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January 29, 2009

David S. Danner
Secretary and Executive Director
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250
By Overnight Delivery (FedEx)

Re: Joint Application of Embarq Corporation and
CenturyTel, Inc., for Approval of Transfer of
Control of United Telephone Company of the
Northwest d/b/a Embarq and Embarq
Communications, Inc., Docket No. UT-082119

Dear Mr. Danner:

Enclosed for filing please find the original and twelve (12) copies of the Motion of International Brotherhood of Electrical Workers, Local 89, to Dismiss Or, in the Alternative, Motion to Suspend Procedural Schedule, in the above-referenced proceeding.

Electronic copies were filed with the WUTC Records Department on this date.

Sincerely,



Scott J. Rubin

Enclosure

cc: per Certificate of Service
Dennis J. Moss, ALJ

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

Joint Application of Embarq Corporation and :
CenturyTel, Inc. for Approval of Transfer of Control of : DOCKET NO. UT-082119
United Telephone Company of the Northwest d/b/a :
Embarq and Embarq Communications, Inc. :

**MOTION OF INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS, LOCAL 89, TO DISMISS
OR, IN THE ALTERNATIVE,
MOTION TO SUSPEND PROCEDURAL SCHEDULE**

International Brotherhood of Electrical Workers, Local 89 (“IBEW”) hereby moves to dismiss the Joint Application because it is legally deficient. As set forth below, the Joint Application fails to request approval for CenturyTel of Washington, Inc., CenturyTel of Inter Island, Inc., CenturyTel of Paradise, Inc., and CenturyTel of Cowiche, Inc. (collectively “CenturyTel WA ILECs”) to engage in the proposed transaction. Moreover, the direct testimony filed by Joint Applicants fails to include information about the impact of the proposed transaction on CenturyTel WA ILECs, including potential impacts on rates, capitalization, finances, and/or the quality, safety, and reliability of service.

In the alternative, as also set forth below, the Commission should require the Joint Applicants to (1) amend the Joint Application to request approval for CenturyTel WA ILECs to engage in the proposed transaction; (2) provide additional direct testimony that addresses the impacts of the proposed transaction on CenturyTel WA ILECs and its customers; and (3) provide notice to the customers of CenturyTel WA ILECs that this proceeding will or may affect their interests. Under this alternative approach, the Commission should suspend the procedural

schedule until these requirements have been met, at which point a further prehearing conference should be held to set a new schedule.

In support of this Motion, IBEW states as follows:

1. On November 21, 2008, Embarq Corporation and CenturyTel, Inc. filed a Joint Application to “request approval of the transfer of control of Embarq’s Washington state operating subsidiaries, including United Telephone Company of the Northwest d/b/a Embarq and Embarq Communications, Inc. to CenturyTel.” Joint Application, p. 1.

2. The Joint Application does not request any approvals on behalf of the CenturyTel WA ILECs, and no information is provided about those entities (other than their names).

3. The Joint Applicants’ direct testimony which was filed on January 2, 2009, does not contain information about the impact or potential impact of the proposed transaction on the CenturyTel WA ILECs.

4. The Joint Applicants’ direct testimony states: “None of the CenturyTel entities operating in Washington (or any entity that holds a controlling interest in them) is experiencing a change in control as a result of this Transaction because the control of these companies will remain with CenturyTel as it is today.” Direct Testimony of G. Clay Bailey, p. 4.

5. The Joint Applicants’ proxy statement, as filed with the U.S. Securities and Exchange Commission on December 22, 2008, states that, if the transaction is consummated, Embarq shareholders would own approximately 66 percent of CenturyTel’s common stock, while current CenturyTel stockholders will own only 34 percent of the company. Proxy Statement dated December 22, 2008, cover and p. 91 (attached hereto and incorporated herein by reference as Exhibit “A”).

6. During discovery, IBEW inquired of CenturyTel why it believed that there was no change in control of CenturyTel WA ILECs. In response, Mr. Bailey stated that both current Embarq shareholders and current CenturyTel shareholders would own more than 50% of the common stock of CenturyTel if the transaction is consummated. This seemingly impossible result would occur because “there is a very significant overlap between CenturyTel and Embarq shareholders.” In other words, some institutional investors currently own common stock in both companies. CenturyTel response to data request IBEW-24 (attached hereto and incorporated herein by reference as Exhibit “B”).

7. Mr. Bailey does not state, and to the best of IBEW’s knowledge he cannot state, that there is any restriction on the ability of existing stockholders to sell their stock in either company at any time.

8. As a consequence, at the time of closing, it is not possible to know how much (if any) common ownership will remain.

9. It is apparent, however, that Embarq shareholders as they exist at the time of closing would end up owning approximately two-thirds of CenturyTel’s common stock if the transaction is consummated.

10. IBEW submits that under any definition of a change in control, including the definition used by Mr. Bailey in Exhibit “B”, this constitutes a change in control of CenturyTel.

11. On November 21, 2008 – the same day it filed its application in Washington – Embarq and CenturyTel filed an application before the Illinois Commerce Commission requesting approval of the same transaction on behalf of Gallatin River Communications LLC, d/b/a CenturyTel of Illinois. The Illinois application is attached hereto and incorporated herein by reference as Exhibit “C.” In that application, the applicants acknowledge that Embarq

shareholders would own approximately 66 percent of the combined company and that this constitutes a change in control of CenturyTel, requiring approval from the Illinois commission. Exhibit “C” pp. 4-5 of 11.

12. Accompanying the Illinois application was direct testimony from Mr. Bailey (a copy of which is attached hereto and incorporated herein by reference as Exhibit “D”). In his Illinois testimony, Mr. Bailey acknowledges that the proposed transaction would constitute a change in control of CenturyTel. Specifically, he states:

Immediately following the completion of the Transaction, Embarq shareholders will own approximately 66% of the outstanding common stock of CenturyTel while prior CenturyTel shareholders will then own approximately 34% of the CenturyTel common stock. While no shareholder will own 10% or more of CenturyTel’s common stock upon completion of the merger, Joint Applicants believe approval from this Commission, pursuant to Section 7-204(a) of the Act, may be required because of the change in ownership of more than 50% (a majority) of the voting capital stock of CenturyTel, which owns and controls 100% of the voting capital stock of Gallatin River.

The change of ownership in excess of 50% of the voting capital stock of CenturyTel upon closing can also be interpreted to be a change in the right to own, operate, manage or control the Illinois incumbent local exchange carrier subject to this Commission’s regulation identified above requiring Commission approval pursuant to Section 7-203 of the Illinois Public Utilities Act.

Exhibit “D” p. 4 of 24 (emphasis added).

13. Under Washington law, the Commission must approve two types of transactions: (a) a direct or indirect acquisition of a controlling interest in a public service company and (b) a direct or indirect merger or consolidation between two public service companies. Specifically, RCW § 80.12.020 states :

No public service company shall sell, lease, assign or otherwise dispose of the whole or any part of its franchises, properties or facilities whatsoever, which are necessary or useful in the performance of its duties to the public, and no public service company shall, by any means whatsoever, directly or indirectly, merge or consolidate any of its franchises, properties or facilities with any other public service company, without having secured from the commission an order authorizing it so to do. (Emphasis added)

14. The Commission has held that section 80.12.020, as well as other provisions of the law, require that it must review and authorize a stock transfer of a public service company's parent company where the transfer results in a change in control. Specifically, the Commission held: "Thus, the statute requires Commission approval not just for some narrow class of transactions, but for any transfer of rights or control over anything necessary or useful to a public service company's utility operations." *Application of PacifiCorp and Scottish Power PLC*, Docket No. UE-981627, 192 PUR4th 143 (Mar. 16, 1999) (emphasis added).

15. IBEW submits that CenturyTel's application and testimony in Illinois, as well as its proxy statement filed with the Securities and Exchange Commission, establish that there will be a change in control of CenturyTel WA ILECs. As a result, CenturyTel WA ILECs are required to seek Commission authorization for the proposed transaction.

16. Moreover, even if there were not a change in control of CenturyTel, Commission approval still would be required because the proposed transaction constitutes an indirect merger or consolidation of two public service companies in Washington.

17. The Application readily acknowledges that both Applicants own and control public service companies in the State, and that the proposed transaction would bring those companies under common ownership and control.

18. In 2005, Administrative Law Judge Wallis made it clear that the merger of the parents of two public service companies was subject to Commission jurisdiction. He held:

The affected entities, whose relationship to the merger renders them part and parcel of its consummation, include both Verizon and MCI subsidiary operating entities that are subject to regulation as public service companies. Jurisdiction over the affected entities requires jurisdiction over the transaction to ensure that its effect on the public of the state of Washington is not adverse. This view is consistent with the Commission's assertion of jurisdiction over the merger petition.

Joint Application of Verizon Communications Inc. and MCI, Inc., Docket No. UT-050814, Order No. 6 (Nov. 9, 2005) (emphasis added).

19. In summary, the Application is legally deficient in that it fails to request approval for the change in control of CenturyTel WA ILECs through an indirect merger with another public service company. That is, if the Application were granted as filed, it would not provide the legal authority for Applicants to consummate the proposed transaction.

20. IBEW respectfully requests, therefore, that the Application should be dismissed as legally deficient. This dismissal should be without prejudice to the right of Applicants to file a new application, with appropriate supporting testimony and other evidence, that addresses the change in control (and indirect merger) of CenturyTel WA ILECs.

21. In the alternative, IBEW respectfully requests that the Applicants be directed to (a) file an amended application that seeks the necessary approvals for CenturyTel WA ILECs; (b) file additional direct testimony that addresses the impact of the proposed transaction on CenturyTel WA ILECs and its customers; (c) provide any notice that is required to customers of CenturyTel WA ILECs; and (d) update and correct any testimony and answers to data requests that were based on the incorrect assertion that there was no change in control of CenturyTel WA ILECs.

22. If this alternative course of action is selected, IBEW requests that the procedural schedule in this case should be suspended until the required filings are submitted. After the IBEW and the other parties have had a reasonable opportunity to review the new submissions, then an additional prehearing conference should be held to establish a new schedule that provides the parties with a reasonable opportunity to conduct discovery on the newly provided

information and to prepare direct testimony and exhibits that incorporate responses to that information.

WHEREFORE, IBEW respectfully moves to dismiss this proceeding, without prejudice to the ability of Applicants to file a new case that includes requests for approval of CenturyTel WA ILECs to engage in the proposed transaction.

In the alternative, IBEW respectfully moves that the Applicants be directed to (a) file an amended application that seeks all necessary approvals for CenturyTel WA ILECs; (b) file additional direct testimony that addresses the impact of the proposed transaction on CenturyTel WA ILECs and its customers; (c) provide any notice that is required to customers of CenturyTel WA ILECs; and (d) update and correct any testimony and answers to data requests that were based on the incorrect assertion that there was no change in control of CenturyTel WA ILECs.

Respectfully submitted,



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Counsel for
IBEW

Dated: January 29, 2009

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding by U.S. mail, postage prepaid, and electronic mail.

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Scott J. Rubin
Counsel for IBEW

Dated: January 29, 2009

Filed pursuant to Rule 424(b)(3)
Registration File No. 333-155521



MERGER PROPOSED — YOUR VOTE IS VERY IMPORTANT

The board of directors of CenturyTel, Inc. and the board of directors of Embarq Corporation have agreed to a strategic combination of the two companies under the terms of the Agreement and Plan of Merger, dated as of October 26, 2008, which is referred to as the merger agreement. Upon completion of the merger of a direct, wholly owned subsidiary of CenturyTel with and into Embarq, CenturyTel will acquire Embarq, and Embarq will become a direct, wholly owned subsidiary of CenturyTel.

If the merger is completed, Embarq stockholders will have the right to receive 1.37 shares of CenturyTel common stock for each share of Embarq common stock, with cash paid in lieu of fractional shares. This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to closing of the merger. Based on the closing price of CenturyTel common stock on the New York Stock Exchange, or the NYSE, on October 24, 2008, the last trading day before public announcement of the merger, the 1.37 exchange ratio represented approximately \$40.42 in value for each share of Embarq common stock. Based on such price on December 17, 2008, the latest practicable date before the date of this document, the 1.37 exchange ratio represented approximately \$34.88 in value for each share of Embarq common stock. CenturyTel shareholders will continue to own their existing CenturyTel shares.

Based on the estimated number of Embarq common shares outstanding on the record date for the shareholder meetings, CenturyTel expects to issue approximately 195,200,000 CenturyTel common shares to Embarq stockholders in the merger, and approximately 34,000,000 additional CenturyTel common shares will be reserved for issuance in connection with options and other equity-based awards and arrangements following the merger. Upon completion of the merger, we estimate that current CenturyTel shareholders will own approximately 34% of the combined company and former Embarq stockholders will own approximately 66% of the combined company. CenturyTel common stock and Embarq common stock are both traded on the NYSE under the symbols CTL and EQ, respectively.

At the special meeting of CenturyTel shareholders, CenturyTel shareholders will be asked to vote on the issuance of CenturyTel common stock to Embarq stockholders, which is necessary to effect the merger, and two amendments to the Amended and Restated Articles of Incorporation of CenturyTel to eliminate certain special ten-vote voting rights of long-term CenturyTel shareholders and to increase the number of shares of authorized CenturyTel common stock, neither of which are conditions to completion of the merger. At the special meeting of Embarq stockholders, Embarq stockholders will be asked to vote on the approval and adoption of the merger agreement.

We cannot complete the merger unless the shareholders of both of our companies approve the respective proposals related to the merger. **Your vote is very important, regardless of the number of shares you own. Whether or not you expect to attend your shareholder meeting in person, please vote your shares as promptly as possible by (1) accessing the Internet website specified on your proxy card, (2) calling the toll-free number specified on your proxy card, or (3) signing and returning all proxy cards that you receive in the postage-paid envelope provided, so that your shares may be represented and voted at the CenturyTel or Embarq special meeting, as applicable.** If you are an Embarq stockholder, please note that a failure to vote your shares is the equivalent of a vote against the merger. If you are a CenturyTel shareholder, please note that a failure to vote your shares may result in a failure to establish a quorum for the CenturyTel special meeting.

The CenturyTel board of directors unanimously recommends that the CenturyTel shareholders vote “FOR” the proposal to issue shares of CenturyTel common stock in the merger, and “FOR” both proposals to amend the CenturyTel charter. The Embarq board of directors, by a unanimous vote of the directors present, recommends that the Embarq stockholders vote “FOR” the proposal to adopt the merger agreement.

The obligations of CenturyTel and Embarq to complete the merger are subject to the satisfaction or waiver of several conditions set forth in the merger agreement. More information about CenturyTel, Embarq and the merger is contained in this joint proxy statement-prospectus. **CenturyTel and Embarq encourage you to read this entire joint proxy statement-prospectus carefully, including the section entitled “Risk Factors” beginning on page 14.**

We look forward to the successful combination of CenturyTel and Embarq.

Sincerely,

Sincerely,

Glen F. Post, III
Chairman of the Board and Chief Executive Officer
CenturyTel, Inc.

Thomas A. Gerke
President and Chief Executive Officer
Embarq Corporation

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement-prospectus or determined that this joint proxy

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

Under the terms of the merger agreement, Embarq stockholders will receive 1.37 shares of CenturyTel common stock for each share of Embarq common stock owned at closing with cash paid in lieu of fractional shares. On October 26, 2008, Embarq had approximately 142.1 million shares of common stock outstanding. Subject to shareholder and regulatory approvals, this acquisition is expected to close in the second quarter of 2009.

Since the closing of this acquisition is not expected to occur until after January 1, 2009, the following pro forma information was prepared using the guidance of Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations," which we refer to as SFAS 141(R), which is effective for CenturyTel on all business combinations consummated after January 1, 2009. Some primary differences between SFAS 141(R) and the predecessor accounting guidance for business combinations, which we refer to as SFAS 141, are (i) SFAS 141(R) requires transaction related costs be expensed as incurred (as opposed to the treatment under SFAS 141 which allowed such costs to be capitalized as part of goodwill) and (ii) SFAS 141(R) requires the purchase price be determined based on CenturyTel's closing stock price on the date the acquisition is consummated (as opposed to the treatment under SFAS 141 which specifies that an average stock price be used as of the announcement date).

For purposes of the pro forma information, adjustments for estimated transaction and integration costs have been excluded. The aggregate estimated transaction costs are expected to be approximately \$65 million and include estimated costs associated with investment banker advisory fees and legal fees of both companies. In addition, the combined company will incur integration costs related to system and customer conversions (including hardware and software costs) and certain employee-related severance costs. The specific details of these integration plans will continue to be refined over the next couple of years. The estimated aggregate non-recurring costs of the integration activities are approximately \$275 million. Such transaction and integration costs will be recorded based on the nature and timing of the specific action.

Former Embarq stockholders are expected to own approximately 66% of the combined company common shares outstanding after consummation of the merger. However, after consideration of all applicable factors pursuant to the guidance of SFAS 141(R), CenturyTel is considered the "accounting acquirer" for purposes of the preparation of the pro forma financial information since CenturyTel is issuing its common stock to acquire Embarq (at a premium), the board of directors of the combined company will be composed of eight CenturyTel-selected directors and seven Embarq-selected directors and the executive management team of the combined company will be led by current CenturyTel executives, including its Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

The results of operations of Embarq will be included in CenturyTel's combined financial statements from and after the date of acquisition.

The following unaudited pro forma combined condensed balance sheet as of September 30, 2008 and the unaudited pro forma combined condensed statements of income for the year ended December 31, 2007 and the nine months ended September 30, 2008 are based on the historical consolidated results of operations and financial condition of CenturyTel and its subsidiaries and the historical consolidated results of operations and financial condition of Embarq and its subsidiaries and also reflects the effects of acquiring Embarq, as further described below.

The pro forma financial information reflects an aggregate estimated consideration of approximately \$5.0 billion, as calculated below (in millions, except exchange ratio and price per share):

Number of Embarq common shares outstanding as of September 30, 2008	142.1
Multiplied by exchange ratio per merger agreement	<u>1.37</u>
Number of CenturyTel shares to be issued	194.7
Multiplied by price per share of CenturyTel common stock(1)	<u>\$ 25.62</u>
Estimated aggregate consideration	<u>\$ 4,988</u>

Docket No. UT-082119
Response to IBEW Data Request No. 24
Date 1/20/2009
Preparer: Clay Bailey

- IBEW-24. Mr. Bailey states (page 4, lines 5-8): “None of the CenturyTel entities operating in Washington (or any entity that holds a controlling interest in them) is experiencing a change in control as a result of this Transaction because the control of these companies will remain with CenturyTel as it is today.” Concerning this:
- a) How does Mr. Bailey define a “change in control” and a “controlling interest”?
 - b) What percentage of the common stock of CenturyTel, Inc., will be owned by current Embarq shareholders after the transaction is consummated?
 - c) Is it Mr. Bailey’s understanding that the transfer of the amount of common stock stated in b) above does not constitute a “change in control”? If so, please state the specific reasons for that understanding and provide any supporting documents. If not, how do the Applicants propose to modify their Application and testimony to reflect the transfer of control of CenturyTel subsidiaries operating in Washington?

ANSWER:

- a) Generally control is established through ownership. A controlling interest would typically require more than 50% ownership. A change in control would therefore refer to a change in more than 50% ownership of the entity.
- b) On the day that the transaction closes (i.e. the day when Embarq stock is converted to CenturyTel, Inc. stock) more than 50% of the common stock of post-transaction CenturyTel will be owned by individuals and entities who were Embarq shareholders. However it is also the case that more than 50% of the common stock of post-transaction CenturyTel will be owned by individuals and entities who were pre-transaction CenturyTel shareholders. This is possible because there is a very significant overlap between CenturyTel and Embarq shareholders. Many of CenturyTel’s largest institutional investors are also invested in Embarq. As such they would receive additional CenturyTel shares in exchange for their Embarq shares. The end result is that shareholders that own a majority of pre-transaction CenturyTel common stock would continue to own a majority of the post-transaction CenturyTel common stock.

- c) The exchange of stock provided for in the Merger Agreement and described in sub (b) above would not constitute a change in control of CenturyTel, Inc. or any of its subsidiaries. As noted in response to sub (b) above, shareholders that own a majority of pre-transaction CenturyTel common stock would continue to own a majority of the post-transaction CenturyTel common stock.

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

CENTURYTEL, INC. and GALLATIN RIVER)	
COMMUNICATIONS, LLC d/b/a CENTURYTEL)	
OF ILLINOIS)	
)	Docket No. 08-___
Joint Application for approval of a reorganization)	
pursuant to Sections 7-203 and 7-204 and for other)	
relief.)	

VERIFIED JOINT APPLICATION

NOW COME, CenturyTel, Inc. (“CenturyTel”) and Gallatin River Communications, LLC d/b/a CenturyTel of Illinois (“Gallatin River”) (“Joint Applicants”), and apply to the Illinois Commerce Commission (“Commission”) for approval of transactions and agreements as hereinafter described in greater detail, which result in CenturyTel acquiring by merger the local exchange and interexchange telecommunications operations of Embarq Corporation (“Embarq”).¹

Joint Applicants seek approval in accordance with Sections 7-203 and 7-204 of the Illinois Public Utilities Act (“Act”), and all other appropriate relief and, in support of the Joint Application, state as follows:

Description of Joint Applicants

1. CenturyTel is a Louisiana corporation, headquartered at 100 CenturyTel Drive, Monroe, Louisiana 71211-4065. Included in the S&P 500 Index, CenturyTel, Inc. is a leading provider of communications, high-speed Internet and entertainment services in small-to-mid-size

¹ There are two additional Embarq Corporation subsidiaries providing telecommunication services in Illinois that will also experience an indirect change of control as a result of the Transaction. Embarq Communications, Inc. (“ECI”) is a switchless reseller of long distance. Embarq Payphone Services, Inc. (“EPSI”) is a payphone provider. Because Section 7-204 of the Public Utility Act does not apply to the reorganization of an entity that sells solely competitive services, this Joint Petition does not explicitly include ECI or EPSI as petitioning parties seeking relief, although to the extent that approval under the Public Utilities Act is deemed necessary by the Commission for ECI and EPSI then the Petitioners would respectfully request that the Commission also approve the transfer of control with respect to those companies.

cities through its broadband and fiber transport networks. Through its incumbent local exchange subsidiaries, as of December 31, 2007, CenturyTel, Inc.'s ILEC operations served approximately 2.1 million local access lines in 25 states.

2. Among CenturyTel's subsidiaries is Gallatin River, which is a limited liability company organized in the State of Delaware and qualified to do business in Illinois. Gallatin River is a telecommunications carrier as defined in Section 13-203 of the Act and provides local exchange telecommunications services within the State of Illinois as defined in Section 13-204 of the Act. Gallatin River, as an incumbent local exchange carrier, provides service to approximately 53,000 access lines (as of September 30, 2008) in the following 22 exchanges: Avon, Cameron, Dixon, Forest City, Galesburg, Grand Detour, Green Valley, Harmon, Havana, Knoxville, Lacon, Manito, Mt. Carroll, Nelson, North Pekin, Pekin, Savanna, South Pekin, Talbott, Thomson, Topeka, and Wataga. As stated above, Gallatin River is ultimately owned and controlled by CenturyTel.

3. CenturyTel acquired Gallatin River in 2007 through a transaction approved by a March 21, 2007 Order of this Commission in Docket No. 07-0043.

4. Communications and correspondence for the proceeding herein should be sent to:

Joseph D. Murphy
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306 West Church Street
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(217) 352-0030 voice
(217) 352-9294 fax
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Proposed Transaction: CenturyTel Acquisition of Embarq

5. On or about October 26, 2008, Embarq, CenturyTel, and a Cajun Acquisition Company (“CAC”), a wholly owned subsidiary of CenturyTel created to effectuate this transaction, entered into an Agreement and Plan of Merger (“Merger Agreement”), a copy of which is attached to this Application as Exhibit 1. Through the proposed transactions, CenturyTel plans to acquire Embarq.

6. Embarq is a publicly traded holding company with local exchange operations in 18 states, none of which are in Illinois. Under the terms of the Transaction, Embarq and CAC will merge with Embarq being the surviving corporation and CAC ceasing to exist.² The Transaction will be accomplished through a stock-for-stock transaction. CenturyTel expects to refinance Embarq's existing bank debt at closing, but no incremental debt is contemplated in connection with the transaction.

7. The transaction contemplates a parent-level transfer of equity and board of directors control. Under the terms of the Transaction, Embarq will become a direct wholly owned subsidiary of CenturyTel. Gallatin River (as well as CenturyTel's other local exchange subsidiaries) will remain a subsidiary of CenturyTel. Gallatin River will continue as the certificated carrier in Illinois and will continue to have the requisite managerial, technical and financial capability to provide services to its customers. Upon the completion of the Transaction, end user customers will continue to receive service from the same local operating company and at the same rates, terms and conditions as immediately prior to the Transaction. As such, the Transaction will be transparent to Gallatin River's customer. Likewise, Embarq's operating subsidiaries will remain subsidiaries of Embarq.

² Embarq will be the surviving corporation but will adopt the By-Laws and Certificate of Incorporation of CAC.

8. Immediately following the completion of the Transaction, the shareholders of pre-Transaction Embarq are expected to own approximately 66% of the post-transaction CenturyTel and the shareholders of pre-Transaction CenturyTel are expected to own approximately 34% of post-Transaction CenturyTel. (The pre- and post-Transaction corporate structures are illustrated in Exhibit 2 to this Application.) The Merger Agreement requires that, following the completion of the Merger, the post-Transaction CenturyTel Board of Directors will be composed of eight members designated by the pre-Transaction CenturyTel Board of Directors and seven members designated by the pre-Transaction Embarq Board of Directors.

9. As set forth in the Merger Agreement and the description of the transactions described above, these transactions involve the acquisition by CenturyTel of Embarq's local exchange and interexchange telecommunications operations in a number of other states. These transactions do not involve the acquisition, sale or transfer of ownership of any local exchange operations in Illinois subject to the jurisdiction and regulation of this Commission. Appropriate applications seeking necessary regulatory approvals for the transactions described herein have been filed by CenturyTel and other necessary parties with the Federal Communications Commission and the public utility commissions of the relevant states.

10. This Joint Application is being filed with this Commission since, as a result of the merger of CAC and Embarq described above, Embarq shareholders will, immediately following the completion of the merger, own approximately 66% of the outstanding common stock of CenturyTel while prior CenturyTel shareholders will then own approximately 34% of the CenturyTel common stock. While no shareholder will own 10% or more of CenturyTel's common stock upon completion of the merger, Joint Applicants believe approval from this Commission, pursuant to Section 7-204(a) of the Act, may be required because of the change in

ownership of more than 50% (a majority) of the voting capital stock of CenturyTel, which owns and controls 100% of the voting capital stock of Gallatin River.

11. The change of ownership in excess of 50% of the voting capital stock of CenturyTel could also be interpreted to be a change in the right to own, operate, manage or control Gallatin River requiring Commission approval pursuant to Section 7-203 of the Act. Joint Applicants seek relief under Section 7-203 only out of an abundance of caution because Section 7-204(e) states “No other Commission approvals shall be required for mergers that are subject to this Section.”

12. None of the preliminary or pro forma transactions discussed above involving Embarq and/or its subsidiaries, including but not limited to the distribution of the common stock of CAC to the CenturyTel shareholders, requires this Commission’s approval.

**The Completion of the Merger Transaction
Will Benefit CenturyTel and Its Illinois
Operating Company and is in the Public Interest**

13. The Transaction combines two leading communications companies with customer-focused, industry-leading capabilities, each of whom has deep roots serving rural markets. It will provide the combined entity with greater financial and operational resources to capitalize on marketplace opportunities, diversify revenues, and expand networks, expertise and financial resources to build long-term value for customers and shareholders.

14. The communications industry has changed dramatically in the last several years, and the industry continues to experience change at a frenetic pace. Competition, and particularly intermodal competition, is widespread with wireless and wireline carriers competing daily for customers. Local wireline carriers face increasing competition from other providers of voice services and from cable operators providing voice, video and data offerings. As a result of this robustly competitive market environment and the rapidly changing fundamentals of the wireline

business, carriers such as Embarq and CenturyTel must adapt to compete more effectively. Wireline businesses will require greater strategic flexibility to bring new products and expanded services to the marketplace more quickly and to enhance customer service. These evolving market dynamics place unique pressures on companies such as Embarq and CenturyTel, whose operating subsidiaries predominantly serve smaller, rural service areas. The economies of scale and efficiencies produced by this combination will allow the combined company to better focus on delivering new products and services to their customers in their predominantly rural service areas at affordable rates.

15. While CenturyTel is today a leading and respected provider of telecommunications services to rural and small urban communities across the country, the merger is a significant event in CenturyTel's history and development. CenturyTel currently owns and operates a number of incumbent local exchange companies serving approximately 2.1 million access line equivalents in 25 states (as of December 31, 2007). With the completion of the merger, the two companies combined will be the largest independent wireline communications company in the country, serving approximately 8 million access lines, 2 million broadband customers and approximately 400,000 video subscribers. With the significantly increased scale of the combined company, the Transaction will enhance the competitive position of the combined company to facilitate economically attractive deployment of growth products and services, including broadband and wireless data offers.

16. From a financial perspective, CenturyTel, after the merger, will benefit from a strong financial position. The post-transaction company is expected to have pro forma revenue in excess of \$8.8 billion, pro forma EBITDA of approximately \$4.2 billion, pro forma leverage of 2.1 times EBITDA and pro forma free cash flow of approximately \$1.8 billion, based on

anticipated full run-rate synergies and operating results for the twelve months ended September 30, 2008. Based upon these financial attributes, CenturyTel anticipates having post-Transaction financial metrics consistent with those of companies that have been rated “investment grade” by major ratings agencies — characteristics that both CenturyTel and Embarq possess pre-Transaction. These attributes help insure that CenturyTel will have the fiscal stability to pursue necessary strategies. As subsidiaries of the combined company, this financial strength will continue to allow Gallatin River to have the financial stability and access to capital necessary to continue to provide reliable services in the ever-increasingly competitive telecommunications marketplace at affordable rates.

**Sections 7-203 and 7-204 Approvals
and Section 7-204 Criteria**

17. As set forth above, the merger transaction described will upon completion allow CenturyTel to acquire the local exchange and interexchange telecommunications operations of Embarq. The merger transaction does not involve the purchase, sale or transfer of any telecommunications operations in Illinois that are subject to this Commission’s jurisdiction and regulation. The merger transaction is in the public interest and the transactions described herein will not adversely affect Gallatin River’s abilities to perform its duties under the Act. This is one of the findings required by Section 7-204(b) of the Act, and the following paragraphs discuss the other findings required by Sections 7-204(b) and (c).

18. The proposed transactions described herein that require Illinois Commerce Commission approval, as required by Section 7-204(b)(1), will not diminish Gallatin River’s abilities to provide adequate, reliable, efficient, safe and least cost service.

19. The proposed transactions described herein that require Illinois Commerce Commission approval, as required by Section 7-204(b)(2), will not result in any unjustified subsidization of non-utility activities by Gallatin River or its customers.

20. Gallatin River's costs and facilities are each fairly and reasonably allocated between utility and non-utility activities in such a manner that the Commission, as required by Section 7-204(b)(3), has been, and will be, able to identify those costs and facilities that are properly included by Gallatin River for ratemaking purposes.

21. The proposed transactions described herein that require Illinois Commerce Commission approval, as required by Section 7-204(b)(4), will not significantly impair Gallatin River's abilities to raise necessary capital on reasonable terms or to maintain a reasonable capital structure.

22. The Joint Applicants acknowledge, as required by Section 7-204(b)(5), that Gallatin River will, after the transactions described herein, remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of Illinois incumbent local exchange carriers.

23. The proposed transactions described herein that require Illinois Commerce Commission approval, as required by Section 7-204(b)(6), are not likely to have a significant adverse effect on competition in those markets over which the Commission has jurisdiction.

24. The proposed transactions described herein that require Illinois Commerce Commission approval, as required by Section 7-204(b)(7), are not likely to result in any adverse rate impacts on Gallatin River's retail customers.

25. With regard to Section 7-204(c), the Joint Applicants have not projected any savings or incremental costs associated with Gallatin River's regulated intrastate operations as a

result of the merger transaction described herein. Joint Applicants are not seeking, and will not seek, to recover any costs incurred in accomplishing the proposed transactions.

WHEREFORE, Joint Applicants request that the Illinois Commerce Commission enter an Order granting all necessary approvals of the reorganization transaction described in this Joint Application under Sections 7-203 and 7-204 of The Illinois Public Utilities Act and to grant all other necessary and appropriate relief to allow the reorganization transaction to be completed in a timely fashion.

DATED this 21st day of November, 2008.

Respectfully submitted,

CENTURYTEL, INC. AND
GALLATIN RIVER COMMUNICATIONS, LLC

By: 

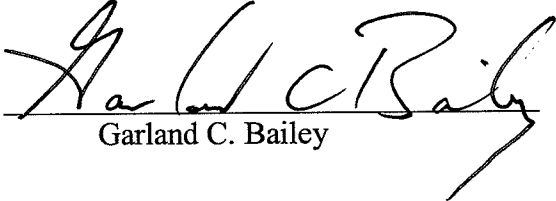
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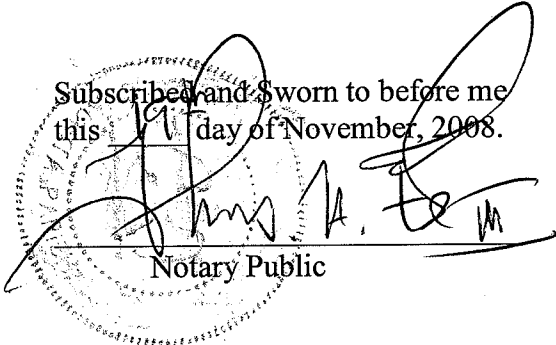
STATE OF LOUISIANA)
) SS
PARISH OF OUACHITA)

VERIFICATION

Garland C. Bailey, being first duly sworn on oath, deposes and states that he is Vice President Treasurer of CenturyTel, Inc., that he has read the above and foregoing Verified Joint Application and knows the contents thereof related to Joint Applicants, and that the same are true to the best of his knowledge, information and belief.



Garland C. Bailey

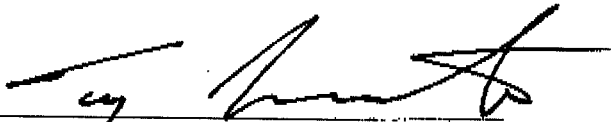
Subscribed and Sworn to before me
this 19 day of November, 2008.


Notary Public

STATE OF ILLINOIS)
) SS
COUNTY OF TAZEWELL)

VERIFICATION

Ty Lemaster, being first duly sworn on oath, deposes and states that he is General Manager of Gallatin River Communications, LLC d/b/a CenturyTel of Illinois, that he has read the above and foregoing Verified Joint Application and knows the contents thereof related to Joint Applicants, and that the same are true to the best of his knowledge, information and belief.



Ty Lemaster

Subscribed and Sworn to before me
this 21st day of November, 2008.



Notary Public



Joint Applicants' Exhibit 1.0

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

CENTURYTEL, INC. and GALLATIN RIVER)
COMMUNICATIONS, LLC d/b/a CENTURYTEL)
OF ILLINOIS)
)
Joint Application for approval of a reorganization)
pursuant to Sections 7-203 and 7-204 and for other)
relief.)

Docket No. 08-0645

DIRECT TESTIMONY

of

G. CLAY BAILEY

ON BEHALF OF JOINT APPLICANTS

November 21, 2008

1 Q. Please state your name and business address.

2 A. G. Clay Bailey. My address is 100 CenturyTel Drive, Monroe, LA 71203.

3 Q. By whom are you employed and in what capacity?

4 A. I am employed by CenturyTel Service Group, LLC, a wholly owned subsidiary of
5 CenturyTel, Inc. and I currently hold the position of Vice President and Treasurer.

6 Q. Please describe your educational background and professional background.

7 A. I received a B.B.A. in Accounting from Northeast Louisiana University. I am a Certified
8 Public Accountant (Inactive Status). Upon graduation, I was employed by the accounting
9 firm, KPMG. During my tenure with the firm, I was involved in telecommunication
10 audits. In 1992, I accepted a position with CenturyTel in the area of Government
11 Relations. I held many positions in the area including Vice President, Government
12 Relations. In that position, I was responsible for both federal and state government
13 relations. In 2000, I accepted my current position of Vice President and Treasurer.

14 Q. What are your current responsibilities at CenturyTel?

15 A. I am currently responsible for the Treasury, Tax and Risk Management areas of the
16 Company. In this capacity, among other responsibilities, I represent CenturyTel before
17 the debt rating agencies.

18 Q. Please provide the background that has led to the filing of this Joint Application.

19 A. CenturyTel has entered into an agreement to acquire Embarq Corporation (“Embarq”).

20 While I will provide greater detail concerning the structure of the transaction below,
21 under the terms of the Transaction, Embarq will become a direct wholly owned
22 subsidiary of CenturyTel. Gallatin River Communications, LLC d/b/a CenturyTel of
23 Illinois (“Gallatin River”),¹ as well as CenturyTel’s local exchange subsidiaries in other
24 states, will remain a subsidiary of CenturyTel. Gallatin River will continue as the
25 certificated carrier in Illinois and will continue to have the requisite managerial, technical
26 and financial capability to provide services to its customers. Upon the completion of the
27 Transaction, end user customers will continue to receive service from the same local
28 operating company and at the same rates, terms and conditions as immediately prior to
29 the Transaction. As such, the Transaction will be transparent to Gallatin River’s
30 customer.

31 As set forth in the Merger Agreement, this transaction involves the acquisition by
32 CenturyTel of Embarq’s local exchange and interexchange telecommunications
33 operations in a number of other states. This transaction does not involve the acquisition,
34 sale or transfer of ownership of any telecommunications operations or entity in Illinois
35 subject to the jurisdiction and regulation of this Commission. Appropriate applications
36 seeking necessary regulatory approvals for the transactions described herein have been
37 filed by CenturyTel and other necessary parties with the Federal Communications
38 Commission and the public utility commissions of the relevant states. CenturyTel will be

¹ Although the entity is now known as CenturyTel of Illinois, I will refer to it as Gallatin River here to be clear about the difference between the operating LEC in Illinois and the corporate parent.

39 the surviving company and the current CenturyTel executive management will supervise
40 and manage the operations of CenturyTel, including the new subsidiaries being acquired,
41 following consummation of the proposed Transaction.

42 Immediately following the completion of the Transaction, Embarq shareholders will own
43 approximately 66% of the outstanding common stock of CenturyTel while prior
44 CenturyTel shareholders will then own approximately 34% of the CenturyTel common
45 stock. While no shareholder will own 10% or more of CenturyTel's common stock upon
46 completion of the merger, Joint Applicants believe approval from this Commission,
47 pursuant to Section 7-204(a) of the Act, may be required because of the change in
48 ownership of more than 50% (a majority) of the voting capital stock of CenturyTel,
49 which owns and controls 100% of the voting capital stock of Gallatin River.

50 The change of ownership in excess of 50% of the voting capital stock of CenturyTel upon
51 closing can also be interpreted to be a change in the right to own, operate, manage or
52 control the Illinois incumbent local exchange carrier subject to this Commission's
53 regulation identified above requiring Commission approval pursuant to Section 7-203 of
54 the Illinois Public Utilities Act.

55 Q. Please give a brief summary of the matters you will be discussing in your testimony.

56 A. I will provide a description of CenturyTel and its existing operations, including its
57 Gallatin River operation in Illinois. I will also provide a more detailed description of the
58 assets and operations of Embarq. That discussion will include a more detailed
59 description of how the transaction will be accomplished.

60 I will address how Gallatin River in Illinois will remain distinct from the operations of
61 the former Embarq assets after closing.

62 I will provide testimony concerning the positive impact the transaction will have on
63 CenturyTel's financial position. Among other matters, the completion of the transaction
64 will result in CenturyTel lowering its leverage as measured by a comparison of total long-
65 term debt to earnings before interest, taxes, depreciation and amortization (EBITDA).
66 The overall benefits of the transaction will be positive for the states in which CenturyTel
67 has operating companies and customers, including Illinois, as well as the states in which
68 Embarq has operating companies.

69 I will also address the prior approvals that the Joint Applicants have received from this
70 Commission pursuant to the requirements of Sections 7-203 and 7-204 of the Illinois
71 Public Utilities Act, including the approvals in Docket No. 07-0043 related to
72 CenturyTel's acquisition of Gallatin River through the acquisition of Gallatin River's
73 then-parent, Madison River Communications, which occurred in the second quarter of
74 2007. The Joint Applicants remain subject to certain conditions or provisions
75 recommended by Staff, agreed to by the joint applicants in that docket, and imposed by
76 the Commission in that docket. This discussion is included because existing Commission
77 provisions already address and satisfy the required statutory findings that the
78 Commission must make in this case pursuant to Section 7-204, Joint Applicants here are
79 willing voluntarily to continue those provisions for a reasonable period of time following
80 the closing on this merger. This will include the statutory criteria contained in Section
81 7-204 and each of the findings the Commission is required to make in connection with
82 the approval of the transaction.

83 Q. Please describe CenturyTel and its existing operations.

84 A. CenturyTel is a corporation organized under the laws of the State of Louisiana. It began
85 operations in the 1930s and is now a publicly-traded company with its stock listed on the
86 New York Stock Exchange under the ticker symbol CTL. As of December 31, 2007,
87 CenturyTel, through its operating subsidiaries, serves approximately 2.1 million access
88 lines in 25 states, including Illinois.

89 Q. For the record, please describe Gallatin River.

90 A. Gallatin River is a limited liability company organized under the laws of the State of
91 Delaware and qualified to do business in Illinois. Gallatin River is a telecommunications
92 carrier as defined in Section 13-203 of the Act and provides local exchange
93 telecommunications services within the State of Illinois as defined in Section 13-204 of
94 the Act. Gallatin River, as an incumbent local exchange carrier, provides services to
95 approximately 53,000 access lines in the following 22 exchanges: Avon, Cameron,
96 Dixon, Forest City, Galesburg, Grand Detour, Green Valley, Harmon, Havana,
97 Knoxville, Lacon, Manito, Mt. Carroll, Nelson, North Pekin, Pekin, Savanna, South
98 Pekin, Talbott, Thomson, Topeka, and Wataga. The entire membership interest of
99 Gallatin River is owned indirectly by CenturyTel as the ultimate parent.

100 Q. Do you have any other initial comments concerning CenturyTel and the proposed
101 transaction with Embarq?

102 A. The proposed Transaction combines two leading communications companies with strong
103 customer-centric histories. CenturyTel has a rich history in local telecommunications

104 service. CenturyTel serves customers in predominantly rural service areas and smaller
105 markets and its primary role has been as a communications provider anchored by wireline
106 service in its existing certificated areas.

107 Similarly, since its separation from Sprint, Embarq has delivered on its promise to serve
108 the public interest by pursuing a single-minded focus of becoming the preferred
109 hometown communications company in the local service areas in which it operates. Like
110 CenturyTel, Embarq has a rich history of providing telecommunications services to local
111 communities that dates back over a hundred years, and since its emergence it has
112 strengthened its local community roots. Thus, the merger will bring together two
113 companies whose businesses are built upon serving local customers in predominantly
114 rural areas and smaller markets and creating a variety of products and services that more
115 directly address the preferences of those customers.

116 Q. Please describe in greater detail the proposed transaction between CenturyTel and
117 Embarq.

118 A. The pre- and post-merger corporate structure of Embarq and CenturyTel is illustrated on
119 Exhibit 2 to the Application. In order to effectuate the merger, CenturyTel, Inc. formed a
120 new direct, wholly owned subsidiary, CAC. Embarq and CAC will merge. Post-merger,
121 CenturyTel's operating subsidiaries will continue to be wholly owned subsidiaries of
122 CenturyTel. Those certificated entities, including Gallatin River in Illinois, will continue
123 to exist in their current form after the merger is completed and will not change.
124 Likewise, the existing ILEC operating companies of Embarq will not change, but Embarq
125 will be a wholly owned subsidiary of CenturyTel

126 Immediately following the completion of the Transaction, the shareholders of
127 pre-transaction Embarq are expected to own approximately 66% of the post-transaction
128 CenturyTel and the shareholders of pre-transaction CenturyTel are expected to own
129 approximately 34% of post-transaction CenturyTel.

130 Following the completion of the Merger, the CenturyTel Board of Directors will be
131 composed of eight members designated by the pre-Transaction CenturyTel Board of
132 Directors and seven members designated by the pre-Transaction Embarq Board of
133 Directors.

134 Q. Please confirm that the transaction does not involve any telecommunications services or
135 operations in the State of Illinois or that are subject to regulation by the Illinois
136 Commerce Commission.

137 A. That is correct. As I previously stated, this filing was due to the wording of the Illinois
138 statutes related to a change in ownership of more than 50% (a majority) of the voting
139 capital stock of CenturyTel. Only that statutory language has led to the filing of the Joint
140 Application; even though the transaction does not involve the acquisition, sale or transfer
141 of ownership of any telecommunications operations or entity in Illinois subject to the
142 jurisdiction and regulation of this Commission.

143 Both CenturyTel and Embarq are publicly traded. Thus, CenturyTel already has a large
144 base of public shareholders. After the completion of the proposed transaction,
145 CenturyTel will have a larger base of public shareholders. However, it is anticipated that

146 no shareholder will own 10% or more of CenturyTel's issued and outstanding common
147 stock.

148 Q. Has the Illinois Commerce Commission approved a previous CenturyTel acquisition
149 under the statutory criteria contained in Section 7-204 of the Act and other applicable
150 statutes involving its Illinois operating incumbent local exchange carrier?

151 A. Yes. In 2007, the Commission previously approved CenturyTel's acquisition of Madison
152 River Communications ("Madison River") which resulted in CenturyTel's indirect
153 acquisition of Gallatin River, the Joint Applicant in this proceeding. In addition, the
154 Commission approved two prior capital infusions to Madison River, which also required
155 Commission review under Section 7-204 of the Act.

156 Q. What is the relevance of these prior approvals on this proceeding?

157 A. That prior Commission approvals and provisions discussed below already satisfy many of
158 the findings that the Commission must make under Section 7-204.

159 Q. Please explain the background of the prior approvals that are relevant to this proceeding.

160 A. The acquisition of Gallatin River was approved in Docket No. 07-0043. In Docket
161 Nos. 05-0013 and 06-0683, the Commission evaluated and approved proposed initial
162 public offerings ("IPOs") for Madison River (the first of which was not carried out due to
163 changes in market circumstances and the second of which was rendered unnecessary by
164 the subsequent CenturyTel acquisition of the company). Both of those approvals were
165 granted pursuant to Sections 7-203 and 7-204 of the Act.

166 Q. In testimony submitted by the Staff in Docket No. 05-0013, what provisions did the
167 Commission Staff support in recommending that the Commission approve the transaction
168 under Section 7-204?

169 A. Staff recommended and the Commission ultimately imposed six provisions, and a
170 reporting requirement, discussed below, in connection with granting the approvals.

171 Q. Would you please identify for the record Attachment 1.01 to this Joint Applicants'
172 Exhibit 1.0.

173 A. Attachment 1.01 to my testimony is a copy of the February 24, 2005 Order of the Illinois
174 Commerce Commission in Docket No. 05-0013. The six provisions and the reporting
175 requirements that were recommended by Staff, agreed to and accepted by the joint
176 applicants in that docket and imposed by the Commission, are set forth in the
177 Commission's Order (Attachment 1.01) at pages 9-11.

178 Q. When Docket No. 06-0683 was initiated to again propose an IPO, did Madison River
179 agree to the imposition of the same six provisions contained in the Order in Docket
180 No. 05-0013?

181 A. Nearly. There were some date-related and editorial corrections to the provisions.

182 Q. What about the reporting requirements?

183 A. As originally contemplated the Madison River IPO included a plan for Madison River to
184 obtain a credit facility. One of the reports listed in the Order in Docket 05-0013 required

185 Madison River to provide a copy of that credit facility and some related documentation to
186 the Commission. The renewed IPO plan in 2006 did not include such a facility and
187 therefore that reporting requirement was not repeated in the Docket 06-0683.

188 Q. Please identify Attachment 1.02 to this Joint Applicants' Exhibit 1.0.

189 A. Attachment 1.02 to my testimony is a copy of the Illinois Commerce Commission's
190 Order in Docket No. 06-0683 entered on November 29, 2006. The six provisions and the
191 reporting requirements more or less repeated from the Docket No. 05-0013, are set forth
192 on pages 17-19 of Attachment 1.02.

193 Q. Were those provisions and reporting requirements included in Docket No. 07-0043,
194 relating to CenturyTel's acquisition of Madison River.

195 A. The provisions were included and were extended to CenturyTel, but the reporting
196 requirements were related to the completion of the IPO and were not relevant to the
197 acquisition. The joint applicants in that docket volunteered to have the provisions applied
198 to Gallatin River for the two years following the acquisition.

199 Q. Please identify Attachment 1.03 to this Joint Applicants' Exhibit 1.0.

200 A. Attachment 1.03 to my testimony is a copy of the Illinois Commerce Commission's
201 March 26, 2007 Order in Docket No. 07-0043. The six provisions and the reporting
202 requirements more or less repeated from the Docket No. 05-0013, are set forth on
203 pages 19-21 of Attachment 1.03.

204 Q. You indicated above that new credit arrangements were discussed in connection with the
205 original IPO planned for 2005. Are new credit arrangements being entered into in
206 connection with this transaction?

207 A. Yes. CenturyTel expects to refinance Embarq's existing bank debt at closing, but no
208 incremental debt is contemplated in connection with the transaction. The refinancing of
209 Embarq's bank debt will also not require any assets of Gallatin River as security.

210 Q. Are CenturyTel and Gallatin River still subject to the provisions set forth in Attachment
211 1.03?

212 A. Yes, with one exception. Most of the provisions are due to expire on May 31, 2009, the
213 second anniversary of the closing on the CenturyTel / Madison River transaction. But
214 Provision (d) states that "Gallatin River will be prohibited from increasing any of its
215 tariffed retail rates for non-competitive services for one year after the date on which
216 Madison River closes on its sale of stock to CenturyTel." The one-year time period has
217 now passed, and that provision has lapsed.

218 Q. Do you believe that these provisions are necessary for this Transaction to be in the public
219 interest?

220 A. No. But they preemptively remove any residual concerns of the sort that Staff has raised
221 about the potential impact of prior transactions.

222 Q. Would the Joint Applicants be willing to extend the duration of these provisions
223 following this merger?

224 A. As I will explain in greater detail below, Joint Applicants believe that leaving the same
225 provisions in place for some additional time following the closing of this Transaction
226 should abate any concern about whether this Transaction meets the requirements of
227 Section 7-204(b).

228 Q. Please discuss how the merger transactions will benefit CenturyTel, its operating
229 subsidiaries, including the Illinois Gallatin River that is the Joint Applicant, and
230 CenturyTel's customers, including the Illinois customers.

231 A. The communications industry has been and is expected in the future to be the subject of
232 rapid and fundamental changes in technology, customer preferences, and the competitive
233 landscape. Rapid changes in technology and customer preferences require equally rapid
234 responses and execution strategies by telecommunications carriers. To respond rapidly
235 and succeed most effectively in this competitive market environment, carriers must have
236 a strategic focus on providing products and services that differentiate them in the market,
237 and they need sufficient scale to execute upon their strategic focus. Even a carrier that
238 knows its customers' preferences cannot compete effectively in today's marketplace
239 without sufficient size and scope to match those preferences with suitable products or
240 services offered at affordable rates. The Transaction will result in a combined enterprise
241 that can achieve greater economies of scale and scope than the two companies operating
242 independently. This, in turn, will enhance its ability to more strategically focus and
243 rapidly respond to customer preferences in providing a full portfolio of quality, advanced

244 communications services at affordable rates that will differentiate the company in the
245 markets it serves.

246 Additionally, with its distinctive expertise in serving smaller, rural areas, the new entity
247 will deliver these services to areas that are often underserved by the larger
248 communications companies. The combination of two mid-sized local wireline providers
249 — the only two with investment grade ratings and with solid financial fundamentals and
250 adequate access to capital — will position the combined enterprise to capitalize on its
251 collective knowledge of its local customers' preferences to deliver innovations in
252 technology and product offerings to the rural and smaller markets. Customers will
253 benefit from increased access to those offerings, and the post-merger CenturyTel will
254 benefit from retaining and attracting customers whose needs are satisfied by its offerings,
255 service quality and customer care. The public interest will be served by the Transaction
256 as it will allow the new company to bring to bear the combined resources of CenturyTel
257 and Embarq on the shared single focus of delivering a full portfolio of services that meet
258 the targeted needs of the local customers in predominantly rural and smaller markets.

259 Moreover, the transaction offers the financial strength and flexibility for the operating
260 subsidiaries of the post-Transaction CenturyTel to continue providing outstanding service
261 and enhanced offerings to customers, while delivering returns to shareholders. The
262 post-transaction company is expected to have pro forma revenue in excess of \$8.8 billion,
263 pro forma EBITDA of approximately \$4.2 billion, pro forma leverage of 2.1 times
264 EBITDA and pro forma free cash flow of approximately \$1.8 billion, based on
265 anticipated full run-rate synergies and operating results for the twelve months ended
266 September 30, 2008. Based upon these financial attributes, CenturyTel anticipates

267 having post-Transaction financial metrics consistent with those of companies that have
268 been rated “investment grade” by major ratings agencies — characteristics that both
269 CenturyTel and Embarq possess pre-Transaction. These attributes help insure that
270 CenturyTel will have the fiscal stability to pursue necessary strategies. This financial
271 strength will continue to allow Gallatin River, CenturyTel’s Illinois LEC, to have the
272 financial stability and access to capital necessary to continue to provide reliable services
273 in the ever-increasingly competitive telecommunications marketplace at affordable rates.

274 Consumers of communications services, including both residential consumers and
275 businesses, have more choices than ever before in the market for local and long distance
276 calling services, high speed Internet and other data services, video services, and wireless
277 services. Intermodal competition to provide these services is now widespread. The two
278 companies combined will be the largest independent wireline communications company
279 serving approximately 8 million access lines, 2 million broadband customers and
280 approximately 400,000 video subscribers. With the significantly increased scale of the
281 combined company, the Transaction will enhance the competitive position of the
282 combined company to facilitate economically attractive deployment of growth products
283 and services, including broadband and wireless data offers.

284 Ensuring the continuation of high quality service and customer experience pre- and
285 post-merger is vitally important. Gallatin River understands that continuing to meet
286 customer needs is its top priority. The Transaction will not change the incentives of the
287 combined entity to do so. Accordingly, immediately following consummation of the
288 Transaction, Gallatin River will offer the same full range of products and services that it

289 offered immediately prior to the Transaction, at the same prices, and under the same
290 terms and conditions.

291 Gallatin River will continue to employ personnel experienced and dedicated to the
292 provision of service in Illinois. The customer service, network and operations functions
293 that are critical to each company's success today will continue when the Transaction is
294 complete, and the post-Transaction company will be staffed to ensure that continuity.
295 The local operations of Gallatin River will continue to be managed by employees with
296 extensive knowledge of the local telephone business and with a commitment to needs of
297 the local community.

298 Furthermore, upon completion of the merger, the Commission will retain the same
299 regulatory authority over Gallatin River that the Commission possesses just prior to
300 consummation of the Transaction. Gallatin River will continue to provide local exchange
301 service, and, through its affiliate, Madison River Long Distance Solutions LLC, to offer
302 long distance service, subject to the same rules, regulations and applicable tariffs.

303 Gallatin River will remain subject to existing price regulation, service quality obligations,
304 and tariffs, as modified by any future Commission or legislative decisions. Future end
305 user rate changes will continue to be governed by the same rules and procedures as today,
306 again, as modified by future Commission or legislative decisions. Likewise, the terms
307 and prices for existing wholesale services under Gallatin River access tariffs will be
308 unchanged immediately after closing of the transaction. Moreover, this transaction will
309 have no impact on the terms of any existing interconnection agreements or Gallatin
310 River's obligations under state and federal laws regarding interconnection.

311 Q. Does the Transaction that you have described meet the statutory criteria contained in
312 Section 7-204 of the Act?

313 A. Yes. The acquisition of Embarq and the change in the stock ownership of CenturyTel
314 meet the statutory criteria of Section 7-204; and the transaction will have no adverse
315 impact in regard to the application of any of the statutory criteria contained in
316 Section 7-204 to the Joint Applicants. While this would be the case if the Joint
317 Applicants were not subject to the existing provisions discussed above, the Joint
318 Applicants are subject to those provisions so there can be absolutely no doubt that it
319 meets the criteria. In this proceeding and in regard to the transaction, the Commission
320 need only find, as it found in Docket No. 07-0043, that the transaction with the present
321 existing provisions meets the statutory criteria.

322 Q. Before addressing the specific statutory criteria and the required findings under
323 Section 7-204, do you have any general comments?

324 A. This transaction involves the acquisition by CenturyTel of Embarq and CenturyTel's
325 management will be in charge of all of the post-merger Company's operations after the
326 Transaction. The change of ownership is an expansion of the base of CenturyTel's public
327 shareholders, with no shareholder owning 10% or more of CenturyTel's issued and
328 outstanding common stock. As I have discussed, the assets and operations being
329 acquired will be operated separately from the existing, or legacy, CenturyTel operations.
330 The day-by-day management and operations of Gallatin River will not be affected by the
331 Transaction for which approval is sought. The "reorganization" will clearly not

332 adversely affect Gallatin River’s abilities to perform its duties under the Act as required
333 by Section 7-204(b).

334 Q. In regard to the Section 7-204 criteria that you will be addressing, will you be referencing
335 the provisions that the Joint Applicants are subject to as a result of the Commission’s
336 Orders in Docket Nos. 07-0043?

337 A. Yes. As discussed, the Joint Applicants remain subject to the enumerated provisions
338 imposed by the Commission in Docket No. 07-0043 (Attachment 1.03). For ease of
339 reference, I will refer to Provisions (a) through (f) as they are set forth on pages 19-21 of
340 Attachment 1.03.

341 Q. Please explain how the proposed reorganization will satisfy the provisions of
342 Section 7-204(b)(1).

343 A. Section 7-204(b)(1) states that in approving a proposed reorganization, the Commission
344 must find that: “The proposed reorganization will not diminish the utility’s ability to
345 provide adequate, reliable, efficient, safe and least-cost public utility service.”

346 The acquisition of Embarq will only strengthen the capabilities and resources of
347 CenturyTel and will inure to the benefit of Gallatin River and the other CenturyTel
348 operating companies in other states in regard to their abilities to provide service to their
349 customers. CenturyTel and Gallatin River have a track record of providing good service,
350 and the proposed transaction will not adversely affect those capabilities.

351 In addition to the above, the Joint Applicants are subject to Provisions (e) and (f). Staff
352 recommended, and the Commission imposed, each of those provisions, in whole or in
353 part, to assure compliance with the service quality requirements of Section 7-204(b)(1) in
354 connection with the “reorganization” approved in Docket No. 07-0043.

355 Provision (e) requires Gallatin River to meet standards that are equal to, or in excess of,
356 the standards applicable to all local exchange carriers that are contained in 83 Illinois
357 Administrative Code Part 730.

358 Provision (f) requires CenturyTel to keep available exclusively for the use of Gallatin
359 River the higher of \$4,000,000 or the currently approved capital expenditures budget
360 from CenturyTel’s credit facilities. This assures the availability of funds for any
361 necessary capital expenditures to maintain or improve service quality.

362 Provisions (e) and (f) assure that this reorganization will meet the requirements of
363 Section 7-204(b)(1), as the Commission found in regard to CenturyTel’s acquisition of
364 Madison River.

365 Q. Please explain how the proposed transaction will satisfy the provisions of
366 Sections 7-204(b)(2) and 7-204(b)(3).

367 A. Section 7-204(b)(2) states that in approving a proposed reorganization, the Commission
368 must find that “the proposed reorganization will not result in the unjustified subsidization
369 of non-utility activities by the utility and its customers.” Section 7-204(b)(3) states that
370 in approving a proposed reorganization, the Commission must find that “costs and
371 facilities are fairly and reasonably allocated between utility and non-utility activities in

372 such a manner that the Commission may identify those costs and facilities, which are
373 properly included by the utility for ratemaking purposes.” Neither the Embarq
374 acquisition nor the change in ownership of the majority of the issued and outstanding
375 common stock of CenturyTel will have any effect on Gallatin River in regard to these
376 two criteria. Gallatin River will continue to be subject to and will comply with 83 Illinois
377 Administrative Code Part 712 and the cost allocation requirements contained therein.

378 In Docket No. 07-0043, the Staff recommended that Provisions (a), (b) and (c) will assure
379 compliance with the requirements of Sections 7-204(b)(2) and 7-204(b)(3). The Joint
380 Applicants agreed in that proceeding to those provisions, and the Commission relied
381 upon and adopted those provisions. The provisions can remain in effect and can be relied
382 upon by the Commission again.

383 Provision (a) provides that the Staff shall be granted access to all books, accounts,
384 records and personnel of CenturyTel, Gallatin River, and all of their utility and non-
385 utility affiliated parent, sister and subsidiary companies, as well as independent auditors’
386 work papers. Compliance by Gallatin River with 83 Ill. Adm. Code Part 712 is
387 specifically required in Provision (b). Provision (c) provides for annual internal audits to
388 test compliance with both Sections 7-204(b)(2) and 7-204(b)(3) with reports to be
389 provided by the Joint Applicants to the Manager of Accounting of the Commission
390 annually. With these provisions continued for Joint Applicants, the reorganization
391 clearly meets those two statutory requirements.

392 Q. Please explain how the proposed reorganization will satisfy the provision of
393 Section 7-204(b)(4).

394 A. Section 7-204(b)(4) states that in approving a proposed reorganization, the Commission
395 must find that “the proposed reorganization will not significantly impair the utility’s
396 ability to raise capital on reasonable terms or to maintain a reasonable capital structure.”
397 The Transaction and proposed reorganization that have led to the filing of the Joint
398 Application will not result in any change in the capital structure of Gallatin River. As I
399 have indicated earlier in my testimony, the transactions will make CenturyTel a
400 financially stronger company with an improved capital structure. The completion of this
401 Transaction will result in CenturyTel becoming the largest independent
402 telecommunications carrier in the United States and will enhance the company’s ability to
403 obtain capital upon reasonable terms. Since CenturyTel raises capital for Gallatin River
404 as well as its other subsidiaries, enhancing these abilities will benefit Gallatin River, and,
405 in turn, Gallatin River’s customers.

406 In Docket No. 07-0043, the Staff recommended Provisions (e) and (f) not only to support
407 a finding that the transactions met the requirements of Section 7-204(b)(1) in regard to
408 service quality but also to support a similar finding in regard to the requirements of
409 Section 7-204(b)(4). As I indicated above, Provisions (e) and (f) can remain in place and
410 provide further support to a finding that this reorganization meets the requirements of
411 Section 7-204(b)(4).

412 Q. Please explain how the proposed reorganization will satisfy the provisions of
413 Section 7-204(b)(5).

414 A. Section 7-204(b)(5) states that in approving a proposed reorganization, the Commission
415 must find that “the utility will remain subject to all applicable laws, regulations, rules,
416 decisions and policies governing the regulation” of Illinois incumbent local exchange
417 carriers. CenturyTel and Gallatin River acknowledge and agree, as these companies have
418 in prior dockets, that following the completion of the proposed reorganization Gallatin
419 River will remain subject to all applicable laws, regulations, rules, decisions and policies
420 governing the regulation of Illinois incumbent local exchange carriers. Not only is this
421 commitment corroborated by Provisions (a), (b) and (c), which CenturyTel has proposed,
422 this commitment was also viewed by Staff in Docket 06-0683 (at p. 11-12) and by Staff
423 in Docket No. 07-0043 (at p. 15) as a sufficient basis for the Commission to find the
424 criteria of Section 7-204(b)(5) to be met. This proposed reorganization clearly meets the
425 criteria of Section 7-204(b)(5).

426 Q. Please explain how the proposed reorganization will satisfy the provisions of
427 Section 7-204(b)(6).

428 A. Section 7-204(b)(6) states that in approving a proposed organization, the Commission
429 must find that “the proposed reorganization is not likely to have a significant adverse
430 impact on competition in those markets over which the Commission has jurisdiction.”
431 The acquisition of the telecommunications operations in other states will have no impact
432 on competition in the telecommunications markets for which the Commission has
433 jurisdiction in the areas that are served by Gallatin River. The change of stock ownership

434 in CenturyTel at the time of closing of the transaction will likewise have no significant
435 adverse impact on competition in those markets. As the Commission is aware, Gallatin
436 River has entered into several interconnection agreements. Those agreements will not be
437 affected by this reorganization. Moreover, nothing about this reorganization will affect
438 Gallatin River's willingness to meet its continuing obligations under the
439 Telecommunications Act of 1996 or the Illinois Public Utility Act.

440 Q. Please explain how the proposed reorganization will satisfy the provisions of
441 Section 7-204(b)(7).

442 A. Section 7-204(b)(7) states that in approving a proposed reorganization, the Commission
443 must find that "the proposed reorganization is not likely to result in any adverse rate
444 impacts on retail customers." Nothing in the proposed reorganization will result in any
445 increase in the rates that Gallatin River charges its retail customers.

446 Q. Please address the statutory requirements of Section 7-204(c) with respect to the
447 proposed transaction and reorganization.

448 A. Section 7-204(c) states that the Commission shall not approve a proposed reorganization
449 without ruling on (i) the allocation of savings from the proposed reorganization; and
450 (ii) whether this company should be allowed to recover any costs incurred in
451 accomplishing the proposed reorganization, and, if so, the amount of costs eligible for
452 recovery and how the costs will be allocated. While CenturyTel believes there will be
453 merger synergies at the holding company level at some point after the closing of the
454 merger and the completion of the transition discussed above, Joint Applicants do not

455 project that Gallatin River will achieve any savings at its regulated intrastate operations
456 level as a result of the transactions. Joint Applicants also do not project that any
457 incremental costs will be incurred at the Illinois operating company level connected with
458 the reorganization. Nonetheless, Joint Applicants specifically commit not to seek in this
459 proceeding, or in any other proceeding before this Commission, to recover any costs
460 incurred in accomplishing the proposed transactions.

461 In Docket 07-0043 at p. 14-15, Staff recommended “(1) the allocation of any savings
462 resulting from the proposed reorganization would flow through to the costs associated
463 with the regulated intrastate operations for consideration in setting rates by the
464 Commission; and (2) the Companies will not be allowed to recover any costs incurred in
465 accomplishing the proposed reorganization in future rate proceedings.” I believe that
466 those same determinations are equally appropriate for this transaction and CenturyTel
467 would not object to them.

468 Findings (6) and (7) of the Commission’s Order in Docket No. 07-0043 (Attachment
469 1.03) addressed the cost allocations and savings issues in that proceeding. Those
470 findings, which appear on page 21 of Attachment 1.03, provide that no savings should be
471 allocated; and the Joint Applicants should not be allowed to recover any costs incurred in
472 connection with the reorganization. Similar findings are appropriate for inclusion in an
473 Order in this proceeding.

474 Q. Does that complete your prepared Direct Testimony?

475 A. Yes, it does.