

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the matter of the Joint
Application of Qwest
Communications Company, LLC,
and Certain of its IXC
Subsidiaries and Affiliates
for Approvals Required for
Internal Corporate
Restructuring; Informal
Adjudication of Merger; and
for Name Change

Docket No. 13-2204-02

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HEARING PROCEEDINGS  
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TAKEN AT: Public Service Commission
Hearing Room 451
160 East 300 South
Salt Lake City, Utah

DATE: Monday, January 27, 2014

TIME: 1:34 p.m.

REPORTED BY: Teena Green, RPR, CSR, CRR, CBC

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APPEARANCES

HEARING OFFICER MELANIE REIF
FOR DIVISION OF PUBLIC UTILITIES:
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FOR CENTURYLINK:
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THE HEARING OFFICER: We are going to go on the record now. And my name is Melanie Reif, I am the Administrative Law Judge for the Utah Public Service Commission.

8

And today is Monday, January 27, and this is the date and time for the hearing in Docket 13-2204-02. This matter is entitled In the Matter of the Joint Application of Qwest Communications Company, LLC, and Certain of its IXC Subsidiaries and Affiliates for all Approvals Required for Internal Corporate Restructuring; Informal Adjudication of Merger; and for Name Change.

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Let's start with taking appearances, starting with you, please, Mr. Somers.

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MR. SOMERS: Yes. Torry Somers, associate general counsel for CenturyLink. And with me is Jim Farr, director of regulatory for CenturyLink. And on the phone we have listening today Lisa Andrell for CenturyLink and Robert Brigham for CenturyLink.

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THE HEARING OFFICER: Mr. Somers, I can hear you relatively okay, but I'm not sure that the people on the phone could hear you. Is your microphone on?

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MR. SOMERS: Sorry about that.

1 MR. BRIGHAM: We were not able to hear.

2 THE HEARING OFFICER: Okay. He was giving an
3 introduction. So I think we've got the microphone issue
4 resolved. Thank you very much.

5 Ms. Schmid?

6 MS. SCHMID: Good afternoon, Patricia E. Schmid
7 with the Attorney General's Office for the Division of Public
8 Utilities. And with me, as the Division's witness, is Casey J.
9 Coleman.

10 THE HEARING OFFICER: Thank you. And
11 welcome, everyone. And to our callers on the telephone, thank
12 you for joining us.

13 I'm going to help out things a bit, I hope, by taking
14 administrative notice of the application from CenturyLink, which
15 was filed on December 15, as well as the Division's response,
16 which was filed on January 10, 2014. In the Commission's
17 docket is also the Notice of Filing and Comment Period, which
18 was issued on December 26, 2013, as well as the Notice of
19 Hearing, which was issued on January 10, 2014.

20 I do wish to acknowledge, in part, an error, which I
21 take full responsibility for. When I noticed this for comment, I
22 normally would have issued the hearing at that time. And I do
23 apologize for not doing so. And I do see that there is a little bit
24 of a leeway with the request from CenturyLink as far as your
25 deadline, so hopefully that doesn't cause you any grief at all,

1 Mr. Somers.

2 MR. SOMERS: Everything should be fine timewise.
3 We appreciate it. Thank you.

4 THE HEARING OFFICER: Okay. Very good.

5 All right. With that said, I'll let you have the floor,
6 Mr. Somers, since this is your application.

7 MR. SOMERS: Yes, I call Jim Farr.

8 THE HEARING OFFICER: Mr. Farr, you're welcome
9 to stay where you are, and if you would kindly raise your right
10 hand.

11 JAMES FARR, called as a witness for and on behalf
12 of CenturyLink, being first duly sworn, was examined and
13 testified as follows:

14 THE COURT: Thank you.

15 DIRECT EXAMINATION

16 BY-MR.SOMERS:

17 Q. Can you please state your name.

18 A. James Farr.

19 Q. And where are you employed?

20 A. I'm employed for CenturyLink. My address is 250
21 Bell Plaza, Salt Lake City, Utah, 84111.

22 Q. And what's your position with CenturyLink?

23 A. I'm regulatory affairs director for Idaho and Utah.

24 Q. Are you familiar with the joint application of Qwest
25 Communications Company, LLC, and certain of its affiliates for

1 all approvals required for internal corporate restructuring; for
2 informal adjudication of merger; and for name change?

3 A. Yes.

4 Q. And as the Administrative Law Judge just indicated,
5 administrative notice has been taken of the application.

6 Who are the applicants?

7 A. Qwest Communications Company, LLC, d/b/a
8 CenturyLink QCC, which I'll refer to as QCC; Qwest LD
9 Corporations, d/b/a CenturyLink LD, which I will refer to as
10 QLDC; and Embarq Communications, Inc., d/b/a CenturyLink
11 Communications, which I will refer to as ECI.

12 Q. Is QCC certificated in Utah?

13 A. Yes. QCC is certificated in Utah as a competitive
14 local exchange carrier, or CLEC, and an Interexchange Carrier,
15 or IXC.

16 Q. And are Qwest Long-Distance Corporation and
17 Embarq Communications certificated in Utah?

18 A. Qwest LD Corporation and Embarq Communications
19 are both IXCs. IXCs are not required to be certificated in Utah.
20 CenturyLink has included these entities as applicants to the
21 extent the Commission believes the transaction described in the
22 application requires approval.

23 Q. CenturyLink attached two exhibits to its application
24 that set forth the organizational structure before and after the
25 transaction; right?

1 A. Yes. They are Exhibit A and Exhibit B to the
2 application. Exhibit A are the entities prior to the corporate
3 IXC/CLEC restructuring, and Exhibit B are the entities after the
4 IXC/CLEC restructuring.

5 MR. SOMERS: And, Your Honor, if it's easier for
6 you, rather than having to flip back and forth through the
7 application, I have separate copies, if you would like.

8 THE HEARING OFFICER: I appreciate that. I don't
9 have any difficulty. Thank you.

10 BY MR. SOMERS:

11 Q. Can you please describe the transaction that is the
12 subject of the application?

13 A. Yes. CenturyLink is seeking all approval necessary
14 to effectuate an internal restructuring of Applicant CLEC and
15 IXC subsidiaries. Under the proposed transaction, QCC
16 becomes a direct subsidiary of CenturyLink, Inc. Today, QCC is
17 an indirect subsidiary of CenturyLink, Inc. CenturyLink then
18 proposes to consolidate and restructure all of its CLEC and IXC
19 entities into QCC. QCC is already certificated in 49 states,
20 making it the logical surviving entity for CenturyLink's IXC/CLEC
21 activities.

22 Q. Mr. Farr, do you believe the transaction is in the
23 public interest?

24 A. Yes.

25 Q. Can you please explain why CenturyLink is doing

1 this internal corporate restructuring and why it is in the public
2 interest?

3 A. Yes.

4 Due to a number of mergers and acquisitions over
5 the years, CenturyLink has an internal corporate structure
6 containing numerous IXC and/or CLEC entities with duplicative
7 IXCs and CLECs in some states. The duplicates and
8 unnecessary corporate entities create administrative
9 inefficiencies. The proposed consolidation of CenturyLink's
10 IXCs and CLECs will rationally restructure CenturyLink's internal
11 corporate structure by reducing and consolidating IXC and CLEC
12 entities, improve administrative efficiencies, and enhance
13 internal operations.

14 This is purely an internal transaction to
15 CenturyLink. No change in price list rates, terms, or conditions
16 for the customers of any of the impacted CenturyLink IXCs.
17 CLECs are proposed with this corporation restructuring.
18 Customers will continue on the same plan at the same rates,
19 terms, and conditions as before the consolidation. CLEC and
20 IXC services will continue to be provided, pursuant to the same
21 contract or price list currently in place.

22 Also, it's important to point out that the transaction
23 will have no impact on Qwest Corporation, the CenturyLink
24 incumbent local exchange carrier, or ILEC, operating in Utah.

25 Q. Do you believe there are any applicable rules or

1 statutes regarding customer consent or notification in
2 connection with the internal corporate restructuring?

3 A. No. CenturyLink is committed to ensuring that the
4 internal restructuring is transparent to customers. As I have
5 already said, the transaction will not result in rate increases for
6 customers, nor will the terms and conditions of services
7 provided change due to the transaction. Customers will still
8 receive bills from CenturyLink. To the extent the Commission
9 believes there are applicable rules, CenturyLink respectfully
10 requests these be waived.

11 The statute dealing with the change of
12 telecommunications providers is not applicable for the same
13 reasons that such notice is not required at the FCC. Even
14 though no rules are applicable, CenturyLink is providing notice
15 to its customers.

16 Q. Mr. Farr, the application also requests to change
17 QCC's name to CenturyLink Communications, LLC, right?

18 A. That is correct. As part of the transaction, QCC is
19 requesting that its name be changed to CenturyLink
20 Communications, LLC. CenturyLink Communications, LLC, will
21 operate with the common CenturyLink brand. CenturyLink will
22 file any necessary price lists, as may be required by Utah under
23 the new surviving entity CenturyLink Communications, LLC.

24 The price list will reflect the existing CLEC and IXC
25 rates, terms, and conditions in separate sections of a single

1 price list.

2 Q. When is CenturyLink trying to complete the
3 transaction?

4 A. CenturyLink plans to have any required Commission
5 approvals completed so it can make this effective on April 1,
6 2014. CenturyLink requests immediate approval of the
7 application, including approving the name change of QCC to
8 CenturyLink Communications, LLC, and requests that it be
9 effective on April 1, 2014.

10 MR. SOMERS: I have no further questions for Mr.
11 Farr.

12 THE HEARING OFFICER: Ms. Schmid, any
13 questions?

14 MS. SCHMID: No questions.

15 THE HEARING OFFICER: Okay. Thank you. I
16 have one question and it's probably a question for you, Mr.
17 Somers.

18 I just want to better understand the rules that are
19 cited on page 1 of the joint application. The very last sentence
20 refers to three different provisions of the code. And the first
21 one is 54428, which refers to merger; the second is 54429,
22 which refers to acquiring voting stock or securities. And
23 I--that's the one that I wanted to ask you about.

24 Is that applicable in this circumstance? And if so,
25 could you help me understand how?

1 MR. SOMERS: It is probably not applicable. We
2 have been trying to be overinclusive to make sure that all of the
3 potential rules that could be impacted were cited.

4 THE HEARING OFFICER: Okay. So when I was
5 reviewing the application, I thought maybe I was missing
6 something, but it's probably just mentioned in an attempt to
7 include everything and--

8 MR. SOMERS: Correct. And looking at all other
9 similar applications that have been filed with the Commission,
10 they generally refer to all three of these rules, I think, just to
11 make sure that everything is covered.

12 THE HEARING OFFICER: Okay. Very well. And I
13 believe, back to your witness, Mr. Farr, thank you for your
14 testimony today. That was very helpful.

15 Are you aware of any comments, other than what's
16 been filed by the Division, that would be averse to the
17 application?

18 THE WITNESS: I'm not aware of any comments. I
19 checked with the front desk today to see if anything was filed
20 Friday, which I think was the original comment date, and they
21 said nothing had been filed.

22 THE HEARING OFFICER: So the front desk of the
23 Commission?

24 THE WITNESS: Yes.

25 THE HEARING OFFICER: Okay. Very good. Thank

1 you very much.

2 Ms. Schmid?

3 MS. SCHMID: Thank you.

4 The Division would like to call its witness, Mr.
5 Casey J. Coleman.

6 Could he please be sworn?

7 CASEY J. COLEMAN, called as a witness for and
8 on behalf of the Division of Public Utilities, being first duly
9 sworn, was examined and testified as follows:

10 DIRECT EXAMINATION

11 BY-MS.SCHMID:

12 Q. Could you please state your full name, business
13 address, employer, and position for the record.

14 A. Sure. My name's Casey J. Coleman. Business
15 address is 160 East 300 South, Salt Lake City, Utah, 84414. I
16 work for the Division of Public Utilities. And my job description
17 or title is a utility technical consultant.

18 Q. As a Division utility technical consultant, have you
19 participated in this docket?

20 A. Yes, I have.

21 Q. Did you prepare or assist in the preparation of the
22 memorandum, dated January 9, 2014, regarding joint application
23 of Qwest Communications Company, LLC, and certain of its IXC
24 subsidiaries and affiliates for all approvals required for internal
25 corporate restructuring; informal adjudication of merger; and for

1 name change, for Docket No. 13-2204-02?

2 A. Yes.

3 Q. Do you adopt that memorandum as your testimony
4 today?

5 A. Yes.

6 Q. And we'll note, for the record, that the
7 Administrative Law Judge has taken administrative notice of this
8 Division memorandum.

9 Do you have a small summary you'd like to give
10 today?

11 A. Sure.

12 As part of my job, we reviewed the application by
13 Qwest and also looked at the different rules and elements
14 pertaining with it. And we felt that it was appropriate to approve
15 the recommendation of the streamlining of the companies and
16 the internal restructuring, as it talked about.

17 Mostly, we looked at it from a customer's
18 perspective. And our belief is that customers are signing up
19 with CenturyLink and they may not know the full corporate
20 structure, as far as who is an IXC versus CLEC corp or an ILEC.
21 And so from their perspective, they are still going to basically be
22 receiving services, in their mind, from the same entity, which
23 would be CenturyLink.

24 And so we didn't see any adverse effects to
25 customers. As QCC pointed out in their application, you know,

1 they're not going to be impacting customers, there's not going to
2 be rate changes, any of those things.

3 Additionally, as they also pointed out and from what
4 we could see from the application, it didn't appear that the
5 incumbent local exchange carrier, the ILEC, would be impacted
6 by this as well. And so we felt that it was appropriate to
7 recommend that the Commission approve the application and
8 also allow the corporate restructuring and then the subsequent
9 name changes to happen, as discussed.

10 Q. Is it the Division's position that approval of the
11 application is in the public interest?

12 A. Yes.

13 Q. To your knowledge, have any additional comments
14 been filed?

15 A. I'm not aware of any additional comments, other
16 than from the Division.

17 MS. SCHMID: Mr. Coleman is available for
18 cross-examination and questions.

19 THE HEARING OFFICER: Thank you. Any
20 questions?

21 MR. SOMERS: I have no questions.

22 THE HEARING OFFICER: Okay. Mr. Coleman, I do
23 not have any questions of you, but I do have a question for your
24 counsel.

25 Ms. Schmid, in response to the Company's position,

1 which is stated on page 6 of their application, in the first full
2 paragraph, they are addressing the issue of whether customer
3 notice is required and the issue of this being a transparent
4 transaction which doesn't require notice.

5 Does the Division share that same position?

6 MS. SCHMID: Yes.

7 THE HEARING OFFICER: Okay. Very well. I just
8 wanted to make sure that everybody's on the same page.

9 Okay. Does anyone have anything else to add?

10 At this point, I would like to ask if there's anyone
11 here who wishes to make a comment or objection on the
12 application who has not already been heard.

13 The record should note that there is no such person
14 indicating a desire to make a statement.

15 As noted in the Commission rules, 746349-7, if no
16 objection to the proposed transaction is submitted in any filed
17 comments or reply comments, the Commission will presume that
18 approval of the transaction is in the public interest and use the
19 information contained in the application and accompanying
20 documents as evidence to support a Commission order.

21 As noted, there has been no objection, there has
22 been none filed and none made known at this hearing, so the
23 Commission order will be issued forthwith.

24 And I want to thank you all for being here, and I
25 want to reassure CenturyLink that we'll get you this well in

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advance of your desired deadline.

MR. SOMERS: Thank you very much.

THE HEARING OFFICER: You're very welcome.

Have a good day.

MS. SCHMID: Thank you.

THE HEARING OFFICER: Thank you.

(Concluded at 1:51 p.m.)

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CERTIFICATE

This is to certify that the proceedings in the foregoing matter were reported by me in stenotype and thereafter transcribed into written form;

That said proceedings were taken at the time and place herein named;

I further certify that I am not of kin or otherwise associated with any of the parties of said cause of action and that I am not interested in the event thereof.

Teena Green, RPR, CSR, CRR, CBC