

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

Joint Application of Qwest Communications  
International, Inc. and CenturyTel, Inc. for  
Approval of Indirect Transfer of Control of  
Qwest Corporation, Qwest Communications  
Company, LLC, and Qwest LD Corporation

**DOCKET NO. 10-049-16**

**DIRECT TESTIMONY**

**OF**

**JEREMY FERKIN**

**ON BEHALF OF**

**CENTURYLINK, INC.**

**MAY 27, 2010**

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1                                   **I.       IDENTIFICATION OF WITNESS**

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

3   A.       My name is Jeremy Ferkin and my business address is 290 North Main, Kalispell,  
4            MT 59901.

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

6   A.       I am employed by CenturyLink as the Vice President and General Manager for  
7            the states of Colorado, Montana, Wyoming, Nebraska, New Mexico, and Idaho.

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

10  A.       I attended Montana State University and Montana Bible College from 1989-1993.  
11           While attending college, I helped start the company PetraCom which was focused  
12            on reselling long distance services.

13           After working for several years on the non facility-based resale side of the long  
14            distance business, I joined Electric Lightwave Inc. (a subsidiary of Citizens  
15            Utilities) as a General Manager of Voice Services in 1997. I worked at Electric  
16            Lightwave Inc. until 1999.

17           From 1999-2001, I served as the Director of Business Development for Sonic  
18            Foundry. In this role I was responsible for Merger and Acquisition integration of  
19            more than \$100,000,000. Also in this role I was responsible for developing  
20            strategic relationships with Sony Pictures Digital Entertainment, MGM,  
21            PanAmSat in the development of Digital Media enterprise software applications  
22            and planning.

23           From 2001 to 2003 I served in various roles of increasing responsibility at  
24            Broadwing Communications. My final position with Broadwing was Director of  
25            Strategic Development where I worked for the Chief Technology Officer and  
26            Chief Finance Officer to ensure the company's profitability. While at Broadwing,

1 I gained tremendous experience in managing national networks and increasing  
2 service quality while driving critical service measures.

3 In early 2003 I left Broadwing and began working for CenturyTel as the General  
4 Manager for its Montana and Idaho service territories. As the General Manager,  
5 my responsibility was to lead all aspects of the Montana and Idaho markets,  
6 including overall financial performance, level of service, customer facing sales  
7 distribution, market competitiveness, and network development.

8 In 2007 my responsibilities were increased when I was asked to also lead the  
9 Colorado, New Mexico, and Wyoming markets. In July 2008, my responsibilities  
10 increased once again when CenturyTel acquired Embarq and I was named  
11 General Manager of Nebraska, in addition to the five states for which I was  
12 already serving as General Manager. The acquisition of Embarq also increased  
13 customer and employee counts under my supervision. In July 2009 I was named  
14 the Vice President and General Manager of the Rocky Mountain Market of  
15 CenturyLink comprising the states of Montana, Idaho, Wyoming, Colorado,  
16 Nebraska, and New Mexico.

17 **II. INTRODUCTION**

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

19 A. I am testifying in support of the Joint Application (“Application”) filed by  
20 CenturyTel, Inc., d/b/a CenturyLink (“CenturyLink”)<sup>1</sup> and Qwest  
21 Communications International Inc. (“Qwest”)<sup>2</sup> with the Public Service  
22 Commission of Utah (“Commission”) on May 19, 2010. My testimony will  
23 provide a brief overview and history of CenturyLink, including a description of  
24 the company’s demonstrated ability to successfully complete the integration  
25 process associated with prior acquisitions. In addition, I will describe

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<sup>1</sup> CenturyTel, Inc. changed its name to CenturyLink, Inc. with shareholder approval on May 20, 2010.

<sup>2</sup> The Qwest subsidiaries operating in Utah are Qwest Corporation (“QC”), Qwest Communications Company LLC (“QCC”), and Qwest LD Corp., (“QLDC”).

1 CenturyLink's highly localized business model which focuses on empowering  
2 local personnel to meet the distinct needs of the markets they serve and places the  
3 customer at the center of what the company does. My testimony will also  
4 describe the various benefits of the proposed transaction which are consistent with  
5 the overall public interest.

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

8 A. Yes. Jerry Fenn, the State President of Qwest in Utah will describe the Qwest  
9 operations in Utah and the benefits to customers and competition from achieving  
10 a stronger combined company as a result of this transaction. In addition, Jeff  
11 Glover, CenturyLink's Vice President – Regulatory Operations & Policy, will  
12 discuss the financial benefits of the proposed transaction. His testimony discusses  
13 why the proposed transaction will create a financially stronger service provider –  
14 one with a solid balance sheet and greater flexibility to continue investing in local  
15 networks, broadband deployment and customer service enhancements. The  
16 combined testimony of all the witnesses will demonstrate why this transaction is  
17 not only good for Utah consumers and businesses, but also for the State of Utah as  
18 a whole in terms of meeting and advancing telecommunication service needs in a  
19 challenging economic environment.

20 **III. DESCRIPTION OF THE TRANSACTION**

21 **Q. PLEASE GENERALLY DESCRIBE THE TRANSACTION SUBJECT TO**  
22 **THIS PROCEEDING.**

23 A. The proposed transaction ("Transaction") is a simple stock-for-stock exchange by  
24 which CenturyLink will acquire Qwest. It does not involve complex financial or  
25 tax structures. Nor does it require additional debt or any refinancing. As further  
26 discussed by Mr. Glover, the Transaction is designed to create a strong company  
27 in both the short and long run, with greater financial resources and access to  
28 capital to invest in networks, systems and employees. From a financial

1 standpoint, CenturyLink will have the increased scale and continued stability to  
2 make necessary ongoing infrastructure investments needed to serve the next  
3 generation of consumers whose preferences are likely to dictate that  
4 communication companies become more innovative, diverse, and faster to market  
5 in their product offerings than they are today.

6 The Application and “Agreement and Plan of Merger” (“Merger Agreement”)  
7 describe the Transaction. Simply stated, the Merger Agreement calls for a  
8 business combination at the parent level whereby a subsidiary of CenturyLink  
9 will merge with and into Qwest. The separate existence of the subsidiary will  
10 then cease and Qwest will continue as a direct, wholly owned subsidiary of  
11 CenturyLink. Upon closing of the Transaction, Qwest shareholders will receive  
12 0.1664 CenturyLink shares for each share of Qwest common stock they own at  
13 closing. At that time, CenturyLink shareholders are expected to own  
14 approximately 50.5 percent of the combined company, and Qwest shareholders  
15 approximately 49.5 percent. As a result of the Transaction, CenturyLink will  
16 have local exchange footprints in 37 states, including in Arizona, Utah, North  
17 Dakota and South Dakota where CenturyLink currently does not have incumbent  
18 local exchange carrier (“ILEC”) operations.

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

24 **Q. HOW WILL THE MERGED ENTITY BE STRUCTURED?**

25 A. The corporate structure will essentially remain as it is today except that Qwest  
26 will be under CenturyLink. Exhibit A to the Application accurately illustrates the  
27 organizational structure of the relevant companies before and after closing. As  
28 mentioned, the Transaction contemplates a parent-level transfer of control of  
29 Qwest so there is no direct effect on any of the regulated operating subsidiaries in

1 Utah for either company. At closing, Qwest will become a direct, wholly-owned  
2 subsidiary of CenturyLink and all Qwest subsidiaries, including QC, will be  
3 indirectly owned and controlled by CenturyLink but otherwise will experience no  
4 change in their existing corporate status or structure. In addition, the Transaction  
5 changes nothing with respect to the corporate structure of CenturyLink's  
6 regulated operating subsidiaries in Utah, as all remain in place under the same  
7 status, structure, ownership and control as exists today.

8 **Q. PLEASE IDENTIFY THE CENTURYLINK ENTITIES IN THE STATE**  
9 **OF UTAH THAT ARE REGULATED BY THE COMMISSION.**

10 A. There are three CenturyLink subsidiaries currently certificated by the  
11 Commission, each with relatively minimal operations within the state. None of  
12 these subsidiaries provides local exchange service to residential or business  
13 customers. Embarq Communications, Inc. d/b/a CenturyLink Communications is  
14 certificated to provide resold long distance services. In addition, CenturyTel  
15 Long Distance is also certificated to provide resold long distance services.  
16 Finally, Embarq Payphone Services, Inc. d/b/a CenturyLink is certificated as a  
17 coin-operated pay telephone provider. I will refer to these companies collectively  
18 as the "CTL Operating Companies." None of the CTL Operating Companies is  
19 experiencing a change in control as a result of this Transaction. The control of  
20 these companies will remain with CenturyLink where it resides today.

21 **Q. WILL THE TRANSACTION RESULT IN ANY CHANGES IN THE**  
22 **MANNER IN WHICH THE CTL OPERATING COMPANIES ARE**  
23 **REGULATED OR CERTIFICATED BY THE COMMISSION TODAY?**

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

1 currently regulated.

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

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

12 A. The Joint Applicants seek a finding by the Commission that the Transaction meets  
13 the Commission's standards applied to proposed mergers of public utility holding  
14 companies, contained in Utah Code Ann. §§ 54-4-28, 54-4-29 and 54-4-30.  
15 Specifically, the Applicants ask the Commission to recognize that the Transaction  
16 will not impair the financial status of any of the operating subsidiaries, prevent  
17 them from attracting capital at fair and reasonable terms, or impair the ability of  
18 any of those entities to provide safe, reasonable and adequate service.

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

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

27 A. The communications industry has changed dramatically in the last several years.  
28 It continues to experience change at a frenetic pace. Consumers are constantly



1 seeking innovative technologies and alternative modes of communication as they  
2 experience the benefits of more convenient and ubiquitous ways to communicate  
3 and obtain data and video. Competition for voice, Internet, data and video is  
4 widespread with increasing competition from wireless companies, cable operators  
5 and VoIP providers. Mr. Fenn's testimony provides further insight into the nature  
6 and extent of competition in Qwest's Utah markets. The pressure on all of these  
7 companies to relentlessly invest and innovate is intense.

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

22 **Q. HOW DOES THE TRANSACTION HELP TO PROVIDE THAT**  
23 **OPPORTUNITY TO THE BENEFIT OF CUSTOMERS?**

24 A. First, the Transaction brings together two leading communications companies  
25 with complementary network and operating footprints, which will result in a  
26 balanced urban and rural footprint.<sup>3</sup> The combined enterprise will have over 17

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<sup>3</sup> CenturyLink's local-service network operates in 33 states while Qwest's local network operates in 14 Western and Midwestern 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.

1 million telephone access lines and serve over five million high-speed internet  
2 customers across 37 states. It creates a truly nationwide platform for high-speed  
3 internet deployment by merging Qwest's long-haul fiber network with  
4 CenturyLink's complementary long-haul fiber network and its core metropolitan  
5 rings. Combined, it gives CenturyLink approximately 180,000 route miles of  
6 fiber<sup>4</sup> which will enable a more diverse mix of product offerings and an enhanced  
7 ability to reach customers with those products. The combined network will be a  
8 key differentiator in our industry and it will heighten the ability to compete for  
9 broadband Internet services as well as for the customer-desired "triple play" of  
10 broadband, voice and video.

11 A key benefit will come from leveraging each company's operational and  
12 network strengths, resulting in a company with an impressive national presence  
13 and local depth. CenturyLink has proven the effectiveness of its region-based  
14 local market focus. Qwest has industry-leading enterprise, government and  
15 wholesale customer capabilities, as explained in more detail by Qwest witness  
16 Jerry Fenn. Each company has made extensive investments in advanced networks  
17 and the expansion of their individual fiber core networks. The merger of these  
18 complementary and additive strengths will increase the likelihood of bringing to  
19 market more advanced services and compelling choices for customers, at an  
20 accelerated pace.

21 The increased capabilities of the combined company will also diversify the  
22 company's revenue structure and thereby create a stronger competitor. The  
23 company will be better situated, both financially and operationally, with more  
24 flexibility to meet the challenges of a rapidly changing and intensely competitive  
25 communications environment.

26 The bottom line is that the combined company will be better-positioned to lead  
27 the deployment of advanced services as well as successfully manage its transition

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<sup>4</sup> An illustrative map is attached as Exhibit JF-1.

1 to a new era in a challenging and rapidly changing telecommunications  
2 environment. The result is a win not only for the company, but also for its  
3 customers and the communities it serves.

4 **Q. CAN YOU PROVIDE A MORE CONCRETE EXAMPLE OF THE**  
5 **POTENTIAL BENEFITS THAT CAN BE DERIVED FROM**  
6 **LEVERAGING THE COMPLEMENTARY STRENGTHS OF THESE**  
7 **TWO COMPANIES?**

8 A. As I mentioned, Qwest is a national provider of services to the enterprise market,  
9 and has particular strength in serving large business and government customers.  
10 Thus, the Transaction gives the combined company an increased prominence in  
11 the enterprise and government broadband markets. CenturyLink, by contrast,  
12 focuses on businesses with regional and local needs. The transaction will enable  
13 post-merger CenturyLink to build on Qwest's strength in providing complex  
14 communications services to large businesses and government entities on a  
15 national and global scale to provide a broader array of services to enterprise  
16 customers in CenturyLink territories. For much of the country, the combination  
17 of Qwest's long-haul network with CenturyLink's fiber rings in metropolitan  
18 areas will create a service partner that can offer strategic products to a broader  
19 array of businesses, including those seeking access to a nationwide long-distance  
20 network. Where the networks are geographically complimentary, it will also  
21 allow for more diverse routing options, provide redundant routing for backup  
22 purposes, and offer other communications and information services that are  
23 attractive to businesses in the financial sector, government entities, and other  
24 customers who require solutions for highly sensitive data operations.

25 **Q. WHAT QUALIFICATIONS AND ABILITY DOES CENTURYLINK**  
26 **HAVE TO OPERATE THE COMBINED COMPANY AND TO**  
27 **CONTINUE TO PROVIDE HIGH QUALITY SERVICES TO**  
28 **CUSTOMERS?**

29 A. CenturyLink's senior officers are proven leaders in the telecommunications

1 industry and have established a solid, consistent reputation for running a high-  
2 performing enterprise that serves customers well. To that end, Glen F. Post, III,  
3 the current CEO and President of CenturyLink, will continue to be the CEO and  
4 President of the post-merger CenturyLink. R. Stewart Ewing, Jr. the current  
5 Chief Financial Officer (CFO) of CenturyLink, will continue to be the CFO of the  
6 post-merger CenturyLink. Karen A. Puckett, the current Chief Operating Officer  
7 (COO) of CenturyLink, will continue to be COO of post-merger CenturyLink. It  
8 is noteworthy that Mr. Post, Mr. Ewing and Ms. Puckett have a combined total of  
9 approximately 88-years experience in the communications industry, and have  
10 worked together at CenturyLink for the past decade—nearly unheard of in an  
11 industry such as ours. Also, Christopher K. Ancell, currently the Executive Vice  
12 President of Business Markets Group for Qwest, will be the President of the  
13 Business Markets Group for post-merger CenturyLink and will continue to lead  
14 Qwest's successful and growing enterprise business segment.<sup>5</sup> These leaders are  
15 industry veterans with a stable base of knowledge, experience and leadership. All  
16 of these leaders possess the depth of knowledge, experience and leadership to  
17 move this company forward through the next era of change and challenge.

18 The company's extensive merger and acquisition track record also provides a  
19 clear indication of its ability to successfully execute on its business plans and  
20 provide high quality service. CenturyLink has a long history of successfully  
21 integrating acquired properties and assets, and expanding into new state  
22 jurisdictions. These successful acquisitions and subsequent integrations have  
23 generated benefits for both the company and its customers. The senior  
24 management team of CenturyLink is very familiar with and well-equipped to face  
25 the challenges and opportunities that an acquisition and integration of this  
26 magnitude presents. CenturyLink will benefit from that continued steady hand as  
27 it faces the challenges and opportunities ahead.

28 Furthermore, ensuring that CenturyLink continues to provide high quality service

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<sup>5</sup> Additional senior leaders will be announced in the coming months.

1 and customer experience pre- and post-merger is vitally important. CenturyLink  
2 understands that continuing to meet customer needs is its top priority. The  
3 Transaction will not change that focus. To the contrary, the customer service,  
4 network and operations functions that are critical to each company's success today  
5 will continue to be key areas of focus when the Transaction is complete, and the  
6 post-Transaction company will be staffed to ensure that continuity. QC will continue  
7 to be managed by employees with extensive knowledge of the local communications  
8 business and with a commitment to the needs of the local community.

9 **Q. WOULD YOU COMMENT ON CENTURYLINK'S TECHNICAL**  
10 **EXPERTISE?**

11 A. CenturyLink's technical expertise is reflected in the multitude of services it  
12 provides today in 33 states and also in its highly skilled workforce, which  
13 includes engineers, IT personnel and technicians that have long been operating  
14 networks and systems for the benefit of millions of customers. Going forward, the  
15 post-Transaction CenturyLink will have a combined pool of technical expertise  
16 from both companies from which to draw support, training and the deployment of  
17 new and innovative products like IPTV.

18 **Q. HOW WOULD YOU DESCRIBE "THE FIT" BETWEEN THE TWO**  
19 **COMPANIES, PARTICULARLY AS IT RELATES TO A COMMITMENT**  
20 **TO CUSTOMER SERVICE?**

21 A. CenturyLink and Qwest are both holding companies with complementary  
22 cultures. Their primary focus has been the ownership and operation of subsidiary  
23 ILECs on a multi-state basis. Both companies have deep roots in serving and  
24 meeting the communication needs of customers by investing heavily in quality,  
25 reliable voice and data networks. Both companies and their employees are  
26 dedicated to local community involvement and employee volunteerism. Both  
27 companies have strong management teams and a base of experienced employees  
28 who share the common view that successfully providing high quality  
29 communication services in these dynamic times is contingent upon the ability to

1 respond quickly to rapid changes in markets, technology and customer demands.

2 CenturyLink's region-based, local operating model will reinforce this shared  
3 philosophy. This approach will likely be implemented to ensure that the customer  
4 is at the center of everything the company does. This structure has proven  
5 successful in driving customer service, responsiveness and accountability closer  
6 to the customer and enabling the company to be more proactive and successful in  
7 direct response marketing efforts on a market-by-market basis.

8 **Q. ARE THERE OTHER AREAS WHERE YOU BELIEVE THAT THE**  
9 **TRANSACTION WILL HAVE POSITIVE BENEFITS?**

10 **A.** Yes, as I mentioned, the Transaction will also have a positive impact on the state  
11 of competition. Healthy competition is in large part driven by the existence of a  
12 variety of viable network platforms in a given market. Competition is most robust  
13 in markets where there is intermodal competition: that is, where services are  
14 being delivered over wireless, wireline, and cable platforms. The combination of  
15 CenturyLink and Qwest network infrastructure and operating experience ensures  
16 that a stable, capable, reliable network operator will be available to weather long-  
17 term technological and competitive changes yet to come.

18 **Q. IN YOUR TESTIMONY THUS FAR, YOU HAVE DESCRIBED HOW**  
19 **THE TRANSACTION PROMOTES THE PUBLIC INTEREST. DO YOU**  
20 **BELIEVE THERE ARE ANY POTENTIAL HARMS THAT COULD**  
21 **RESULT FROM THE MERGER?**

22 **A.** No. The Transaction will not disrupt existing service arrangements or regulatory  
23 requirements. Both companies have affirmed that existing wholesale and  
24 interconnection arrangements and obligations will remain intact, and that the  
25 operating companies will honor the terms of existing Commission-ordered  
26 regulatory requirements. The Transaction also will not in any way affect this  
27 Commission's jurisdiction over QC, QCC, QLDC or the CTL Operating  
28 Companies, the type of regulation that they are subject to, or any binding  
29 regulatory commitments that have been placed by the Commission. Moreover, as

1 described in Mr. Glover's testimony, the Transaction will not impair the financial  
2 status of the operating subsidiaries, prevent them from attracting capital at fair  
3 and reasonable terms, or impair the ability of any of those entities to provide safe,  
4 reasonable and adequate service.

5 **Q. PLEASE GIVE A BRIEF OVERVIEW AND HISTORY OF**  
6 **CENTURYLINK.**

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

19 CenturyLink started as a single-exchange, family-run local telephone company in  
20 1930. Throughout the years, CenturyLink has grown its operations into new  
21 markets by successfully acquiring and integrating companies, properties, and  
22 assets and improving and expanding services in those markets. As I will discuss  
23 in more detail below, many of these acquisitions have been relatively large  
24 transactions that greatly expanded the then-existing company's size and footprint.  
25 The company also acquired significant fiber assets in 2003 and 2005 which have  
26 enabled it to develop and grow an extensive, high-speed optical core network that  
27 provides wholesale and retail fiber transport services to customers all across the  
28 United States.

29 **Q. COULD YOU EXPAND UPON THE WIDE ARRAY OF**

1           **COMMUNICATIONS SERVICES THAT CENTURYLINK PROVIDES?**

2       A.     Yes. These services include a host of local and long-distance voice, high-speed  
3           Internet, video entertainment and wholesale local network access services, as well  
4           as a variety of broadband and high bandwidth services. In various areas,  
5           CenturyLink also offers security monitoring, home networking, data hosting,  
6           national and metro Ethernet, systems/network management and other  
7           professional, business and information services. To secure its position as a  
8           leading provider of advanced broadband services, the company has invested  
9           heavily not only to extend its fiber core network, but also to deploy fiber deeper  
10          into its local networks. CenturyLink has been a leader in the launching of DSL  
11          offerings and is expanding or preparing to expand its IPTV product into additional  
12          locations which is made possible by the investment in faster broadband speeds.

13                   **IV.     CENTURYLINK'S CONSOLIDATION HISTORY**

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

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

28           Exhibit JF-2, which I have attached and made part of testimony, illustrates a



1 timeline of the various acquisitions. While there are a number of examples which  
2 illustrate the company's expertise in this area as shown on Exhibit JF-2, let me  
3 speak to several of the larger ones. In the late 1990's, CenturyLink added  
4 approximately 600,000 access lines across twelve states when it acquired Pacific  
5 Telecom, Inc. At that time, the transaction more than doubled the size of the  
6 company. Over the next few years, the company engaged in a series of  
7 acquisitions that once again doubled the company's size when it added another  
8 1.2 million access lines acquired from GTE, Ameritech, and Verizon,  
9 concentrated primarily in Alabama, Arkansas, Missouri, and Wisconsin. These  
10 acquisitions significantly expanded its presence in those states and demonstrated  
11 the company's ability not only to grow rapidly, but also to successfully integrate  
12 and operate nearly two million new access lines serving wholesale, business and  
13 residential customers. Most recently, CenturyLink acquired Embarq Corporation  
14 ("Embarq") and its 5.4 million access lines.

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

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

1 **Q. WOULD YOU PROVIDE EXAMPLES OF THAT INTEGRATION**  
2 **PROCESS?**

3 A. Absolutely. The best way to describe our approach to integration and other M&A  
4 processes is that the entire company works holistically to ensure that all operating  
5 units and departments are working in unison to achieve business and integration  
6 objectives. Regardless of the size of the acquisition, the company establishes  
7 carefully developed integration plans and targeted timelines for all relevant  
8 functional areas with clearly defined owners and metrics to measure progress.<sup>6</sup>  
9 CenturyLink's integration success is attributable to learning from each  
10 transaction, establishing workable schedules and action plans and then executing  
11 on those plans. Minimizing customer confusion and disruptions are over-arching  
12 goals of our integration process.

13 As an example, on July 1, 2009 CenturyTel closed on its acquisition of the much  
14 larger Embarq in a sizeable transaction which created a leading communications  
15 service provider which as of the end of 2009 had 7 million access lines, 2.2 million  
16 broadband customers and 535,000 video customers in 33 states. The company's  
17 significant, focused, and meaningful progress since the CenturyTel/Embarq closing  
18 in July 2009 is indicative of its ability to successfully integrate acquisitions and its  
19 foresight in anticipating growth as it makes operational or system decisions. For  
20 example, several years ago CenturyLink made significant investment in and  
21 upgraded its financial and billing systems in order to deliver integrated, customer  
22 service and improved levels of financial accountability. These system upgrades  
23 were made with an eye towards future expansion which has enabled CenturyLink  
24 to quickly and seamlessly reach many key integration milestones. Consequently,  
25 very quickly after close, financial and human resource systems were converted.  
26 Within months, a phased schedule for converting customer billing systems was  
27 implemented. Already, approximately 25 percent of the access lines served by  
28 former Embarq systems have been successfully and seamlessly converted to

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<sup>6</sup> A graphic illustration of some of the major tracked milestones associated with integration of the Embarq transaction is attached hereto as Exhibit JF-3.

1 CenturyLink's single integrated retail customer service and billing system.  
2 Another 25% of former Embarq access lines are expected to convert by year end  
3 2010, with the remaining access lines converted by the third quarter of 2011, or  
4 within about 24-27 months after closing.

5 The successful integration of Embarq has not been limited to systems however.  
6 Since the closing, CenturyLink has expanded its core fiber network by building or  
7 leasing fiber optic transport to connect former Embarq and CenturyTel markets in  
8 the western United States with markets on the east coast. As a result,  
9 CenturyLink's long-haul network now connects 90 percent of its service areas,  
10 reducing costs and creating revenue opportunities from new service offerings.  
11 IPTV has been deployed in former Embarq markets and the company is ramping  
12 up its initiative to deploy IPTV in other locations. Broadband deployment has  
13 continued with the introduction of new products such as "Pure Broadband."  
14 Broadband speeds and additional deployment to unserved areas have increased in  
15 multiple markets. And, CenturyLink has been deploying its "triple play" offering  
16 to bring more competition to customers in multiple-dwelling-unit buildings—a  
17 customer segment that was not a significant focus for former Embarq.

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

26 **V. CENTURYLINK'S REGIONAL "GO-TO-MARKET" MODEL**

27 **Q. YOU MENTION THE EFFECTIVENESS OF CENTURYLINK'S FIVE-**  
28 **REGION "GO-TO-MARKET" CONCEPT. PLEASE EXPLAIN THE**

1           **ATTRIBUTES OF THAT OPERATING MODEL IN MORE DETAIL.**

2    A.     The region organizational structure brings our business closer to the customer and  
3           provides a localized approach. Upon completion of the Embarq transaction,  
4           CenturyLink implemented its proven “go-to-market” service delivery model,  
5           which presently includes five regions and 22 market clusters in the 33 states in  
6           which the company operates.<sup>7</sup> A regional president oversees each of the five  
7           regions, and a general manager and various operations managers are assigned to  
8           each of the market clusters. This more de-centralized local structure enables a  
9           leaner, more efficient central corporate operation. Placing a significant  
10          percentage of company leadership in the field creates a clear local market focus,  
11          which drives operations and service decision-making closer to the customer.  
12          Together with CenturyLink’s integrated retail customer care and billing system,  
13          this model promotes more accountability to the customer. The company is able to  
14          provide more direct and localized service and can respond to customers and  
15          competition more quickly, on a market-by-market basis. Essentially, this model  
16          focuses on empowering local personnel to meet the distinct needs of their markets  
17          and places the customer at the center of what the company does.

18   **Q.     WILL THAT MODEL BE INCORPORATED INTO THE AREAS OF**  
19   **QWEST’S OPERATIONAL STRUCTURE UPON THE COMPLETION OF**  
20   **THE TRANSACTION?**

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

26   **Q.     HAS CENTURYLINK FOUND THE LOCALLY FOCUSED BUSINESS**  
27   **MODEL APPROACH WORKS WELL IN URBAN MARKETS AS WELL**

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<sup>7</sup> 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 JF-4. A map showing the five regions implemented at close of the Embarq transaction is attached hereto as Exhibit JF-5.

1           **AS RURAL?**

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

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

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

28   **Q.    DOES THIS LOCALLY FOCUSED APPROACH HELP YOU TO**  
29   **ADDRESS THE CHANGING NATURE AND CHALLENGES OF THE**



1 future growth and service to Utah customers amid a rapidly changing and  
2 intensely competitive communications environment.

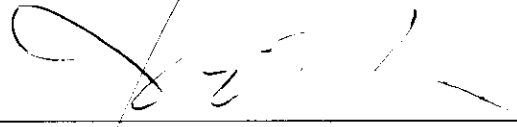
3 The Transaction brings together two leading communications companies with  
4 complementary networks and operating footprints. By building on each  
5 company's operational and network strengths, the combined company will have  
6 an impressive national presence with the local depth that will allow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

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

12 A. Yes.

State of Montana     )  
                                  ss.  
Flathead County     )

I, Jeremy Ferkin, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief.



\_\_\_\_\_  
Jeremy Ferkin

SUBSCRIBED AND SWORN TO this 27 of May 2010



Michelle Jackson  
Notary Public for the State of Montana  
Michelle Jackson  
Printed Name  
Residing at Kalispell  
My Commission Expires July 11, 2011



**Exhibit JF-1**

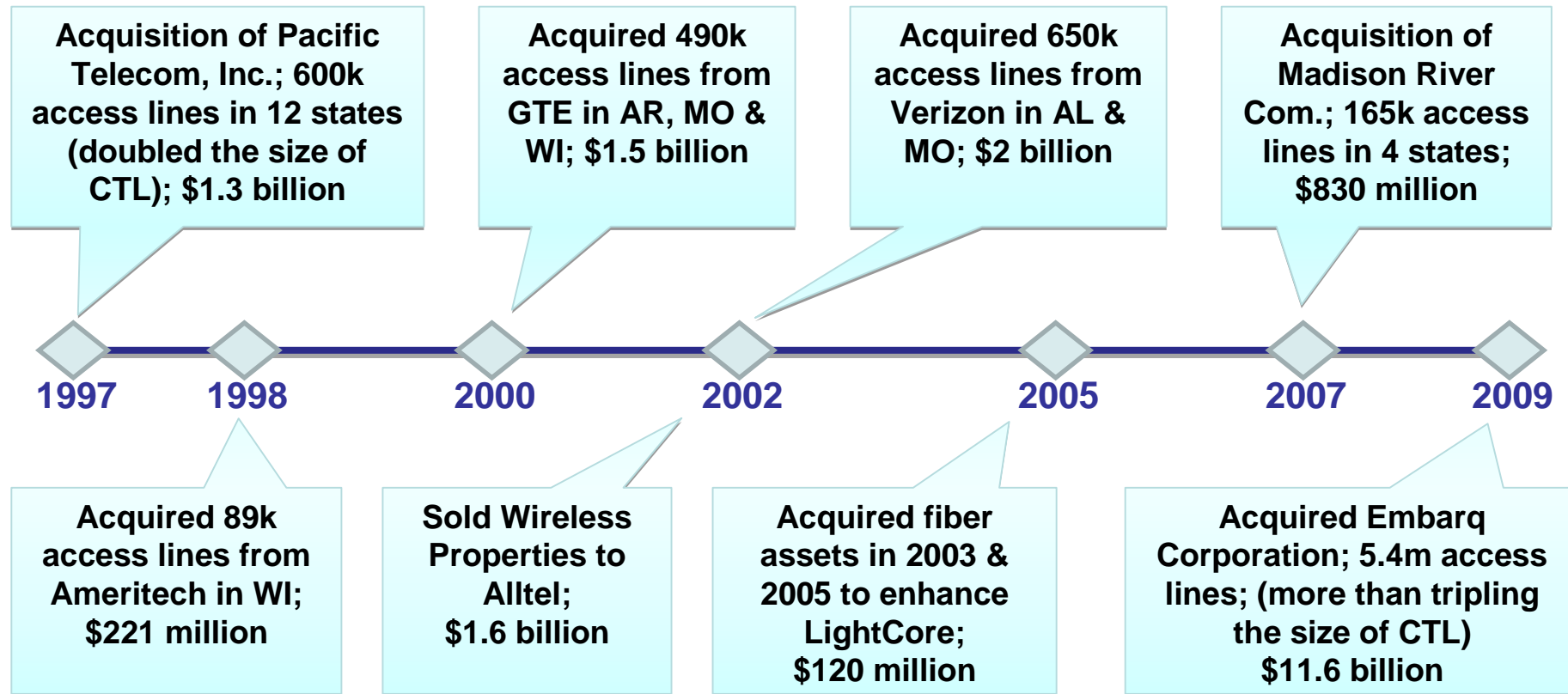
**Exhibit JF-2**

**Exhibit JF-3**

**Exhibit JF-4**

# CenturyLink – Experienced Consolidator

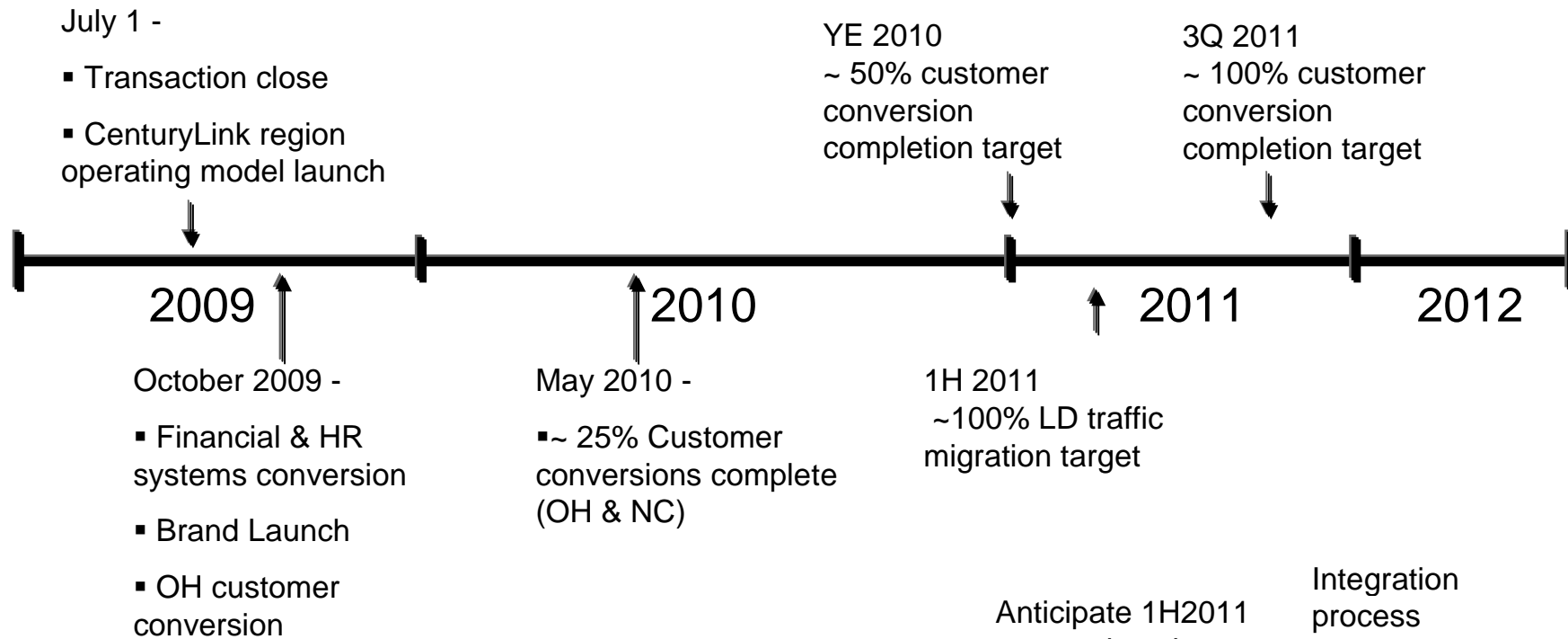
Exhibit JF-1



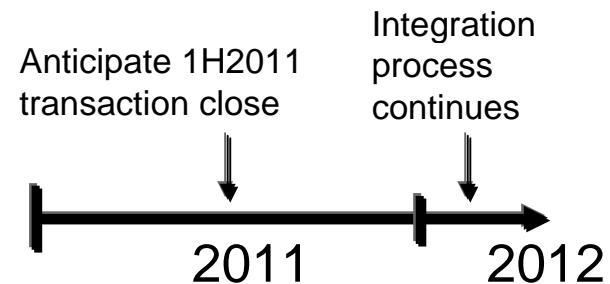
# Integration Timelines

Exhibit JF-2

## Embarq Transaction



## Qwest Transaction



# CenturyLink Operating Model

Exhibit JF-3



- 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***

