate and relevant comparison of the CenturyLink and Qwest wholesale operations is on a national basis, not a state-specific basis, as systems, services and staffing requirements are based on national operations and commercial volumes, not state-specific requirements. And, as demonstrated above, CenturyLink compares quite well.

In addition, it should be noted that on a national basis, less than 15% of CenturyLink's ILEC retail access lines are in companies that are covered under the Telecom Act's "rural exemption." The inverse is that approximately 85% of CenturyLink's retail access lines are not operating under the "rural exemption" and thus have been and will continue to be subject to the same Section 251/252 obligations of the Telecom Act as Qwest. This fact serves as the foundation for the number of interconnection agreements and order volumes discussed previously. The fact is that CenturyLink is more similar to Qwest in serving wholesale customers (CLECs and other carriers) than suggested and acknowledged by Mr. Gates and the CLECs.

Q. MR. GATES ADDRESSES OSS SYSTEMS. DOES HE FAIRLY ACCOUNT FOR THE OSS CAPABILITIES OF THE POST-MERGER COMPANY?

A. No. A considerable portion of Mr. Gates' testimony is related to intermittent discussion of OSS issues. Mr. Gates begins this discussion with a reference to Qwest's § 271 compliance requirement and circles back to that topic several more times. In Mr. Gates' opinion, because CenturyLink's OSS systems have not been subject to review under § 271 he believes CenturyLink has no experience with § 271 obligations.[9] To Mr. Gates, it follows that the post-merger systems may not remain § 271 compliant.[10] Mr. Gates is misconstruing § 271. Under § 251 of the Telecommunications Act, under which CenturyLink has been performing for years, the obligations to provide OSS are the same as they are under § 271. Qwest did undergo testing of its systems as part of the process to obtain approval to provide long-distance services, while CenturyLink did not need to undergo that process because it was never restricted from providing inter-LATA services, but there is no evidence that its systems do not meet the requirements of the Telecom

---

[9] Gates Direct at 24.
[10] Gates Direct at 31 and 40.

Act. Qwest witness Karen Stewart will address § 271 issues in greater detail in her rebuttal testimony.

Mr. Gates' speculation regarding post-merger OSS degradation is also unfounded. As stated previously, CenturyLink is not merely acquiring territory from Qwest, but instead is acquiring the entire company with its existing systems, personnel and documented policies and processes. The Qwest experience and OSS knowledge will still reside in the post-merger company, and Mr. Gates' speculation that § 271 compliant systems might just "disappear" is nonsense.

As regards the future OSS to be used by the merged company, CenturyLink and Qwest have publicly stated that they are each dedicated to having strong OSS for wholesale operations, that they have met their obligations to wholesale customers in the past and will continue to do so. The merged company will have the option to retain Qwest's existing § 271 compliant systems or to choose an OSS that better addresses the provision of service to the merged company's entire customer base. Having said that, nothing about the Transaction will excuse the merged company from its important ICA and §251 obligations, as well as the obligations under § 271 where those apply.

Q. A COMMON THEME IN THE CLEC TESTIMONY IS THE ALLEGED LACK OF DETAILED CENTURYLINK DOCUMENTATION OF ITS FUTURE PLANS AND INTENT. HOW DO YOU RESPOND?

A. As Mr. Todd Schafer testifies, it is unreasonable to believe that CenturyLink and Qwest should have conducted a thorough operating capabilities and operating expense review of the legacy systems and practices by this point in time. It is also incorrect to assume that the merged company has made the decisions regarding which systems and practices will be used post-merger.

This Transaction is not like other acquisitions that were cited in CLEC testimony. Because the immediate plan is to maintain both companies' separate OSS and continue operations as usual, there was no need for CenturyLink and Qwest to rush to decide OSS integration issues early in the process. Wholesale customers in CenturyLink areas and in Qwest areas will not face immediate changes in their existing systems interfaces and existing OSS arrangements will not be disrupted. This stands in stark contrast to the FairPoint and Hawaiian Telcom transactions cited by the CLECs, both of which required the creation of entirely new OSS. The ILECs involved in those other acquisitions had to quickly develop integration plans because they had to operate under new systems and processes. Unlike those ILECs, CenturyLink will have legacy systems, processes and experienced personnel in place post-merger so CenturyLink can undertake a highly disciplined process to convert systems and processes as necessary for smooth integration.

Accordingly, CenturyLink will take a deliberate and thorough approach to considering how it will operate in the future. CenturyLink wants to ensure that it makes its operational decisions based on a) sound quality of service and fiscal responsibility principles; that also b) meets the needs of its entire customer base. The CLECs should want no less.

CenturyLink and Qwest recognize that any future changes to OSS will require significant advance planning by wholesale customers, and CenturyLink pledges to give its CLEC customers ample and adequate notice of any future changes as set forth and in compliance with all rules and terms of the interconnection agreements, the Qwest Change Management Process, and accepted business practices. Additionally, CenturyLink acknowledges that any future CenturyLink changes must comply with state and federal laws and rules, and that Qwest's Performance Indicator Definitions and Performance Assurance Plans apply.[11] As Mr. Schafer states in his rebuttal testimony, it is to the benefit of all of CenturyLink's and Qwest's retail and wholesale customers for CenturyLink to conduct a thorough review of the legacy systems and to make decisions regarding the systems and practices to be used post-merger in a timely manner. Having said that, CenturyLink should not be required to provide business plan information that

[11] Qwest witness Mike Williams will provide greater insight into the provisions of the Performance Indicator Definitions and Performance Assurance Plans.

affords the CLECs advantages in the marketplace and to which CLECs are not entitled under applicable law.

Q. CAN YOU PROVIDE THE COMMISSION WITH SOME INSIGHT INTO THE INTEGRATION ACTIVITIES THE COMPANY IS CONDUCTING?

A. Yes. CenturyLink is leveraging key learnings from its Embarq systems evaluation, selection and implementation, as well as 20-plus years of successful integration experience with other acquisitions. An in-depth analysis will be conducted on systems capabilities, skill sets required for operation, and overall business processes before any decisions are made. Senior level management will then review and approve all core system selections and implementation plans. The critical systems migration criteria CenturyLink is using include:

- Minimal impact to customers,
- Systems scalability,
- Ease of operation,
- Overall support of key business needs, including functionality, efficiency, dependability, and quality of service.
- IT systems infrastructure simplification where possible,
- Meeting legal and contractual obligations, and
- Meeting all State and Federal notification requirements.

As I previously stated, CLECs will continue to operate with Qwest and CenturyLink as they do today and, when the necessary determinations have been made that would cause a change in that operation, CenturyLink will provide appropriate notice and the required information and training.

IV. DISCUSSION OF STAFF CONDITIONS

Q. STAFF WITNESSES FIMBRES AND GENUNG HAVE INCLUDED A LIST OF SUGGESTED WHOLESALE MERGER CONDITIONS IN THEIR DIRECT TESTIMONIES.[12] ARE THESE SUGGESTED CONDITIONS REQUIRED FOR THE MERGER TO MEET THE STANDARD FOR APPROVAL?

A. No. As discussed in Ms. McMillan's rebuttal testimony, the Arizona standard for approval of this Transaction takes into consideration whether the proposed Transaction would impair the ability of the public utility to provide safe, reasonable and adequate service. As I have previously discussed, given CenturyLink's and Qwest's acknowledgement of the value they place upon their wholesale customers and the protections the CLECs already have under applicable law, ICA terms and other existing commitments, Staff's suggested conditions are not required to meet the standard for approval in Arizona. Equally important, beyond the legal standard that may apply, the

[12] Fimbres Direct at 28-34 and Genung Direct at 29-35. Staff's suggested conditions are reproduced for the Commission's benefit in Exhibit A to this testimony.

Staff does not demonstrate a real or practical need for the proposed conditions. To illustrate this point, of the twenty-one states and the District of Columbia requiring applications or review of this merger, to date, twelve have concurred that this Transaction is very much in the public interest.[13]

Further, the existing, lawful ICA terms the CLECs agreed to or arbitrated have been approved by this Commission as reasonable, just and nondiscriminatory, and consistent with the public interest by the Commission. Many of the conditions proposed by the CLECs would constitute new or amended terms to Qwest's and CenturyLink's ICAs, and if imposed would result in the bypassing of the negotiations and arbitration process called for by §§ 251 and 252 of the FTA, in direct contradiction of the intent of that law.

Q. IN SUGGESTED CONDITION 6, STAFF WISHES TO SUSTAIN EXISTING REGULATORY AND CONTRACTUAL QWEST PERFORMANCE REQUIREMENTS UNTIL RELEASED BY THE APPROPRIATE REGULATORY AUTHORITY. SHOULD THESE REQUIREMENTS AND PLANS BE SUSTAINED BEYOND THEIR STATED TERMS?

A. No. As already discussed, the post-merger company intends to adhere to the terms of existing regulatory and contractual requirements and plans pursuant to the obligations of

[13] The merger also has cleared regulatory review from the United States Department of Justice and Federal Trade Commission. http://www.centurylinkqwestmerger.com/index.php?page=approval-progress

those regulations and contracts, inclusive of any time-bound terms. The post-merger Qwest affiliate must retain the ability to address future wholesale needs as permitted under current regulations and applicable law. For example, the artificial extension of a plan could constrain Qwest from proposing an overall improvement that would benefit the wholesale customers but could not be accommodated if another plan requirement was sustained unchanged. The rebuttal testimony of Qwest witness Mr. Williams provides a further discussion of the existing QPAP and PID.

Q. IN STAFF SUGGESTED CONDITION 19, THE STAFF WANTS THE QWEST LEGACY OSS TO REMAIN INTACT FOR THREE YEARS. SUGGESTED CONDITION 20 WOULD FURTHER OBLIGATE THE POST-MERGER COMPANY TO AN ONEROUS NOTICE REQUIREMENT FOR FUTURE OSS CHANGES. ARE THESE CONDITIONS NECESSARY?

A. No, they are not. Staff's primary concern seems to be the issue of integrating the Qwest OSS while the Embarq OSS integration is underway.[14] In fact, the Embarq OSS integration will be winding up before the Qwest OSS integration begins. This fact should alleviate Staff's concern. Further, Staff and the CLECs offer no evidence that this merger will negatively impact OSS, but rely on speculation, such as the fear that § 271 compliance may not be maintained. As Ms. McMillan states in her rebuttal testimony "[i]*mmediately after the close of the proposed Transaction, Qwest will operate using the*

[14] Fimbres Direct at 15.

same systems it currently has in place, ... fully functioning and staffed by operating personnel who have been managing those systems."[15] This factor clearly eliminates any speculative risk described by Staff and the CLECs. In stark contrast to the Fairpoint and Hawaii Telecom transactions, this Transaction conveys the entirety of the Qwest systems and personnel and allows for both systems to be continued pending a thorough and methodical review of the systems and integration aimed at ensuring the continued provision of quality service to wholesale customers.

Mr. Cheek stated to the FCC in an affidavit that, "CenturyLink recognizes the importance of having industry leading OSS, and acknowledges the value of OSS for wholesale operations."[16] In addition, Mr. Cheek stated that CenturyLink plans to operate both the CenturyLink and the Qwest OSS systems for 12 months, in the very least. CenturyLink is willing to commit to this 12 month time period but is unwilling to extend this time period for the Staff suggested three years. Three years is unreasonably long if changing the Qwest OSS system is in the best interest of the company and its customers, as determined by thorough review, and if such change is undertaken in compliance with ICAs and applicable requirements, including notice.

---

[15] McMillan Rebuttal at 13.

[16] *In the Matter of Applications Filed by Qwest Communications International, Inc. and CenturyTel, Inc. d/b/a CenturyLink for Consent to Transfer of Control,* WC Docket No. 10-110.*See,* Reply Comments of CenturyLink, Inc. and Qwest Communications International, Inc. (July 27, 2010), Ex. A1 – Declaration of William Cheek.

Both CenturyLink and Qwest have processes and procedures in place to ensure a smooth transition in regards to changes in OSS systems. Qwest and CLECs have included a detailed process in their negotiated interconnection agreements which have been subsequently approved by the Commission. This process and document is the CMP. This process will remain in place and will be the controlling document for changes, if made, to the Qwest OSS systems, just like it is today. Nothing in this Transaction eliminates or changes the CMP process as it relates to Qwest, and CenturyLink should not be required to give up its rights to seek changes to OSS or the CMP documents itself as a part of this merger proceeding. The obligations and the rights of both the CLECs and Qwest should remain unchanged in this proceeding.

Q. SUGGESTED STAFF CONDITION 24 SEEKS TO MODIFY THE EXISTING QWEST CHANGE MANAGEMENT PROCESS ("CMP"). IS THIS PROPOSED CONDITION NECESSARY?

A. No. The CMP is incorporated in Qwest ICAs via an attached exhibit. Ms. Stewart discusses the CMP in more detail in her rebuttal testimony. As already discussed, the post-merger company intends to adhere to the terms of existing regulatory and contractual requirements and plans pursuant to the obligations of those regulations and contracts. Qwest and the CLECs have certain rights and obligations outlined in the ICAs and CMP that should remain unchanged. Changes to the contracts can only occur with Commission approval or agreement between the ILEC and the CLEC. Any condition that seeks to have CenturyLink waive its post-merger rights or expand its obligations related to the CMP is not warranted and unnecessary. Existing law and contracts thus provide full protection to maintain the CMP, and additional requirements would either be redundant or improperly change existing ICAs.

Q. IN STAFF SUGGESTED CONDITION 25, STAFF PROPOSES THAT CLECs BE ALLOWED TO UNILATERALLY EXTEND EXISTING INTERCONNECTION AGREEMENTS UP TO THREE YEARS. IS THIS CONDITION NECESSARY?

A. No. The CLECs have voluntarily negotiated and consented to the terms contained within existing ICAs, or the Commission has ordered such terms in arbitrations. Given that section 252 of the Telecom Act requires interconnection agreements to be "binding," it is not appropriate for a merger process to be used to mandate an extension that would not be required under federal law. Nor has Staff demonstrated that there is a need for an artificial extension of the ICA terms.

The remaining portion of suggested condition 25 - honoring the obligations of current ICAs, tariffs and contracts - is a non-issue. The post-merger Qwest affiliate is legally bound to honor any contracts pursuant to the written terms of those contracts. No condition is necessary.

Q. IN STAFF SUGGESTED CONDITION 26, STAFF SEEKS TO SUSTAIN EXISTING WHOLESALE INTRASTATE SERVICES FOR A PERIOD OF TWO YEARS. DOES THIS CONDITION SERVE THE PUBLIC INTEREST?

A. No. Wholesale intrastate services are either ICA services or tariffed services and the Commission already has jurisdiction for approving ICAs and tariff changes. Notwithstanding that fact, since no party in this proceeding can predict what future wholesale service changes might be necessary to serve the public interest or to meet evolving service provider needs, the Commission and the post-merger affiliates must all retain the flexibility to work within the established rules rather than be constrained from addressing regulatory and competitive needs in an appropriate manner. Further, some wholesale intrastate services are provided under commercial agreements which are not subject Commission authority.

Q. STAFF SUGGESTED CONDITION 27 GENERALLY OBLIGATES THE MAINTENANCE OF EXISTING QUALITY OF SERVICE STANDARDS FOR WHOLESALE OPERATIONS THROUGH THE MECHANISM OF AN ADEQUATE NUMBER OF DEDICATED TRAINED PERSONNEL. SHOULD THERE BE ANY CONCERN THAT THIS IS NOT ALREADY A CENTURYLINK PRIORITY?

A. No. No imposed condition will affect the priority that CenturyLink already maintains in this area. Earlier, I went into some detail regarding CenturyLink's Wholesale

Operations, its expertise, and its commitment to excellence. As the continuing head of this organization, Mr. Cheek has already made clear to his organization the company's ongoing commitment to service quality. CenturyLink has a long-standing history of and commitment to providing quality wholesale services. The provision of quality service to wholesale customers is a priority and will remain so after the merger closing.

Moreover, the proposed condition appears to improperly permit Staff and/or the Commission to step in to the shoes of CenturyLink management and make staffing and resource allocation decisions. The terms "sufficiently staffed" and "adequately trained" are so vague that they would invite disputes and create tremendous inefficiencies if CenturyLink's staffing decisions had to be litigated before the Commission. Such a condition would actually be counterproductive to carrying out CenturyLink's priorities in providing quality wholesale services discussed above.

Q. STAFF SUGGESTED CONDITION 28 REQUIRES PROVIDING AND MAINTAINING CONTACT AND SUPPORT INFORMATION; ALWAYS WITH 30 DAYS ADVANCE NOTICE OF CHANGES. WOULDN'T CENTURYLINK DO THIS REGARDLESS OF AN IMPOSED CONDITION?

A. Yes, as appropriate. As I stated earlier in my testimony, providing quality wholesale service to CLECs is a priority at CenturyLink. Providing and updating contact and support information is not an issue as this already occurs today under CenturyLink's and

Qwest's existing CMP processes. Further, the subjects of contact information provision and notice are already covered in ICA terms and those terms will govern any required timeframes. No conditions need be imposed to cover obligations that already exist in contracts or regulatory requirements. Additionally, no conditions should be imposed that do not take into account unforeseen circumstances that may prevent adherence. For example, should a designated contact employee leave the company suddenly, or a support center be temporarily closed due to an Act of God, advance notice to the CLECs is not possible. For these reasons, this condition is not necessary and could create an unworkable requirement.

Q. THE ONGOING PROVISION OF INFORMATION RELATED TO OSS AND BUSINESS PRACTICES AND PROCEDURES IS THE SUBJECT OF SUGGESTED STAFF CONDITION 29. WHAT ASSURANCES CAN YOU GIVE THE COMMISSION ON THIS TOPIC?

A. Because the immediate plan is to maintain CenturyLink and Qwest' separate OSS and continue operations as usual post-merger, and because in-place ICAs will continue pursuant to their terms, wholesale customers in CenturyLink areas and in Qwest areas will not face immediate changes in their existing operations with the post-merger affiliates. CenturyLink and Qwest recognize that any future changes to OSS or business practices and procedures will require significant advance planning by wholesale customers, and CenturyLink pledges to give its CLEC customers ample and adequate notice of any future changes in compliance with all rules and terms of their interconnection agreements and accepted business practices. Additionally, CenturyLink acknowledges that any future CenturyLink changes must comply with state and federal laws and rules and with other applicable formal obligations such as Qwest's CMP. With the existing OSS, business practices and procedures and CMP obligations in place, no condition is necessary.

Q. SUGGESTED STAFF CONDITION 30 WOULD PERMIT THE USE OF ANY EXISTING ICA AS THE TEMPLATE FOR A REPLACEMENT AGREEMENT. WHAT IS YOUR UNDERSTANDING OF A CLEC's NEGOTIATION RIGHTS UNDER FEDERAL LAW?

A. Under the Telecom Act, both parties to an interconnection negotiation, ILECs as well as CLECs, have the right under applicable law to propose the terms they think are most appropriate for an interconnection agreement. A CLEC has the right to propose terms from any existing ICA, or any other terms, that it wishes to use. However, federal law does not contemplate the ILEC being constrained before the fact from utilizing the same right under law to propose the terms it believes are most appropriate. CenturyLink must retain the ability to propose terms that consider changes of law and updating of processes and capabilities that make a relationship function more smoothly, and to address competitive industry issues and conditions that did not exist at the time an earlier ICA was approved. It is to both parties' benefit to minimize future disputes by negotiating agreement terms that do not lend themselves to more than one interpretation.

Q. ALLOWING CLECs TO AMEND EXISTING ICAs TO ADD A $.004 RECIPROCAL COMPENSATION RATE FOR ALL ISP-BOUND TRAFFIC, INCLUDING VNXX TRAFFIC, IS PROPOSED IN SUGGESTED CONDITION 31. CAN THE COMMISSION GIVE CLECs THE ABILITY TO AMEND AN EXISTING ICA?

A. No. As an initial matter, CenturyLink believes VNXX traffic is interexchange traffic and is not subject to § 251(b)(5). CenturyLink has arbitrated this issue in a number of states and has consistently prevailed on this point. Notwithstanding the above, the CLECs have voluntarily negotiated and consented to the terms contained within existing ICAs, or the Commission has ordered such terms in arbitrations. Given that § 252(a)(1) of the Telecom Act requires interconnection agreements to be "binding," and the courts have held that § 252(e) does not contemplate any Commission authority to order a modification of ICA terms except as a result of an arbitration,[17] it is not appropriate for

[17] PACIFIC BELL, a California corporation, Plaintiff-Appellant, and UNITED STATES OF AMERICA, Intervenor, v. PAC-WEST TELECOMM, INC.; PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA; et sec, Defendants-Appellees. No. 01-17161, No. 01-17166, No. 01-17181, UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT, December 12, 2002, Submitted, April 7, 2003, Filed.

this merger process to be used to suggest an amendment that changes the existing ICA terms.

Q. SUGGESTED STAFF CONDITION 33 ADDRESSES NEW OR ADDITIONAL CLEC CHARGES. IS THIS SUGGESTED CONDITION NECESSARY?

A. No. The charges assessed to the CLECs are set forth in the existing ICAs. CenturyLink believes those charges and the terms related to such cannot be unilaterally changed by either party to an ICA. Any new or additional charges would therefore emerge only in regards to a newly negotiated ICA. A new ICA would contain charges agreed to by the parties or otherwise arbitrated by the Commission. This suggested condition is unnecessary.

V. DISCUSSION OF CLEC CONDITIONS

Q. DO YOU HAVE ANY INITIAL COMMENTS THAT YOU WOULD LIKE TO MAKE REGARDING THE LISTED CLEC CONDITIONS?

A. Yes. Both CenturyLink and Qwest take very seriously their wholesale provisioning obligations and opportunities. Serving their wholesale customers is important to each company, and is important to the future financial success of the combined company. Merger commitments that address speculative issues or constrain existing rights are not necessary to confirm CenturyLink's and Qwest's treatment of wholesale customers. As I discussed when addressing Staff's suggested conditions, considering the combination of CenturyLink's and Qwest's recognition of the value of their wholesale customer base and the protections the CLECs already have under applicable law, ICA terms and other existing commitments, the proposed conditions are not necessary to show that the Transaction should be approved by the Commission in Arizona.

To put the CLECs' proposed conditions into the correct context, let us take this merger out of the equation. The CLECs and their ILEC competitors have rights and obligations granted under applicable law and set forth in ICAs and regulatory requirements. None of the CLECs' existing rights and obligations will change whether or not this merger takes place. None of Qwest's or CenturyLink's existing rights and obligations will change whether or not this merger takes place. The CLECs are not "faced with complete uncertainty and potential severe disruption and harm in every aspect of [its] wholesale relationship" as Mr. Gates asserts,[18] but rather already have "the much-needed certainty that CLECs need to continue to operate their businesses and make prudent decisions."[19] As Ms. Howell admits, her company has competed successfully across the country and will continue to do so whether or not this merger takes place.[20] By her own words, Ms. Howell therefore admits that the proposed merger conditions are not necessary for a CLEC to continue to successfully compete.

[18] Gates Direct at 107.
[19] Gates Direct at 107-108.
[20] Howell Direct at 9.

The Commission should not permit CLECs to use this proceeding to attempt to change the status quo by obtaining concessions that substantially modify the existing, lawful ICA terms the CLECs agreed to or arbitrated, and that have been approved as consistent with the public interest by the Commission. The Commission should also not allow the CLECs to bypass the good faith negotiations called for by §§ 251 and 252 for further agreements. To the extent that the CLECs believe they have legitimate disputes over the quality or availability of wholesale services, CenturyLink and Qwest will continue to work with these wholesale customers to expeditiously resolve those disputes and the appropriate process for dealing with intercarrier disputes are contained in the interconnection agreements.

Q. THE CLECS BELIEVE CENTURYLINK SHOULD HAVE NO PROBLEM ADOPTING THEIR PROPOSED CONDITIONS BECAUSE CENTURYLINK REPRESENTED THAT THERE WOULD BE "NO IMMEDIATE CHANGES POST-MERGER AND NO HARM TO EXISTING WHOLESALE PROCESSES, SYSTEMS AND SERVICE QUALITY POST-MERGER."[21] CAN YOU RESPOND TO THIS CLAIM?

A. The CLECs' mischaracterization of the Transaction only serves to demonstrate that their proposed conditions are unnecessary. If there are no immediate changes post-merger and

[21] Gates Direct at110.

no harm to existing processes, systems and service quality, then everything is status quo for the CLECs and for the CLECs' competitive and financial outlook. Even if changes are made in the future, there are appropriate safeguards in place. The Transaction is not contrary to the public interest, it does not result in net harms, and no conditions are needed to protect the public interest.

Q. ARE THE CLEC CONDITIONS SOMEWHAT SIMILAR TO THE STAFF'S CONDITIONS?

A. To some degree, yes. Many of the CLEC's conditions are similar to the Staff's suggested conditions and have already been addressed in my rebuttal testimony as it relates to the Staff's Direct. In most cases, however, the CLECs go well beyond the Staff's proposals and as such, it is necessary to respond to the CLEC's proposals with additional discussions on each condition.

I would also note that Level 3 and Cox submitted their own separate lists of proposed conditions. To the extent Level 3's and Cox's proposed conditions overlap those of the other CLECs, my testimony is meant to address the similar Level 3 and Cox proposed conditions as well. I will separately address any unique Level 3 proposed conditions later in this testimony.

To assist the Commission, I will reproduce the CLEC's jointly proposed conditions in Exhibit B to this testimony.

Q. IS THERE A GENERAL THEME IN THE INTERCONNECTION CONTRACT RELATED CONDITIONS?

A. Yes. The CLECs' proposed conditions alter the status quo of established terms and conditions negotiated by the contracting parties and approved by this Commission under §§ 251 and 252 of the FTA. They therefore deny CenturyLink's right to negotiate new terms and to operate under existing approved terms pursuant to that law. In other words, granting the proposed conditions would unilaterally extract new interconnection terms that are above and beyond the ILEC obligations required by the FTA or otherwise negotiated in good faith.

Once again, Mr. Gates' own words explain the CLECs' world view that is the motivation for their demands: the CLECs "are [CenturyLink's and Qwest's] rivals, and ... their economic incentive (as profit-maximizing firms) is to undermine – not help – the other provider's ability to compete for end user customers..."[22] The CLECs' proposed conditions would undermine CenturyLink's ability to compete fairly and may not be terms the CLECs would obtain in the negotiation and arbitration process contemplated

---

[22] Gates Direct at 12.

under applicable law.[23] Further, the proposed interconnection-related conditions are not required to protect the public interest from any alleged harm arising from the Transaction, or have already been addressed through existing laws or contracts, thus this proceeding is not the proper forum to explore and adjudicate any of these issues.

Q. THE CLECS ARE CONCERNED ABOUT THE "LARGE SUMS OF MONEY" THEY HAVE SPENT TO GET INTERCONNECTION TERMS FROM INCUMBENT LOCAL EXCHANGE CARRIERS ("ILECS") SUCH AS CENTURYLINK AND QWEST.[24] WOULD THIS CHARACTERIZATION BE EQUALLY APPLICABLE TO CENTURYLINK?

A. Yes, as we likewise spend considerable resources of time and money on the interconnection process, but I take exception to Mr. Gates' assertion that CLECs must spend "enormous amounts of time and money attempting to ensure that the BOCs comply (and continue to comply) with the obligations set forth in approved ICAs and §§ 251 and 271 of the FTA."[25] CenturyLink takes its obligations very seriously and there is no evidence to the contrary. To imply that we comply only because the CLECs spend "enormous amounts of time and money" to force our compliance is wrong.

---

[23] As an example, Mr. Falvey improperly seeks to impose Pac-West's terms for ISP-bound compensation, including VNXX, as a merger condition. As Karen Stewart discuses in her Rebuttal testimony, these VNXX issues are in litigation and have been remanded back to the Arizona Commission. It is inappropriate to suggest a condition on an issue that is in litigation. ISP-bound compensation between Pac-West and CenturyLink is subject to other regulatory and court decisions not acknowledged in Mr. Falvey's testimony. Falvey Direct at 10-17.

[24] Gates Direct at 17-18.

[25] Gates Direct at 18-19.

Q. IN CONDITION 6, THE CLECS WANT THE MERGED COMPANY TO ASSUME OR TAKE ASSIGNMENT OF OBLIGATIONS UNDER QWEST'S INTERCONNECTION AGREEMENTS, TARIFFS, COMMERCIAL AGREEMENTS AND ARRANGEMENTS AND ALTERNATIVE FORM OF REGULATION PLANS WITHOUT REQUIRING WHOLESALE CUSTOMERS TO EXECUTE ANY DOCUMENTS(S) TO EFFECTUATE THE MERGED COMPANY'S ASSUMPTION. IS THIS CONDITION NECESSARY?

A. No. As I previously stated in regards to the similar suggested condition from Staff, this condition is unnecessary given the structure of this Transaction – a complete acquisition of a corporate entity and all of its existing obligations under law and contracts. The post-merger Qwest affiliate will continue to be the only provider of service to the CLECs in Arizona under the terms of their current contracts with Qwest; the post-merger CenturyLink affiliates will not become parties to those contracts. Thus, this proposed condition would change and add to the named parties to the contracts for the CenturyLink entities, impermissibly changing the interconnection agreements the parties agreed to or the Commission arbitrated.

Q. THE CLECS ALSO SUGGEST THAT AGREEMENTS SHOULD NOT BE TERMINATED OR CHANGED DURING THE UNEXPIRED TERM OF ANY

ASSUMED AGREEMENT OR UP TO A MAXIMUM "DEFINED TIME PERIOD," WHICH MAY BE UP TO SEVEN YEARS. IS THIS REASONABLE?

A. No. The CLECs' Defined Time Period of up to seven years under which they argue that certain merger conditions should last, is unreasonable and unprecedented. CLECs have voluntarily negotiated and consented to the terms contained within existing ICAs. It is not appropriate for competitors to use the merger process to unilaterally seek to enforce a lengthy extension. Furthermore, the CLECs have not offered any evidence that such a unilateral condition would even *be* appropriate under federal law, let alone necessary to satisfy the not contrary to the public interest standard.[26] A unilateral ability for CLECs to extend an ICA is an outcome not contemplated within the context of the bilateral negotiations ordered by Congress. It is contrary to the FTA and should be rejected.

Accordingly, as regards the rest of the concessions demanded in CLEC Condition 6, such as CenturyLink affiliates offering commercial agreements at prices no higher, and for time periods no shorter, than those offered in the legacy Qwest ILEC territory, there are no legacy CenturyLink affiliates in Arizona.

CLEC Condition 8, extending existing interconnection agreements in "evergreen" status, for at least the Defined Time Period, falls into the same category as CLEC Condition 6.

---

[26] Mr. Falvey falsely asserts a post-merger affiliate could unilaterally terminate an ICA as his basis for giving the CLECs a unilateral extension of the ICAs. (Falvey direct at 8.) An ICA can only be terminated pursuant to its written terms as approved by the Commission.

Agreements may continue in "evergreen" status only as permitted by the term and termination clauses that the CLECs negotiated and willingly agreed to. Any artificial extension of an ICA fails to account for the status of specific interconnection contracts that may be or become outdated, incorrectly presumes that there will be no changes to regulations, and also fails to consider new technologies that must be addressed, marketplace changes, and changes to costs. There are very good reasons all ICAs have a designated term. Agreements become outdated within a short span of time. And changes to the industry and marketplace fuel more and more disputes over what is and is not covered in the ICAs, and how existing terms should be interpreted in new situations that have arisen since the terms were negotiated.[27] I know from personal experience that disputes can be exponentially more costly and time intensive as compared to normal negotiations. Further, the FTA places an emphasis upon company to company negotiations to promote agreements that address the business concerns of both parties. It is simply unwise to unilaterally impose artificial time extensions on the terms of contracts and an effective ban upon contract negotiations. Existing laws that require bilateral negotiations, change-of-law provisions, and term provisions are proven vehicles for keeping a contractual relationship current and balanced -- arbitrary unilaterally imposed extensions of contract terms are not and may have unintended and unanticipated consequences.

---

[27] For example, many LECs, including CenturyLink, are currently engaged in interpretation disputes over the application of existing ICA terms to new IP-based services. Amendment negotiations have not borne fruit in many of these disputes. CLECs moving to or adding a wholesale business model under existing ICA terms is another example of an interpretation issue that is so comprehensive, it does not lend itself to an ICA amendment.

For all the reasons already stated, CLECs should not be allowed to unilaterally change the contract terms to extend existing ICAs.

Q. IN CLEC CONDITION 9, THE CLECS WANT TO USE PRE-EXISTING INTERCONNECTION AGREEMENTS AS THE BASIS FOR NEGOTIATING NEW REPLACEMENT INTERCONNECTION AGREEMENTS. IS THIS CONDITION NECESSARY?

A. No. As I addressed in responding to Staff's conditions, the CLECs have the right to propose an existing ICA as the starting point for negotiations. CenturyLink also has the right to propose its suggested structure as well and should not be constrained before the fact from doing so.

Notwithstanding the above, if the question is whether the combined company will consider the use of existing terms and operations in a renegotiation process, the answer is "of course." The existing terms came about for a reason, whether due to legal obligations or as a result of bilateral negotiations. However, any renegotiation must consider changes of law, updating of processes and capabilities that make the relationship function more smoothly, and competitive industry issues and conditions that did not exist at the time of the first negotiation. It would be inappropriate, for example, for the Commission to in effect pre-approve agreements that may have been negotiated or arbitrated ten or more years ago as complying with the FTA in 2010 or beyond. Again, ICA negotiations are governed by and encouraged under §§ 251 and 252; it is inconsistent with applicable law and underlying policies to impose restraints upon the negotiation process.

Further, while it is not entirely clear what the Joint CLECs intend to accomplish by this condition, nothing can permit CLECs to "pick and choose" provisions from existing agreements. The FCC has adopted the "all or nothing" rule, which necessarily means that CLECs may not select only those parts of existing agreements they want to adopt.

Q. MR. DENNEY BELIEVES IT IS ACCEPTABLE TO USE EXISTING ICA'S AS THE STARTING POINT FOR REPLACEMENT ICA NEGOTIATIONS BECAUSE THE MERGED COMPANY WILL BE PROTECTED BY INCORPORATED CHANGE OF LAW PROVISIONS.[28] IS THIS TRUE?

A. Only to a point. Change of law provisions only cover changes of law. Such provisions do not address interpretation deficiencies within an existing ICA that were only discovered *after* ICA implementation or that arose pursuant to technology or other changes within the industry. In my experience, most ICA disputes are caused by the parties asserting differing interpretations of specific or interrelated ICA terms. It is to both parties' benefit to minimize disputes by negotiating terms that do not lend themselves to more than one interpretation.

---

[28] Denney Direct at 25.

Q. DOES PROPOSED CLEC CONDITION 9 ALSO ADDRESS ATTEMPTS TO INSERT A NEW TEMPLATE INTO ICA NEGOTIATIONS THAT ARE ALREADY UNDERWAY?

A. Yes. Regarding negotiations for a replacement ICA that are in progress before the Closing Date, I have already stated that CenturyLink has no plans to terminate and restart negotiations with a different template. In any event, no condition or restriction on this issue is needed because CenturyLink cannot unilaterally impose new provisions or terms on CLECs. CLECs retain the right to arbitrate if they disagree with any proposal made during the negotiation process, and the Commission will retain the jurisdiction to determine the appropriate resolution of any such disagreement through the existing § 252 arbitration process and applicable legal standards. Because the CLECs have the protection of applicable law, no condition is needed.

Q. CLEC CONDITION 10 WOULD PERMIT CLECS TO OPT INTO A QWEST AGREEMENT IN NON-QWEST LEGACY AREAS. IS THIS CONSISTENT WITH THE EXPECTATONS OF THE PARTIES THAT NEGOTIATED THE QWEST AGREEMENT OR THAT NEGOTIATED THE AGREEMENTS IN NON-QWEST LEGACY AREAS?

A. No. As an initial matter, I will again note that there are no legacy CenturyLink areas in Arizona. Notwithstanding that fact I will address this issue so that the Commission can understand the motive behind the CLECs' multistate proposal of this condition. The CLECs are asking for the right to unilaterally terminate contracts that they voluntarily negotiated and signed with CenturyLink, and to cherry-pick the best ICA terms from the Qwest agreements for themselves outside of the standard negotiation process. The CLECs attempt to get terms they may perceive as more accommodating, without having to negotiate and arbitrate whether the other terms are even appropriate for the ILEC at issue or whether the contract on balance is one both parties would agree upon. As such, the CLECs do not seek to preserve the status quo or protect the public interest, but rather seek self-interested competitive advantages through the merger process with proposed conditions such as this.

CenturyLink's and Qwest's ICAs were negotiated with the particular network and facilities in mind, and it would be contrary to the parties' expectations that an ICA could be involuntarily and arbitrarily imposed upon another entities' network and facilities. It would also be contrary to the review and approval process conducted by the Commission; in other words, that the Commission reviewed and approved Qwest ICA terms as only applicable to Qwest and its network, systems, processes and costs, and not to CenturyLink and its network, systems, processes, and costs. Finally, agreements are entered into between specific legal entities and such terms cannot be involuntarily imposed on a non-signatory third party legal entity. So this proposed condition is really an attempt to circumvent contractual obligations and bind a third party legal entity to a contract it did not negotiate and may not be able to accommodate.

Q. **PROPOSED CLEC CONDITION 10 AND LEVEL 3 SUGGESTED CONDITION 1.b[29] WOULD ALSO ALLOW CLECS TO ADOPT ANY EXISTING ICA, EVEN IF THAT ICA EXISTS IN ANOTHER STATE. DO THESE SUGGESTED CONDITIONS COMPORT WITH THE CIRCUMSTANCES UNDER WHICH THE ICAS WERE NEGOTIATED AND APPROVED?**

A. No, and that condition is neither necessary nor appropriate for this Transaction. Not all negotiated terms can technically and logically be applied to all companies and in all jurisdictions, or to Arizona specifically. All sorts of questions abound about how state-specific terms for one legal entity ILEC would apply in Arizona. For example, other state commissions have made differing substantive rulings to address competitive conditions and state laws specific to those states. Importing terms from another state could allow the CLECs to effectively ignore or inappropriately modify Arizona rulings on specific issues. Accordingly, this proposal ignores prior Commission decisions in this area.

Mr. Falvey, for example, believes a CLEC should be permitted to port any ICA and if the ILEC has any issue with compliance, the ILEC can petition *after the effective date*, for an

---

[29] Thayer Direct at 3.

order to modify the ICA terms.[30] Mr. Falvey's approach is not consistent with 47 CFR § 51.809 wherein it states that *the ILEC shall make available* an ICA to which it is a party and *the obligation shall not apply* where the ILEC can prove the costs of provision are greater or provision is technically infeasible. Applicable law states the ILEC shall provide, not the CLEC shall choose without the ILEC's knowledge. The law states the ICA must be one under which the ILEC is a party; CenturyLink is not a party to a Qwest ICA and vice versa. And the law gives the ILEC the right to prove the cost or technical impact before the obligation is effective, not after. Further, under Mr. Falvey's approach, there will be a potential increase of disputes that the Commission will have to address because a CLEC can invoke ILEC obligations before the cost and technical issues are reviewed and resolved.

The CLECs fail to show any reason why a review of the proposed merger should include taking the terms directed to operations from another state, and from another legal entity, and impose them on the post-merger CenturyLink affiliate operations in Arizona. Further, it is not rational, reasonable, or consistent with §251 for the Commission to order CenturyLink and Qwest to allow competitors to cherry-pick the best ICA terms for themselves outside of the standard negotiation process, merely because CenturyLink and Qwest are engaging in a merger. Even if one can get past some of the logistical and practical questions of which conditions could theoretically be applied to CenturyLink's

[30] Falvey Direct at 7.

ILECs in Arizona, there still remains the fundamental problem of the lack of fairness in simply imposing such a broad condition under the facts of this particular Transaction and under the statutory standard of review.

Q. SEVERAL OF THE CLEC CONDITIONS, SPECIFICALLY 21, 23, 26, AND 27, SPEAK TO REQUIRING CENTURYLINK TO COMPLY WITH APPLICABLE LAW AND AGREEMENT TERMS. MR. DENNEY THINKS THE MERGED COMPANY SHOULD NOT HAVE ANY ISSUE WITH AGREEING TO THIS TYPE OF CONDITION.[31] WHY IS AGREEING TO THESE PROPOSED CONDITIONS AN ISSUE?

A. If the conditions requested stopped at compliance with applicable law and agreement terms, then the conditions would be acceptable for CenturyLink. Of course, if the conditions merely required compliance with the law it really is a non-issue that would not require any Commission order since we must comply with the law regardless. What the CLECs request, however, is much more than compliance with applicable law and agreement terms. These specific proposed conditions do not stand in isolation. The CLECs have proposed other interrelated conditions and add descriptive language beyond the simple "comply with the law" condition, in an effort to achieve their slant on what they believe the law should be. In short, the CLECs are trying to establish substantive terms and conditions that are not required by applicable law and can be or have been

---

[31] Denney Direct at 29.

subject to negotiation or arbitration. See for example the interrelated proposed conditions 22 and 24. The CLEC issues -- 911, LNP, network construction and maintenance and the provision of copper loops -- all have specific requirements in 47 CFR § 51 and are also covered within the ICAs that the CLECs have voluntarily negotiated and signed, or that have already been arbitrated and approved by the Commission. Once again, the Commission should not permit the CLECs to add new obligations, and cannot unilaterally impose conditions that are more expansive than those required by the law or contractual terms.

Q. CLEC CONDITIONS 12 AND 14 WOULD COMPEL CENTURYLINK TO WAIVE ALL SECTION 251(f) RURAL EXEMPTIONS AND FORGO THE RIGHT TO DECLARE NONIMPAIRED SECTION 251 STATUS TO ANY IMPAIRED CENTRAL OFFICES. DO THESE TOPICS INDIVIDUALLY REQUIRE A THOROUGH COMMISSION REVIEW AND SUBSEQUENT FINDING OUTSIDE OF A MERGER PROCEEDING?

A. Yes, but the CLECs seek to undermine the review that is required. Setting aside the fact that there are no CenturyLink rural affiliates in Arizona, as an initial matter, CenturyLink and Qwest have legal rights granted by the FTA and the FCC rules, and the CLECs' proposed condition would thwart the important public policies underlying those rules.[32]

[32] Examples include the policy of not imposing below cost rates on ILECs when CLECs have viable alternatives and the FCC policies aimed at encouraging facilities-based carriers.

Further, the rural exemption and central office impairment issues require petitions to the Commission, a Commission review of all pertinent facts and mitigating factors, and a subsequent finding. Those legal processes should not be circumvented or closed down. This proceeding is not the proper forum to submit the documentation required by law and to conduct the necessary reviews necessary for the required Commission determinations. The CLECs should not be permitted to tell the Commission it should change the law or take short cuts. The CLECs proposals have little in common with the evaluation of Transaction, and nothing in common with the public interest in the rule of law.

Q. ON PAGE 17 OF HIS DIRECT TESTIMONY, MR. THAYER SPECULATES THAT THE JOINT APPLICANTS COULD USE TRAFFIC ROUTING PRACTICES TO INCREASE TRANSPORT REVENUE JUST LIKE A TRAFFIC PUMPING SCHEME. WHAT RELEVANCE IS THIS TESTIMONY TO THE MERGER PROCEEDING?

A. None. Despite Mr. Thayer's assertions and speculations, CenturyLink does not engage in such practices. Furthermore, as regards raising the specter of "traffic pumping," it is my understanding Qwest continues its pursuit of cases against traffic pumping CLECs in Minnesota, Iowa, and South Dakota, and is vigorously contesting before the FCC any and all forms of traffic pumping, independent of the proposed merger.[33] This testimony is

[33] See In the Matter of the Complaint by Qwest Communications Company, LLC against Tekstar Communications, Inc. regarding Traffic Pumping, MPUC Docket No. P-5096, 5542/C-09-265; Qwest Communications Company LLC v. Tekstar Communications, Inc., Free Conferencing Corp. and Audiocom, LLC, USDC Case No. 10-cv-490-

unfounded speculation that is meant to impose an unnecessary condition when the facts show to the contrary that no condition is needed.

Q. CLEC CONDITION 24 APPEARS TO DENY CENTURYLINK THE ABILITY TO CHARGE FOR PROVIDING CERTAIN SERVICES TO THE CLECS. IS THIS APPROPRIATE?

A. No. As an initial matter, setting charges for services provided to CLECs is an extremely complex and fact-intensive process; it has nothing to do with mergers and is raised merely to be a distraction, and a way for CLECs to get something to which they are otherwise not entitled. Second, independent of the proposed merger, these very issues have already been arbitrated in other state venues, and the rates at issue as contained in interconnection agreements have been approved by state commissions, including Arizona, as non-discriminatory, compliant with the Telecom Act, and in the public interest.[34] To the extent the arbitrating CLECs lost the issues in those venues, what they seek here is to circumvent the arbitration process under applicable law and have their proposed outcome imposed upon CenturyLink in an unrelated proceeding. This is not an

---

MJD-SRN; and Qwest Communications Corporation v. Superior Telephone Cooperative, et al., IUB Docket No. FCU-07-2.

[34] See for example, AAA Case No. 51 494 Y 00524-07; Petition of Charter Fiberlink TX-CCO, LLC for Arbitration of an Interconnection Agreement with CenturyTel of Lake Dallas, Inc., Texas Public Utility Commission Docket 35869; In the Matter of a Petition for Arbitration by Sprint Communications Company LP vs. CenturyTel of Mountain Home, Inc., Arkansas Public Service Commission Docket 08-031-U; In the Matter of Sprint Communications Company LP.'s Petition for Arbitration with CenturyTel of Eagle, Inc, Colorado Public Utilities Commission Docket C08-1059; and In the Matter of Sprint Communications Company LP Petition For Arbitration of an Interconnection Agreement with CenturyTel of Colorado, Inc., Colorado Public Utility Commission ARB 830.

arbitration proceeding; it is a merger Transaction approval proceeding, and not the proper forum for raising these issues.

Q. ARE THE CLECS ATTEMPTING TO IMPOSE CONDITIONS THAT ARE CONTRARY TO APPLICABLE LAW?

A. Based on the facts as I understand them, yes. The crux of the NID rate issue, for example, is whether a CLEC can unilaterally use CenturyLink's NIDs for free, or whether a CLEC must submit an order to CenturyLink and compensate CenturyLink for the use of its unbundled NID element to house all or a portion of the interconnection with a customer who elects to obtain telephone service from a CLEC rather than from CenturyLink. I will not provide a complete discussion of this issue such as would be made in an ICA arbitration setting but, in brief, CenturyLink does not dispute a CLEC's right to access the customer access side of the NID for the purpose of disconnecting the customer's inside wire from CenturyLink's local loop. Further, CenturyLink does not seek any compensation from a CLEC with regard to such access or disconnection activity. However, if a CLEC places its facilities in CenturyLink's NID and thus uses the CenturyLink NID as an unbundled network element, compensation is properly payable to CenturyLink.

Q. WHAT IS THE BENEFIT TO A CLEC OF ATTACHING ITS FACILITIES TO THE PREMISE INSIDE WIRING WITHIN THE CENTURYLINK NID?

A. By using CenturyLink's property, the CLEC avoids the cost of purchasing and installing its own NID.

Q. DOES A CLEC HAVE ANY OTHER CONNECTION OPTIONS BESIDES INSTALLING ITS OWN NID OR USING CENTURYLINK'S NID UNE?

A. Yes. Except for very unusual wiring installations, a CLEC can connect to the inside wiring at any location within the premises; such as the jack nearest the placement of the cable modem for most cable CLECs.

Q. IS THERE ANY APPLICABLE RULE THAT ADDRESSES THIS POINT?

A. Yes. For example, 47 CFR § 51.319(c), addresses the NID as a UNE:

> …an incumbent LEC also shall provide nondiscriminatory access to the network interface device ***on an unbundled basis***, in accordance with section 251(c)(3) of the Act and this part. The ***network interface device element is a stand-alone network element*** and is defined as any means of interconnection of customer premises wiring to the incumbent LEC's distribution plant, such as a cross-connect device used for that purpose. An incumbent LEC shall permit a requesting telecommunications carrier ***to connect its own loop facilities to on-premises wiring*** **through** ***the incumbent LEC's network interface device***, or at any other technically feasible point. [Emphasis added]

§ 51.307(c) indicates that any use of a UNE whatsoever is included in the UNE definition:

> . . . access to an unbundled network element, along with ***all of the unbundled network element's features, functions, and capabilities,*** in a manner that allows the requesting telecommunications carrier to provide any telecommunications service that can be offered by means of that network element. [Emphasis added]

And finally, § 51.509(h) indicates that there is a price for the stand alone NID UNE:

> An incumbent LEC must establish a *price* for the network interface device when that unbundled network element is purchased on a stand-alone basis pursuant to Sec. 51.319(c). [Emphasis added]

These citations show that CenturyLink's charges for use of the NID are authorized under applicable law and are not "customer acquisition surcharges" as Ms. Howell attempts to claim.[35] Notwithstanding the preceding discussion, the NID terms of existing Qwest ICAs will not change post-merger.

Q. CLEC CONDITION 24 WOULD PREVENT LEGACY CENTURYLINK FROM ASSESSING A SERVICE ORDER CHARGE FOR ORDERS SUBMITTED FOR NUMBER PORTING PURPOSES. IS THAT CONDITION REASONABLE?

A. No, for two reasons. First, any setting of rate elements by the Commission should be thoroughly examined in the context of a cost docket. Second, it is consistent with the cost recovery provisions of the FTA for one party to recover the administrative costs of service order activity from the other party when that party requests the processing of a number port or any other service ordered and performed pursuant to the terms of the Agreement. As the FCC[36] and several other state agencies[37] have held, the administrative

---

[35] Howell Direct at 7.
[36] In the Matter of Telephone Number Portability and BellSouth Corporation Petition for Declaratory Ruling and/or Waiver, released April 13, 2004 in CC Docket No. 95-116.

processing costs that are the subject of this issue are an incidental consequence of number portability, and are not costs directly related to providing number portability. This administrative service order charge is therefore not a charge to "port the telephone number" as Ms. Howell claims.[38] Recovery of these costs is competitively neutral in that they apply to both carriers when either makes a request of the other. The CLECs only make this charge an issue because they assume they will be sending more porting orders than CenturyLink, and as the greater cost-causer, they seek to avoid paying CenturyLink for services performed at the CLEC's request. As I have previously stated, however, none of the terms of the existing Qwest ICAs will change post-merger.

Q. IN THEIR PROPOSED CONDITIONS, THE CLECS ALSO REFERENCE ELIMINATING DIRECTORY LISTING CHARGES; APPARENTLY AS A PROSPECTIVE PROHIBITION FOR FUTURE ARIZONA ICAs. ISN'T THIS ISSUE SIMILAR TO THE OTHER SERVICE ORDER CHARGES THAT THE CLECs SEEK TO AVOID?

A. Yes, and as with the administrative service order charge, the directory listing fees are independent of and irrelevant to this matter. It is instructive to know, however, that while

---

[37] See for example, Petition of Charter Fiberlink TX-CCO, LLC for Arbitration of an Interconnection Agreement with CenturyTel of Lake Dallas, Inc., Texas Public Utility Commission Docket 35869; In the Matter of a Petition for Arbitration by Sprint Communications Company LP vs. CenturyTel of Mountain Home, Inc., Arkansas Public Service Commission Docket 08-031-U; In the Matter of Sprint Communications Company LP.'s Petition for Arbitration with CenturyTel of Eagle, Inc, Colorado Public Utilities Commission Docket C08-1059; and In the Matter of Sprint Communications Company LP Petition For Arbitration of an Interconnection Agreement with CenturyTel of Colorado, Inc. Colorado Public Utility Commission ARB 830.

[38] Howell Direct at 7.

the CLECs seek to use CenturyLink's services without cost, they already have an option in the legacy CenturyLink areas in other states to submit directory listings directly to the same third party directory publishers and DA providers that are used by CenturyLink, with no involvement of CenturyLink in the process, and therefore no charges assessed by CenturyLink.

The bottom line regarding all of the CLEC proposed conditions relating to charges imposed by CenturyLink is where a charge is contained in an ICA, it has been either agreed upon or approved by the reviewing regulatory agency as consistent with the public interest. Further, this is not the appropriate place to negotiate the terms of future interconnection agreements The Commission can see therefore, that this is not the "anticompetitive practice" that Mr. Gates claims it is.[39] And, all of the rate issues for specific services are best left to the § 251 negotiations and arbitration process that is specifically established in the FTA for just such an obligation and through which the issues can be fully developed and explored.

Q. IS A SINGLE POINT OF INTERCONNECTION ("POI") PER LATA FOR TRAFFIC EXCHANGE WITH ALL CENTURYLINK AFFILIATES IN THAT LATA (CLEC CONDITION 28) A REASONABLE REQUEST?

---

[39] Gates Direct at 165.

A. No. This is a relatively complex issue that has a lengthy and complicated body of decisions, but the existing interconnection arrangements between CLECs and Qwest, will remain as required by ICA terms. Further, this merger creates no interconnection cost to the CLECs that the CLECs do not already have today. No merger condition is needed or applicable for Arizona.

Q. IS CLEC CONDITION 15, ASKING FOR CONTACT INFORMATION, A SIMPLE AND STRAIGHTFORWARD REQUEST?

A. No. Providing and updating the contact information is not an issue. As I testified in regards to Staff's suggested conditions, this already occurs today under CenturyLink's and Qwest's existing wholesale processes. Once again, however, the CLECs attempt to go beyond a simple assurance of an existing requirement, and seek to impose new requirements. In this condition, the CLECs want imposed timeframes. The subjects of contact information provisions and notice are already covered in ICA terms and those terms will govern any required timeframes. The CLECs should not be permitted to impose new conditions that modify negotiated agreements that are already in place, and to do so without clear and compelling evidence that this protects the public interest from a probable and real harm.

Q. WHAT IS THE NEXT GROUP OF PROPOSED CLEC CONDITIONS THAT YOU WILL ADDRESS?

A. I will address the CLECs' proposed OSS conditions, which are 16, 19, and 20. I have already touched upon OSS earlier in my testimony but I will now explore this topic in more detail.

Q. IN CLEC CONDITIONS 16, 19, and 20 THE CLECS SEEK TO BIND THE POST-MERGER COMPANY TO A LITANY OF OSS OBLIGATIONS. ARE THESE REASONABLE REQUESTS?

A. No. The Transaction itself will not change any of the rights or obligations of any party, and CenturyLink and Qwest will abide by their OSS obligations. As I previously stated, no harm to CLECs will result from the Transaction, and it is unreasonable to impose an arbitrary moratorium upon potential integration practices that could otherwise provide compliant services to CLECs and result in efficiencies for the combined company.

As an initial matter, both CenturyLink and Qwest take very seriously their wholesale provisioning obligations and opportunities. Wholesale provisioning is governed by a comprehensive array of existing regulations, laws, and contracts, and the Commission should not impose conditions that change the legal obligations or voluntary agreements that the parties have previously entered into. Beyond legal obligations, however, serving wholesale customers is important to each company and is crucial to the future of the combined company. CenturyLink and Qwest are each dedicated to having strong OSS for wholesale operations, and they have long satisfied their various legal obligations.

There is no reason to assume that they will suddenly abandon their responsibilities following the close of this Transaction.

The merger is intended to bring about improved efficiencies and practices in all parts of the combined company, so changes could be expected over time.[40] What those changes are have not been determined, and it is pure, unsupported speculation on the part of the CLECs to allege that harm will result from these changes. Further, any changes will occur only after a thorough and methodical review of both companies' systems and processes to determine the best system to be used on a going-forward basis from both a combined company and a wholesale customer perspective. And, importantly, any changes will comply with the companies' respective legal obligations, including the obligation in Qwest territory to coordinate such changes in advance through the CMP.

In the FCC's merger review proceeding, CenturyLink and Qwest have provided a sworn statement that CenturyLink plans to continue operating both CenturyLink and Qwest existing OSS uninterrupted for the immediate future until it completes its evaluation of the best options for all stakeholders. This is expected to take 12 months at the very least. It is reasonable and appropriate from a regulatory, business, and operational perspective

[40] For example, upgrades to the existing OSS based on the new industry standard Unified Ordering Model (UOM). An upgrade to a new industry standard, however, is not a disruptive change to OSS or a replacement of existing OSS as Mr. Gates implies on pages 39-42 of his Direct. Further, UOM is the replacement for the Electronic Data Interface (EDI) that Ms. Howell touts on page 8 of her Direct testimony. CenturyLink's implementation of UOM brings its OSS to the latest standard and this OSS is therefore not a "large step backwards" as Ms. Howell suggests.

for CenturyLink and Qwest to evaluate the strengths and weaknesses of Qwest's and CenturyLink's respective OSS, to consider the desires of the broad, multi-state base of CLEC customers, and to analyze the logistical and economic factors that bear on whether or how to migrate to a single OSS platform for all states. Wholesale customers in CenturyLink areas and in Qwest areas will not face immediate changes in their existing systems interfaces and existing OSS arrangements will not be disrupted. The post-merger entities will continue to comply with existing requirements of the Telecom Act and any reporting and testing obligations under law.

The CLECs allege that the CenturyLink OSS is inferior to the Qwest OSS, but do not support their claim.[41] Likewise, the CLECs imply CenturyLink does not have equal OSS experience to that of Qwest. As CenturyLink and Qwest explained in their Reply Comments in the FCC proceeding,[42] allegations about performance "differences" between the Qwest and CenturyLink OSS are false, and the alleged limitations of the CenturyLink OSS do not exist. Once again, the CLECs' testimony reveals that their proposed conditions are not directed toward protecting against some verifiable potential public interest harm in Arizona. The proposed Transaction will not change any operations in the near term or obligations of any of the CLECs or of CenturyLink and Qwest, so there is no new and likely harm which merits such a condition.

---

[41] For example, Ms. Howell attempts to demean CenturyLink's current OSS by stating a capability missing from the company's former OSS. Howell Direct at 4.

[42] In the Matter of Application Filed by Qwest Communications International Inc. and CenturyTel, Inc. d/b/a CenturyLink for Consent to Transfer of Control; WC Docket No. 10-110

In the longer term, post-merger CenturyLink is dedicated to having industry-leading OSS. Whether post-Transaction CenturyLink ultimately chooses an existing OSS or selects new systems should be left to be resolved through a refined analysis and the need to respond to marketplace conditions, governed and controlled by existing laws and contracts. For example, the geographic location of the CLEC may have an impact on which system a particular CLEC desires. If a CLEC provides service in only the southeastern part of the country (where Qwest does not operate), it might prefer the CenturyLink OSS system. Likewise a CLEC in the southwest that provides service in only Qwest's territory may want to continue to use the Qwest system. Moreover, if each state commission approving the merger imposes a condition regarding the future OSS system, there could be conflicting, state-specific mandates which will impede proper selections of the most efficient and productive systems. These are just some of the numerous factors that must be considered when making a decision on the future of any OSS system. Accordingly, CenturyLink and Qwest recognize that any future changes to OSS, if and when they occur, will require significant advance planning with wholesale customers, and CenturyLink pledges to give its CLEC customers ample and adequate notice of any future changes, consistent with its legal obligations and accepted business practices.

Further, CenturyLink contends that it is wrong for CLECs to require onerous reporting requirements, including those above and beyond anything required by current law or regulation, and it is wrong to require new and special review by the FCC and Commission. In a competitive world, CenturyLink's competitors should not control what systems and functionalities are acceptable for CenturyLink operations. The ultimate decision is whether the system CenturyLink decides upon complies with all legal requirements. Undue deference to the CLECs' wishes might simply delay system and process upgrades that would provide a benefit to the entire post-merger CenturyLink customer base, without addressing any true merger-related harm. Accordingly, the CLECs' OSS proposed conditions are not reasonable or pragmatic under all the facts and circumstances.

Q. IS CENTURYLINK'S EASE OSS THE SAME OSS THAT WAS USED BY FAIRPOINT COMMUNICATIONS IN ITS OSS CUTOVER IN NORTHERN NEW ENGLAND AND BY FRONTIER COMMUNICATIONS IN ITS RECENT OSS CUTOVER IN WEST VIRGINIA AS MR. GATES IMPLIES?[43]

A. No. EASE is a proprietary system that has never been used in New England or West Virginia. The only commonality is that EASE leverages an ordering software framework provided by the same vendor used by Frontier, but business rules, messaging

[43] Gates Direct at 58.

infrastructure, operating infrastructure and back office interfaces and applications were developed by Embarq.

Q. THE CLECS SEEM CONCERNED THAT THE MERGED COMPANY MAY NOT MAINTAIN CURRENT WHOLESALE SERVICE QUALITY; THAT WHOLESALE SERVICE QUALITY MAY BE A LOW PRIORITY; AND THAT THERE MAY BE CUTBACKS.[44] CAN YOU EXPLAIN WHY THIS IS NOT AN ISSUE?

A. The CLECs engage in baseless speculation that the merged company may integrate systems with less functionality than now exists and will discontinue services or provide inferior access.[45] None of these assertions explains how CenturyLink might chart such a path in defiance of applicable law and binding contractual terms. As Staff witness Fimbres concludes, the existing Qwest QPAP and CMP will help prevent any adverse impacts upon service quality.[46]

Further, the operating efficiencies for both CenturyLink and the CLECs are not mutually exclusive. CenturyLink is committed to maximizing its internal efficiencies associated with providing quality service to CLECs which also means that the CLECs benefit from

---

[44] Gates Direct at 27.
[45] Gates Direct at 30.
[46] Fimbres Direct at 15.

this efficiency. Thus the benefits of these efficiencies inure to the benefit of both CenturyLink and the CLECs.

Q. DID THE FCC REQUIRE CENTURYLINK TO USE THE EMBARQ OSS AS MS. HOWELL CLAIMS ON PAGE 5 OF HER DIRECT TESTIMONY?

A. No. The FCC issued no conditions on the CenturyTel-Embarq merger. In fact, the FCC has no authority to issue any conditions on this type of Transaction. The Joint Applicants to that earlier proceeding made what they believed were appropriate voluntary commitments for the situation that existed at that time and those were accepted by the FCC.[47]

Q. MS. HOWELL ALSO CLAIMS THAT (LEGACY) CENTURYTEL'S CAPABILITY TO HANDLE PORTING REQUESTS WAS SUCH A CONCERN IN THE EMBARQ MERGER THAT THE FCC CAPPED THE NUMBER OF PORTS CENTURYTEL COULD IMPLEMENT IN A DAY. IS THAT TRUE?

A. No. Ms. Howell claims that in paragraph 25 of the Embarq merger order the FCC capped the number of ports processed by CenturyTel. Paragraph 25 deals with commenter

---

[47] In the Matter of Applications Filed for the Transfer of Control of Embarq Corporation to CenturyTel, Inc.; Memorandum Opinion, and Order; WC Docket No. 08-238, June 25, 2009 at ¶ 29.

allegations; it is not an FCC ordering paragraph.[48] Further, in no other paragraph in the FCC Order did the FCC take the action claimed by Ms. Howell.

Q. MS. HOWELL SAYS CENTURYLINK'S GRANTED WAIVER OF THE ONE DAY PORTING INTERVAL RAISES A "CONCERN ABOUT THE PRIORITY CENTURYLINK PLACES ON ITS COMPETITIVE OBLIGATIONS" AND ALSO "ABOUT THE ABILITIES OF CENTURYLINK TO TIMELY AND ACCURATELY HANDLE LARGE VOLUMES OF PORTS."[49] DOES THE ONE DAY PORTING INTERVAL WAIVER HAVE ANYTHING TO DO WITH THESE ISSUES AS MS. HOWELL SUGGESTS?

A. No. CenturyLink is engaged in a rolling cutover to the Embarq OSS in order to assure continuing billing quality for its end users. Meeting the one day interval date proposed in the FCC's order would cause the company to implement changes to a system that is being discontinued. Contrary to the implication in Ms. Howell's testimony that CenturyLink initiated the request, the FCC offered a waiver process for just such a situation. CenturyLink applied for and was granted a waiver under that process. As can be seen, this waiver has nothing to do with order volume management and contrary to Ms. Howell's assertion, this issue does show the priority CenturyLink places upon providing quality service to its customers.

---

[48] Id. at ¶ 25.
[49] Howell Direct at 5.

Further, the waiver is only for a specific time period and will expire in February 2011. CenturyLink will be processing porting orders within a one day interval long before any OSS integration activities take place in regards to the Qwest OSS.

Q. IS THERE ANY OTHER CATEGORY UNDER WHICH YOU CAN GROUP PROPOSED CLEC CONDITIONS?

A. Yes. Several of the proposed CLEC conditions appear to be related to products and services. These are proposed conditions 1, 2, 3, and 7.

Q. OTHER THAN THE BEING RELATED TO THE PRODUCTS AND SERVICES USED BY CLECS, IS THERE ANY OTHER COMMONALITY TO THIS SET OF CONDITIONS?

A. Yes. Within this set of proposed product and service conditions, the CLECs include several rate-associated conditions that are improper and are plainly designed to give them competitive advantages rather than to address any legitimate merger-related concerns. First, each of the rates associated with services provided to CLECs should be carefully determined in independent proceedings and are inappropriate for resolution here.[50] As far as I am aware, the Arizona Commission has not imposed wholesale rate changes as a

[50] The Iowa Utilities Board, for example, recently made this same determination in the Windstream / Iowa Telecom merger. Order Granting Motion To Strike, In Part, Denying Motion To Strike, In Part, And Requesting Additional Information , *In Re: Windstream Corporation And Minnesota Telecommunications Services, Inc., D/B/A Iowa Telecom* , Docket No. SPU-2009-00010, p. 10 (2010) (" . . . the Board has consistently declined to decide rate-related issues in the context of a reorganization proceeding.")

part of any merger review. Next, the CLECs once again argue that certain merger conditions should last an unprecedented seven years. The term is unreasonable, and the effect would be irresponsible in a competitive market. The combined company will continue to face substantial competition, including from much larger carriers, which will discipline its pricing and market conduct. To hobble a company's ability to make important financial business decisions for seven years would not preserve or promote competition, but is more likely to hamper competition substantially by placing an unnecessary anticompetitive burden on one of the market players.

All of these product and service conditions, including the proposed rate-related conditions, are unnecessary. The CLECs do not attempt to portray these conditions as legitimate merger concerns and, in any event, rate setting procedures, including proper review and oversight, are already well established in applicable law and Commission rules, and thus no conditions related to rates are necessary. These proposed conditions appear to be attempts to circumvent applicable law and rules to increase CLEC profitability through terms CLECs are unlikely to gain under the current regulatory reviews and processes.

Q. WOULD YOU PLEASE SUMMARIZE FOR THE COMMISSION YOUR CONCLUSIONS ABOUT THE TERMS SOUGHT BY CENTURYLINK'S COMPETITORS IN THIS PROCEEDING?

A. Yes. Each of the pricing issues raised by the CLECs can be reduced to a common theme. Each and every condition places a cost on CenturyLink. If the CLECs request work to be performed or want to use CenturyLink property to avoid purchasing their own property, the FTA compels compensation for what is requested or used. If the CLECs believe that there are any legitimate concerns regarding the charges to be levied, the proper forum for investigating them is through negotiations and arbitration of ICA terms, not in the context of a merger approval proceeding.

Q CLEC CONDITION 11 SEEKS TO SET PROVISIONING INTERVALS. CAN YOU COMMENT ON THIS DEMAND?

A. CLEC provisioning intervals reflect retail provisioning intervals for the same or like services because federal law requires a carrier to treat all customers at parity. The CLECs want priority for their needs over those of CenturyLink's end user subscribers and wholesale customers.

I previously discussed how the legacy OSS and other processes will remain in place for a period of time post-merger. The legacy intervals are inherent in the legacy processes and systems. The Company cannot change existing provisioning intervals for its separate operating subsidiaries without significant process or systems improvements. Most basically, I note that the CLECs have demonstrated no harm to Arizona or Arizona customers resulting from the continuation of the existing provisioning intervals.

Q. CAN THE MERGED COMPANY BE CLASSIFIED AS A BOC AS THE CLECS DEMAND IN CONDITION 13?

A. No. The definition of "BOC" is a matter of federal law and a state agency like the Commission is not able to alter that definition. The merged company will not be a BOC under federal law. Qwest Corporation is a BOC as the successor to US West, and the Qwest ILEC in Arizona is a BOC today and will remain a BOC after the close of the merger. Legacy CenturyLink has no ILEC operations in Arizona and the legacy CenturyLink ILECs in other states are not BOCs and will not become BOCs after this Transaction.

Q. IN CONDITIONS 17 AND 18, THE CLECS SEEK TO DICTATE THE NUMBER OF WHOLESALE EMPLOYEES ON THE CENTURYLINK PAYROLL AND ALSO, IN 17, DICTATE CERTAIN PROCESSES. SHOULD THEY BE ALLOWED TO DO THAT?

A. No. After arguing for the greatest and best automation of processes, the CLECs now suggest the Company cannot be allowed to reduce its costs through attrition of employees whose functions have been automated or are redundant, and must retain some legacy processes rather than determine if the processes can be automated or improved to benefit both the company and the CLECs. Qwest witness Bob Brigham also notes that Qwest has been reducing its headcount in wholesale operations even as the Company has grown more effective, and as the Qwest penalty payments on its QPAP have generally declined in Arizona over the years. There is no rationale for this demand other than not allowing the merged company the opportunity to control its costs appropriately and therefore ensure the company has a more difficult time competing financially.

Q. CLEC CONDITION 29 SEEMS TO BE A "MOST FAVORED NATION" ("MFN") CATCHALL. IS AN MFN CONDITION ACCEPTABLE TO THE COMPANY?

A. No. An MFN condition is neither necessary nor appropriate for this Transaction. Voluntary FCC conditions, if any, that are *generally* applicable to the post-merger CenturyLink operations will automatically apply to CenturyLink's operations in Arizona even in the absence of an MFN clause in this Commission's Order. However, not all possible FCC conditions will automatically apply to all jurisdictions, as not all conditions can logically or legally be applied to all jurisdictions, or to Arizona specifically. This limitation on a condition's universal applicability is equally true for conditions that may be imposed by another state.

For example, another commission that is reviewing this merger may have a totally different legal standard and a totally different set of facts to consider (e.g., level of competition, service quality performance, pricing regulations, CLECs with different issues, etc.). Again, merger review before this Commission is conducted under the standard of review in Arizona, under Arizona law, so it is unreasonable to take conditions imposed on CenturyLink operations in another state, under other standards, and impose them on operations in Arizona.

Second, conditions imposed, or negotiated and agreed to, in other states result from a myriad of different circumstances and considerations. And, if another state imposed a condition that may have been practical under its circumstances, but impractical in another, an MFN clause could result in the imposition of a condition that makes no sense for the State of Arizona.

Even if one can get past some of the legal, logistical and practical questions of which conditions could theoretically be applied to CenturyLink's ILECs in Arizona; there still remains the fundamental problem of the lack of fairness in simply imposing such a broad condition under the facts of this particular Transaction and the Arizona statutory standard of review.

Finally, an MFN condition restricts the incentive for both parties to negotiate state-specific terms in Arizona and elsewhere, because the resulting terms may be imposed in states where the conditions are impractical, overly costly, or unnecessary. So, to the extent parties seek to negotiate terms that acknowledge state-specific needs, issues and conditions, such negotiations would be stymied by such an MFN provision.

Q. PLEASE COMMENT ON CLEC CONDITION 30 – THE CLEC PROPOSAL FOR ALLOWING DISPUTES TO BE BROUGHT BEFORE THE COMMISSION.

A. This condition is unnecessary. Every Arizona interconnection agreement already contains language addressing resolution of interconnection disputes, including the role of the Commission in regards to such disputes. This proposed condition improperly seeks to override those existing and approved agreement terms.

Q. THE CLECS ASSERT THAT CENTURYLINK AND QWEST WANT TO DELIBERATELY DRIVE UP THE TRANSACTION-RELATED COSTS FOR THE CLECS. MR. GATES CITES CENTURYLINK AND QWEST'S REFUSAL TO AGREE TO A STREAMLINED DISCOVERY PROCESS AS AN EXAMPLE.[51] CAN YOU COMMENT?

A. Yes. First, I believe it makes no sense to equate litigation discovery disputes to the actual operation of a business and there were legitimate reasons to disagree with this request as the reply letter from CenturyLink and Qwest attorneys explained. But importantly, the actual question asked of Mr. Gates that resulted in his testimony on the streamlined discovery process was: "Do you have another example that suggests that ***integration*** could harm CLECs?" [emphasis added] The pre-merger approval discovery process has nothing to do with any speculative ***harm*** that could be caused by the integration of CenturyLink's and Qwest's operations.

---

[51] Gates Direct at 69-74.

Q. ARE THERE ANY SPECIFIC LEVEL 3 PROPOSED CONDITIONS THAT HAVE NOT BEEN SUFFICIENTLY COVERED IN THE DISCUSSION OF THE OTHER PROPOSED MERGER CONDITIONS?

A. Yes. Level 3 seeks to impose an obligation for the merged company to pay a reciprocal compensation rate for all ISP-bound traffic inclusive of Virtual NXX ("VNXX"). This is a topic better addressed in a comprehensive arbitration proceeding.

Further, Mr. Thayer incorrectly states that CenturyLink has agreed to pay reciprocal compensation for ***all*** ISP-bound traffic.[52] The legacy CenturyTel affiliates do not pay reciprocal compensation to Level 3 for ISP-bound traffic (inclusive of VNXX traffic) pursuant to ICA terms that were negotiated between the parties.

What Mr. Thayer neglected to mention in his testimony regarding the legacy Embarq ICA terms is that Embarq agreed to this payment because Level 3 agreed to POI terms that favored Embarq, agreed to a lower rate than that set in the FCC's Remand Order, and also agreed to use the lower rate in *all* of Embarq's states; including those where Embarq had opted in to the higher Remand Order rate. In other words, the parties negotiated an entire agreement with holistic terms that reflected a give-and-take balancing of interests, just as Congress intended with the FTA.

---

[52] Thayer Direct at 12.

The separate CenturyLink affiliates and Level 3 already have existing ICAs that cover any compensation obligations for such traffic. The Commission should not change individual terms of these ICAs just because Level 3 seeks a better deal than it agreed to in negotiations or received in arbitrations.

Q. LEVEL 3 CLAIMS LEGACY EMBARQ ENGAGES IN 8YY ACCESS ARBITRAGE.[53] IS THIS TRUE?

A. No. First, there are no rules that require a carrier to use the closest tandem, without consideration of tandem ownership, for required 8YY database dips. The genesis of this issue dates back to when Embarq was not a standalone ILEC but was a division of Sprint Corporation. When a Sprint wireless subscriber made a call to an 800 number, Sprint's management wanted the call to be dipped in the database owned by Sprint's Local entities. Some limited transport charges do apply to this transited traffic, but Mr. Thayer is incorrect in asserting Embarq charges for "all the transport from the point of picking up the call...and back..."[54] This is traffic that is sent to Embarq for handling and, like all carriers, Embarq does charge for its services. Level 3 seeks to use Embarq to collect this traffic, but then have Embarq "pass it on" to a lower cost provider for further handling so that Level 3 can optimize its costs. As I stated, this is not required by any law or

---

[53] Thayer Direct at 16.
[54] Thayer Direct at 17.

industry rules. Given that this issue predates the CenturyTel acquisition of Embarq, if this is valid a concern for Level 3, it is instructive to note that Level 3 never raised the issue in that prior merger. And again, this dispute has nothing to do with the merger and whether the merger is not contrary to the public interest in Arizona, but is a separate, pre-existing, and independent dispute Level 3 improperly asks the Commission to resolve in the merger proceeding.

Q. MR. THAYER GETS INTO A DISCUSSION OF BILLING DISPUTE ISSUES TO JUSTIFY A LEVEL 3 PROPOSED MERGER CONDITION.[55] IS THERE ANY CREDENCE TO HIS TESTIMONY?

A. No. Mr. Thayer's testimony on billing disputes, which involves a fear that CenturyLink could leverage existing billing disputes with one ILEC affiliate to threaten nationwide disconnection of a CLEC's services, falls into the same category that we have seen with other CLEC testimony; that is Mr. Thayer speculates what *might* happen instead of relating any specific facts. Mr. Thayer also fails to state how the merged company would engage in this speculative behavior in defiance of ICA terms that legally dictate the operating relationship between Level 3 and a single legal entity CenturyLink affiliate.

Further, Mr. Thayer testifies to his support for proposed conditions that would bind the post-merger CenturyLink and Qwest affiliates as a single entity,[56] such as the porting of

---

[55] Thayer Direct at23.

affiliate agreements and a single POI per LATA, but for this alleged issue he offers contradictory testimony, expressing a concern over a hypothetical issue that would occur only if the affiliates were bound as one company.

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

A. Yes. The CLECs are attempting to use this merger approval proceeding to impose new and specialized interconnection obligations upon CenturyLink and Qwest, obligations which are not authorized by law, and which have not been obtained through good faith negotiations or arbitrations contemplated under §§ 251 and 252 of the FTA. The CLECs are also attempting to use this merger proceeding to resolve non-merger disputes that have been or should be resolved in other proceedings or forums. The Commission should not permit CLECs to dictate terms different than those already negotiated and approved by the Commission, and to circumvent other established procedures for dealing with such issues. For the foregoing reasons, and for the reasons stated in the Application, the Commission should promptly approve the proposed transfer of control without any conditions.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

---

[56] Thayer Direct at 3-4.

EXHIBIT A- WHOLESALE MERGER CONDITIONS SUGGESTED BY STAFF

6. *That the Merged Company shall continue to comply with all Section 271 obligations adopted by this Commission and the FCC, including all Qwest Performance Assurance Plan ("QPAP") and Performance Indicator Definition ("PID") obligations, until it is released of those obligations by the FCC and this Commission, as appropriate.*

19. *That the Merged Company shall for a period of three years following merger close keep intact pre-merger Operational Support Systems ("OSSs") that support wholesale services in Arizona, unless the Merged Company obtains Commission approval to make changes prior to that time.*

20. *That the Merged Company shall give at least 6 months notice to the Commission and CLECs of any plans to integrate portions of Qwest's wholesale Operational Support Systems OSSs with portions of the CenturyLink and/or Embarq OSS. If the integration is to be accomplished in phases, 6-month notice should be given before each separate phase. The Merged Company shall make a filing with the Commission in this Docket explaining the proposed integration, a schedule for its implementation and a detailed plan of integration. The Merged Company shall indicate what support system is being replaced and what support system will survive. It shall also discuss any anticipated problems and any problems that occurred with similar integrations in other jurisdictions and how such problems will be mitigated in Arizona. The Merged Company shall be required to demonstrate that the proposed integration, where it affects wholesale operations, will not result in a degradation of current Qwest wholesale support systems. The Merged Company shall coordinate any transition with the CLECs. The Merged Company shall notifl the Commission and CLECs when the integration is complete.*

24. *That the Merged Company shall continue with the Qwest Change Management Process ("CMP"), utilizing the terms and conditions set forth in the Qwest CMP Document, including those terms and conditions governing changes to the CMP Document. The Merged Company shall be required to meet with the CLECs and adopt changes to the CMP process which will allow for meaningful input by the CLECs on any proposed changes. The Merged Company shall agree to complete all CLEC change requests in a commercially reasonable timefame.*

25. *That the Merged Company shall continue to honor all obligations under Qwest's current interconnection agreements, tariffs, and other existing contractual arrangements with CLECs. That for three years following merger close, the Merged Company shall allow requesting carriers to extend existing interconnection agreements, pending the completion of newly negotiated agreements.*

26. *That no Qwest wholesale intrastate service offered to competitive carriers as of the merger filing date will be discontinued for two years after closing of the merger, unless approved by the Commission.*

27. *That the Merged Company shall ensure that Wholesale and CLEC support centers are sufficiently staffed with adequately trained personnel dedicated exclusively to wholesale operations and will provide a level of service comparable to that provided to the Qwest service areas prior to the merger.*

28. *After the Closing Date of the transaction, the Merged Company shall provide and maintain updated escalation information, contact lists and account manager information that are in place at least 30 days prior to the transaction close date. For changes to support center location, organizational structure, or contact information, the Merged Company will provide at least 30 days advance written notice to all CLECs and Commission.*

29. *The Merged Company shall continue to make available to each wholesale carrier in Arizona the types of information that Qwest made available as of the Merger Filing Date concerning wholesale OSS functions and wholesale business practices and procedures, including information provided via the wholesale web site, notices, industry letters, the change management process, and databases/tools.*

30. *That the Merged Company shall allow a requesting competitive provider to use any approved Interconnection Agreement ("ICA") in Arizona, as the basis for negotiating a replacement ICA.*

33. *That the Merged Company shall not impose any new or additional charges upon CLECs for functions already undertaken by Qwest without the prior approval of the Commission.*

EXHIBIT B- PROPOSED CLEC MERGER CONDITIONS

Proposed CLEC Interconnection Related Conditions

6. *As of the Closing Date, the Merged Company will assume or take assignment of all obligations under Qwest's interconnection agreements, interstate tariffs (including the Annual Incentive contract tariff), and intrastate tariffs, Commercial agreements, and other existing arrangements with wholesale customers ("Assumed Agreements"). The Merged Company will assume or take assignment of all obligations under Qwest alternative form of regulation plans. The Merged Company shall not require wholesale customers to execute any documents(s) to effectuate the Merged Company's assumption or taking assignment of these obligations.*

   a. The Merged Company shall make available to requesting CLECs and shall not terminate or change the rates, terms or conditions of any Assumed Agreements during the unexpired term of any Assumed Agreement or for at least the Defined Time Period, whichever occurs later, unless requested by CLEC, or required by a change of law.

   b. In the legacy CenturyLink ILEC territory, the Merged Company will offer Commercial agreements (including those offered pursuant to condition 7), at prices no higher, and for time periods no shorter, than those offered in the legacy Qwest ILEC territory.

8. *The Merged Company will allow requesting carriers to extend existing interconnection agreements, whether or not the initial or current term has expired or is in "evergreen" status, for at least the Defined Time Period or the date of expiration in the agreement, whichever is later.*

9. *The Merged Company shall allow a requesting competitive carrier to use its pre-existing interconnection agreement, including agreements entered into with Qwest, as the basis for negotiating a new replacement interconnection agreement. If Qwest and a requesting competitive carrier are in negotiations for a replacement interconnection agreement before the Closing Date, the Merged Company will allow the requesting carrier to continue to use the negotiations draft upon which negotiations prior to the Closing Date have been conducted as the basis for negotiating a replacement interconnection agreement. In the latter situation (ongoing negotiations), after the Closing Date, the Merged Company will not substitute a negotiations template interconnection agreement proposal of any legacy CenturyLink operating company for the negotiations proposals made before the Closing Date by legacy Qwest.*

10. *In the legacy CenturyLink ILEC territory, the Merged Company will permit a requesting carrier to opt into any interconnection agreement to which Qwest is a party in the same state, including agreements in evergreen status. If there is no Qwest ILEC in a state, the Merged Company will permit a requesting carrier to opt into any interconnection*

agreement to which Qwest is a party in any state in which Qwest is an ILEC. Agreements subject to the opt-in rights described in this condition will apply in full, without modification and subject to the other conditions set forth herein. To the extent that the Merged Company seeks to modify agreements subject to the opt-in rights described in this condition, the Merged Company will permit the opt-in and the agreement shall become effective, subject to the Merged Company's right to subsequently seek from the applicable state commission an order modifying the agreement. The state commission may require modification of the agreement to the extent that the commission determines that the Merged Company has established that (1) it is not Technically Feasible for the Merged Company to comply with one or more provisions of the agreement or (2) the price(s) set forth in the agreement are inconsistent with TELRIC-based prices in the state in question. More consistency in interconnection agreement offerings will provide more consistency for wholesale customers dealing with CenturyLink in multiple states, and will enable the industry to rely on interconnection agreement terms from the pre-closing entity that both has been through Section 271 approval proceedings and has the greater volume of CLEC wholesale business.

a. "CenturyLink ILEC territory," as used in this condition, excludes any CenturyLink ILEC for which a state commission has granted CenturyLink a rural exemption pursuant to Section 251(f) of the Federal Communications Act of 1934, as amended, 47 U.S.C. § 151 et seq. (the Communications Act") before the Merger Filing Date.

b. Nothing in this condition precludes a regulatory body from determining that any operating company of the Merged Company, which as of the Merger Closing Date operates under a Section 251(f) exemption or a 251(f)(2) suspension or modification, must cease to do so. In the event that such a ruling is made, this condition would then apply to the applicable operating company as well.

12. *The Merged Company will not seek to avoid any of the obligations of CenturyLink under the Assumed Agreements on the grounds that CenturyLink is not an incumbent local exchange carrier ("ILEC") under the Communications Act. The Merged Company will waive its right to seek the exemption for rural telephone companies under Section 251(f)(1) and its right to seek suspensions and modifications for rural carriers under Section 251(f)(2) of the Communications Act.*

14. *For at least the Defined Time Period, the Merged Company will not seek to reclassify as "non-impaired" any wire centers for purposes of Section 251 of the Communications Act, nor will the Merged Company file any new petition under Section 10 of the Communications Act seeking forbearance from any Section 251 or 271 obligation or dominant carrier regulation in any wire center.*

15. *The Merged Company shall provide to wholesale carriers, and maintain and make available to wholesale carriers on a going-forward basis, up-to-date escalation information, contact lists, and account manager information at least 30 days prior to the Closing Date. For changes to support center location, organizational structure, or* *contact information, the Merged Company will provide at least 30 days advance written notice to wholesale carriers. For other changes, the Merged Company will provide reasonable advanced notice of the changes. The information and notice provided shall be consistent with the terms of applicable interconnection agreements.*

21. *The Merged Company will process orders in compliance with federal and state law, as well as the terms of applicable interconnection agreements.*

22. *The Merged Company will provide number portability in compliance with federal and state law, as well as the terms of applicable interconnection agreements.*

    a. When a number is ported from the Merged Company, E-911 records will be unlocked at the time of porting. Trouble reports involving locked E-911 records will be addressed within 24 hours.

    b. The Merged Company will not assign any pass code, password or Personal Identification Number (PIN) to retail customer accounts in a manner that will prevent or delay a change in local service providers. The Merged Company will require only pass codes that an end user customer requests for the purpose of limiting or preventing activity and changes to their account. The Merged Company will not require that a new local service provider provide, on a service request, a password or PIN that the end user customer uses or used to access its account information on-line [including Customer Proprietary Network Information (CPNI)].

    c. The Merged Company shall not limit the number of ports that can be processed.

23. *The Merged Company will provide nondiscriminatory access to directory listings and directory assistance in compliance with federal and state law. Specifically, the Merged Company will be responsible for ensuring that all directory listings submitted by CLECs for inclusion in directory assistance or listings databases are properly incorporated into such databases (whether such databases are maintained by the Merged Company or a third party vendor). Further the Merged Company will ensure that CLECs' subscriber listings are accessible to any requesting person on the same terms and conditions that the Merged Company's subscriber listings are available to any requesting person.*

24. *After the Closing Date, the Merged Company shall not assess any fees, charges, surcharges or other assessments upon CLECs for activities that arise during the subscriber acquisition and migration process other than any fees, charges, surcharges or other assessments that were approved by the applicable commission and charged by Qwest in the legacy Qwest ILEC territory before the Closing Date. This condition prohibits the Merged Company from charging fees, charges, surcharges or other assessments, including:*

a. Service order charges assessed upon CLECs submitting local service requests ("LSRs") for number porting;

b. Access or "use" fees or charges assessed upon CLECs that connect a competitor's own self-provisioned loop, or last mile facility, to the customer side of the Merged Company's network interface device ("NID") enclosure or box; and

c. "Storage" or other related fees, rents or service order charges assessed upon a CLECs' subscriber directory listings information submitted to the Merged Company for publication in a directory listing or inclusion in a directory assistance database.

25. *The Merged Company will provide routine network modifications in compliance with federal and state law, as well as the terms of applicable interconnection agreements.*

26. *After the Closing Date, the Merged Company will engineer and maintain its network in compliance with federal and state law, as well as the terms of applicable interconnection agreements. Resources will not be diverted to merger-related activities at the expense of maintaining the Merged Company's network.*

a. The Merged Company shall not engineer the transmission capabilities of its network in a manner, or engage in any policy, practice, or procedure, that disrupts or degrades access to the local loop.

b. The Merged Company will retire copper in compliance with federal and state law, as well as the terms of applicable interconnection agreements and as required by a change of law.

c. The Merged Company will not engineer or maintain the network (including routing of traffic) in a manner that results in the application of higher rates for traffic or inefficiencies for wholesale customers.

27. *The Merged Company will provide conditioned copper loops in compliance with federal and state law and at rates approved by the applicable state Commission. Line conditioning is the removal from a copper loop of any device that could diminish the capability of the loop to deliver xDSL. Such devices include bridge taps, load coils, low pass filters, and range extenders. Insofar as it is technically feasible, the Merged Company shall test and report troubles for all the features, functions and capabilities of conditioned copper lines, and may not restrict its testing to voice transmission only. If the Merged Company seeks to change rates approved by a state Commission for conditioning, the Merged Company will provide conditioned copper loops in compliance with the relevant law at the current Commission approved rates unless and until a different rate is approved.*

28. *At CLEC's option, the Merged Company will interconnect with CLEC at a single point of interconnection per LATA, regardless of whether the Merged Company provides service in such LATA via multiple operating company affiliates or a single operating company.*

Proposed CLEC OSS Conditions

16. *The Merged Company will make available to each wholesale carrier the types and level of data, information, and assistance that Qwest made available as of the Merger Filing Date concerning wholesale Operational Support Systems functions and wholesale business practices and procedures, including information provided via the wholesale web site (which Qwest sometimes refers to as its Product Catalog or "PCAT"), notices, industry letters, the change management process, and databases/tools (loop qualification tools, loop make-up tool, raw loop data tool, ICONN database, etc.).*

19. *In legacy Qwest ILEC territory, after the Closing Date, the Merged Company will use and offer to wholesale customers the legacy Qwest Operational Support Systems (OSS) for at least three years and provide at least the same level of wholesale service quality, including support, data, functionality, performance, and electronic bonding, provided by Qwest prior to the Merger Filing Date. After the minimum three-year period, the Merged Company will not replace or integrate Qwest systems without first complying with the following procedures:*

a. The Merged Company will prepare and submit a detailed plan to the Wireline Competition Bureau of the FCC and the state commission of any affected state before replacing or integrating Qwest system(s). The Merged Company's plan will describe the system to be replaced or integrated, the surviving system, and why the change is being made. The plan will describe steps to be taken to ensure data integrity is maintained. The plan will describe CenturyLink's previous experience with replacing or integrating systems in other jurisdictions, specifying any problems that occurred during that process and what has been done to prevent those problems in the planned transition for the affected states. The Merged Company's plan will also identify planned contingency actions in the event that the Merged Company encounters any significant problems with the planned transition. The plan submitted by the Merged Company will be prepared by information technology professionals, retained at the Merged Company's expense, with substantial experience and knowledge regarding legacy CenturyLink and legacy Qwest systems processes and requirements. Interested carriers will have the opportunity to comment on the Merged Company's plan.

b. For any Qwest system that was subject to third party testing (e.g., as part of a Section 271 process), robust, transparent third party testing will be conducted for the replacement system to ensure that it provides the needed functionality and can appropriately handle existing and continuing wholesale services in commercial volumes. The types and extent of testing conducted during the Qwest Section 271 proceedings will provide guidance as to the types and extent of testing needed for *the replacement systems. The Merged Company will not limit CLEC use of, or retire, the existing system until after third party testing has been successfully completed for the replacement system.*

c. Before implementation of any replacement or to be integrated system, the Merged Company will allow for coordinated testing with CLECs, including a stable testing environment that mirrors production and, when applicable, controlled production testing. The Merged Company will provide the wholesale carriers training and education on any wholesale OSS implemented by the Merged Company without charge to the wholesale carrier.

20. In the legacy CenturyLink ILEC territory, as soon as reasonably possible, the Merged Company will use the wholesale pre-ordering, quoting, ordering, provisioning, and maintenance and repair functionalities (including electronic bonding) of the legacy Qwest territory to provide interconnection, Unbundled Network Elements, and special access services in the legacy CenturyLink ILEC territory. Specifically, in the legacy CenturyLink ILEC territory, the Merged Company will use the legacy Qwest IMA (GUI and XML), CORA, DLIS, CEMR, MEDIAC, Q. pricer, and Qwest Control systems for those services and functionalities for which Qwest provides wholesale services through these systems as of the Merger Filing Date.

Proposed CLEC Product and Service Related Conditions

1. Any wholesale service offered to competitive carriers at any time between the Merger Filing Date up to and including the Closing Date will be made available and will not be discontinued for at least the Defined Time Period, except as approved by the Commission.

2. The Merged Company will not recover, or seek to recover, through wholesale service rates or other fees paid by CLECs, and will hold wholesale customers harmless for, one-time transfer, branding, or any other transaction-related costs. For purposes of this condition, "transaction related costs" shall be construed broadly and, for example, shall not be limited in time to costs incurred only through the Closing Date.

3. The Merged Company will not recover, or seek to recover, through wholesale service rates or other fees paid by CLECs, and will hold wholesale customers harmless for, any increases in overall management costs that result from the transaction, including those incurred by the Operating Companies.

4. In the legacy Qwest ILEC territory, the Merged Company shall comply with all wholesale performance requirements and associated remedy or penalty regimes for all wholesale services, including those set forth in regulations, tariffs, interconnection agreements, and Commercial agreements applicable to legacy Qwest as of the Merger Filing Date. The Merged Company shall continue to provide to CLECs at least the reports of wholesale performance metrics that legacy Qwest made available, or was required to make available, to CLECs as of the Merger Filing Date. The Merged Company shall also *provide these reports to state commission staff or the FCC, when requested. The state commission and/or the FCC may determine that additional remedies are required, if the remedies described in this condition do not result in the required wholesale service quality performance or if the Merged Company violates the merger conditions.*

a. *No Qwest Performance Indicator Definition (PID) or Performance Assurance Plan (PAP) that is offered, or provided via contract or Commission approved plan, as of the Merger Filing Date ("Current PAP") will be reduced, eliminated, or withdrawn for at least five years after the Closing Date and will be available to all requesting CLECs until the Merged Company obtains approval from the applicable state commission, after the minimum 5-year period, to reduce, eliminate, or withdraw it. For at least the Defined Time Period, in the legacy Qwest ILEC territory, the Merged Company shall meet or exceed the average wholesale performance provided by Qwest to each CLEC for one year prior to the Merger Filing Date for each PID, product, and disaggregation. If the Merged Company fails to provide wholesale performance as described in the preceding sentence, the Merged Company will also make remedy payments to each affected CLEC in an amount as would be calculated using the methodology (e.g., modified Z test, critical Z values, and escalation payments) in the Current PAP, for each missed occurrence when comparing performance post- and pre- Closing Date ("Additional PAP").*

b. *In the legacy Qwest ILEC territory, for at least the Defined Time Period, the Merged Company will meet or exceed the average monthly performance provided by Qwest to each CLEC for one year prior to the Merger Filing Date for each metric contained in the CLEC-specific monthly special access performance reports that Qwest provides, or was required to provide, to CLECs as of the Merger Filing Date. For each month that the Merged Company fails to meet Qwest's average monthly performance for any of these metrics, the Merged Company will make remedy payments (calculated on a basis to be determined by the state commission or FCC) on a per-month, per-metric basis to each affected CLEC.*

5. *For at least the Defined Time Period, in the legacy CenturyLink ILEC territory, the Merged Company shall comply with all wholesale performance requirements and associated remedy or penalty regimes for all wholesale services, including those set forth in regulations, tariffs, interconnection agreements, and Commercial agreements applicable to legacy CenturyLink as of the Merger Filing Date. The Merged Company shall continue to provide to CLECs at least the reports of wholesale performance metrics that legacy CenturyLink made available, or was required to make available, to CLECs as of the Merger Filing Date. The Merged Company shall also provide these reports to state commission staff or the FCC, when requested. The state commission and/or the FCC may determine that additional remedies are required, if the remedies described in this condition do not result in the required wholesale service quality performance or if the Merged Company violates the merger conditions.*

a. *The Merged Company shall provide to CLECs the reports of wholesale special access performance metrics that Qwest provides, or was required to provide, to CLECs as of the Merger Filing Date. The Merged Company shall also provide these reports to the Commission staff, when requested. Beginning 12 months after the Closing Date, the requirements set forth in condition 4(b) shall apply to the Merged Company in the legacy CenturyLink ILEC territory, thereby requiring the Merged Company's average monthly performance in providing special access services in the legacy CenturyLink ILEC territory to meet or exceed the Merged Company's average monthly performance for each CLEC in the legacy Qwest ILEC territory for one year prior to the Merger Filing Date.*

7. *Rates charged by legacy CenturyLink and rates charged by legacy Qwest (including those described in condition 6) for tandem transit service, any interstate special access tariffed or non-tariffed and commercial offerings, any intrastate wholesale tariffed offering, and any service for which prices are set pursuant to Sections 252(c)(2) and Section 252(d) of the Communications Act shall not be increased for at least the Defined Time Period. The Merged Company will not create any new rate elements or charges for distinct facilities or functionalities that are already provided under rates as of the Closing Date.*

a. The Merged Company shall continue to offer any term and volume discount plans offered as of the Merger Announcement Date, for at least the Defined Time Period, without any changes to the rates, terms, or conditions of such plans. The Merged Company will honor any existing contracts for services on an individualized term pricing plan arrangement for the duration of the contracted term.

b. In the legacy CenturyLink territory, the Merged Company will comply with its statutory obligations pursuant to Section 251(c), and will provide tandem transit services to CLECs in interconnection agreements established pursuant to Sections 251 and 252, at rates no greater than any cost-based rate approved by the state commission for the Qwest ILEC territories, or current tandem transit rate, whichever is lower.

Miscellaneous Proposed CLEC Conditions

11. *To the extent that an interconnection agreement is silent as to an interval for the provision of a product, service or functionality or refers to Qwest's website or Service Interval Guide (SIG), the applicable interval, after the Closing Date, shall be no longer than the interval in Qwest's SIG as of the Merger Filing Date.*

13. *In the legacy Qwest ILEC territory, the Merged Company shall be classified as a Bell Operating Company ("BOC"), pursuant to Section 3(4)(A)-(B) of the Communications Act and shall be subject to all requirements applicable to BOCs, including but not limited to the "competitive checklist" set forth in Section 271(c)(2)(B) and the obligation to*

ensure there is no backsliding, and the nondiscrimination requirements of Section 272(e) of the Communications Act.

17. *After the Closing Date, the Merged Company will maintain the Qwest Change Management Process ("CMP"), utilizing the terms and conditions set forth in the CMP Document, including those terms and conditions governing changes to the CMP Document. The Merged Company will dedicate the resources needed to complete pending CLEC change requests in a commercially reasonable time frame.*

18. *The Merged Company shall ensure that the legacy Qwest Wholesale and CLEC support centers are sufficiently staffed, relative to wholesale order volumes, by adequately trained personnel dedicated exclusively to wholesale operations so as to provide a level of service that is equal to or superior to that which was provided by Qwest prior to the Merger Filing Date and to ensure the protection of CLEC information from being used for the Merged Company's retail operations or marketing purposes of any kind. The Merged Company will employ people who are dedicated to the task of meeting the needs of CLECs and other wholesale customers. The total number of the Merged Company's employees dedicated to supporting wholesale services for CLEC customers will be no fewer than the number of such employees (including agents and contractors) employed by legacy Qwest and legacy CenturyLink as of the Merger Filing Date, unless the Merged Company obtains a ruling from the applicable regulatory body that wholesale order volumes materially decline or other circumstances warrant corresponding employee reductions.*

29. *All Conditions herein may be expanded or modified as a result of regulatory decisions concerning the proposed transaction in other states, including decisions based upon settlements, that impose conditions or commitments related to the transaction. CenturyLink agrees that the state commission of any state may adopt any commitments or conditions from other states or the FCC that are adopted after the final order in that state.*

30. *In the event a dispute arises between the parties with respect to any of the pre-closing and post-closing conditions herein, either party may seek resolution of the dispute by filing a petition with the state commission at any time. Alternative dispute resolution provisions in an interconnection agreement shall not prevent any party from filing a petition with the state commission at any time.*

BEFORE THE ARIZONA CORPORATION COMMISSION

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

TESTIMONY IN SUPPORT OF

SETTLEMENT AGREEMENT

OF

MICHAEL R. HUNSUCKER

ON BEHALF OF

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

DECEMBER 1, 2010

EXHIBIT
tabbies
CTL-9
~~ADMITTED~~

TESTIMONY IN SUPPORT OF SETTLEMENT OF MICHAEL R. HUNSUCKER

TABLE OF CONTENTS

I. IDENTIFICATION OF WITNESS

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

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

Q. ON WHOSE BEHALF ARE YOU SUBMITTING SUPPLEMENTAL TESTIMONY?

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

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

A. Yes.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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

[1] Throughout my testimony I refer to the Joint Applicants, Staff, and RUCO collectively as the "Settling Parties."

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

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

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

Consequently, I believe that the wholesale conditions proposed in prefiled testimony by Staff and by CLEC interveners are unnecessary. However, in an effort to address the wholesale concerns raised by Staff and CLEC interveners/customers, CenturyLink and Qwest are willing to commit to numerous wholesale conditions in the spirit of compromise.

III. DISCUSSION OF THE WHOLESALE CONDITIONS IN RELATION TO STAFF CONDITIONS

Q. CAN YOU PLEASE PROVIDE SOME BACKGROUND ON THE PROCESS BY WHICH THE SETTLING PATIES AGREED TO WHOLESALE CONDITIONS IN THE SETTLEMENT AGREEMENT?

A. Yes. CenturyLink has been engaged in negotiations with major CLECs for several months. CenturyLink believed that a voluntary agreement to a set of wholesale conditions that we thought were reasonable in the context of a broader settlement would help resolve the merger proceedings in the most expeditious manner for all parties. These negotiations have been very intense and detailed over the last few weeks as Joint Applicants and various CLEC parties began defining the comprehensive and interrelated settlement terms that were acceptable to each. This negotiation effort culminated most recently in a multi-state and federal settlement with Integra, and that settlement agreement was filed with the Arizona Corporation Commission on November 10, 2010. The settlement agreement with Integra is a major milestone in the merger approval process for the Joint Applicants, given the scope and complexity of the issues that Integra had raised in connection with the merger, in Arizona as well as in the numerous other

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

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

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

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

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

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

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

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

A. Yes. The Staff's position in prefiled testimony was that the merger should be approved, subject to the imposition of certain conditions. The Staff's proposed conditions can be found in Attachment 1 to the Direct Testimony of Staff witness Armando Fimbres, and the Staff's proposed wholesale conditions are condition numbers 19 through 33. Virtually all of Staff's proposed wholesale conditions are directly or effectively met by the final wholesale conditions in the Settlement. For example, the Settlement's wholesale condition 23 permits extensions of existing ICAs for up to three years, thereby encompassing the same ICA extension requirement as Staff's proposed *condition* 25. The remaining portion of Staff's proposed condition 25 - honoring the obligations of current ICAs, tariffs and contracts - is already met by the legal obligation of the post-merger Qwest affiliate to honor any contracts pursuant to the written terms of those contracts.

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

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

[2] Ensuring CLEC support centers are staffed with trained personnel and maintain existing levels of service.

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

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

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

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

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

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

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

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

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

[3] Fimbres Direct Testimony at 15.

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

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

A. Wholesale condition 20 of the Settlement obligates the post-merger company to maintain the QPAP and PID without reduction or modification for eighteen months. After eighteen months, modification to the QPAP may be sought under the terms and conditions outlined in the QPAP. Further, the post-merger company will not seek to eliminate or withdraw the QPAP for at least three years past the Closing Date. In addition, condition 20 provides measurement standards to compare pre- and post-merger performance, requires the merged company to conduct root causes analysis on service performance, requires the merged company to develop proposals to remedy deficiencies, and requires the parties to work cooperatively to identify and remedy any deterioration in wholesale performance in a transparent manner.

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

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

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

A. Staff's original proposed conditions 25 and 26 sought a three year extension of existing ICAs, and generally sought stability in the services provide to CLECs, subject to Commission approval of any discontinuance or changes. As I mentioned above, the Settlement permits extensions of existing ICAs up to three years, thereby encompassing the same ICA extension requirement as Staff's proposed condition 25. In addition, wholesale condition 23 provides an eighteen month extension of Qwest commercial and other wholesale agreements, and commits to a limited grandfathering provision for such agreements if the services provided are later discontinued by Qwest. Lastly, the Settlement also addresses wholesale tariffs by committing to no changes for a twelve month period and a twelve month extension of existing volume and term discount plans beyond the term of any current plan.

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

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

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

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

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

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

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

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

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

> ***unreasonably discriminatory basis – the standards set forth in sections 201 and 202.***[4] (footnotes omitted; emphasis added)

The FCC continues:

> ..... we conclude that section 271 requires BOCs to provide unbundled access to elements not required to be unbundled under section 251, but ***does not require TELRIC pricing.*** This interpretation allows us to reconcile the interrelated terms of the Act ***so that one provision (section 271) does not gratuitously reimpose the very same requirements that another provision (section 251) has eliminated.***[5]

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

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

---

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

5 TRO, ¶ 659.

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

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

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

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

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

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

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

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

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

d) Qwest will continue to be classified as a BOC and subject to BOC requirements, including §§ 271 and 272. This is condition 4 in the Settlement Agreement.

e) Qwest will not seek to reclassify as "non-impaired" any Qwest wire centers for a period of time. This is condition 30 in the Settlement Agreement.

f) The merged company will engineer and maintain its network in compliance with federal and state law and terms of applicable ICAs. This is condition 31 in the Settlement Agreement.

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

A. There are 29 conditions proposed by the Joint CLECs that are applicable to Arizona. Although the wording of the Joint CLEC's conditions may differ from the wording of the Settlement's wholesale conditions, I believe a fair side-by-side reading shows that the Settlement essentially meets or addresses in reasonable compromise over half of the 29 CLEC conditions. If the Settlement does not meet a proposed CLEC condition, the difference in many cases is the excessive timeframe demanded by the Joint CLECs in comparison to the reasonable and sufficient timeframe negotiated with Staff and Integra, accepted by Cox, and incorporated into the Settlement. However, whether the Settlement's wholesale conditions address some or most of the Joint CLECs' conditions is not as important, in my opinion, as the fact that the Settlement essentially addresses all of the Staff's proposed wholesale conditions. The Staff is the party charged with protecting the public interest, and with taking a broad view of all the interests in the competitive marketplace, including Qwest's interests as a service provider and as competitor. Viewed broadly from the perspective of all the wholesale benefits and commitments that are contained within the Settlement, the Joint Applicants believe that the Settlement's wholesale conditions represent major voluntary compromises by the post-merger company, are in the public interest, satisfy the three criteria in the Arizona Affiliated Interest Rule[6] and are comprehensive in terms of addressing all of the Staff's concerns and addressing the greatest issues of concern to a large number of CLECs.

IV. CONCLUSION

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

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

[6] A.A.C R14-2-803(c)

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

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.