

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

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.

**APPLICATION FOR EXPEDITED APPROVAL
OF INDIRECT TRANSFER OF CONTROL**

Embarq Corporation (“Embarq”) and CenturyTel, Inc. (“CenturyTel”) (collectively “Applicants”) respectfully 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 (“Transaction”).¹ Applicants submit this application pursuant to Chapter 80.12 RCW and Chapter 480-143 WAC.

In Washington, Embarq provides local and long distance service through its operating subsidiaries, United Telephone Company of the Northwest d/b/a Embarq (“UTNW”) and Embarq Communications, Inc. (“ECI”). CenturyTel also provides local and long distance service in Washington. Applicants request that the Commission approve this Application in an expedited timeframe to allow Applicants to timely consummate the Transaction no later than the second quarter of 2009. In order to expedite the process, Applicants agree to waive a hearing by

¹ Embarq also operates Embarq Payphone Services, Inc. (“EPSI”), which provides payphone services in Washington. Applicants are not seeking approval to transfer EPSI because the Commission does not regulate it.

the Commission at its regularly scheduled Open Public Meeting and to proceed directly to a prehearing conference as soon as possible.

I. INTRODUCTION

1. Embarq, CenturyTel, and Cajun Acquisition Company (“CAC”) entered into an Agreement and Plan of Merger (“Merger Agreement”) as of October 26, 2008.² Embarq is a publicly traded holding company with incumbent local exchange operations in 18 states, including UTNW and ECI. CenturyTel is a publicly traded holding company with its own incumbent local exchange operating company subsidiaries in 25 states. In Washington, CenturyTel provides local service through its subsidiaries CenturyTel of Washington, Inc., CenturyTel of Inter Island, Inc., CenturyTel of Paradise, Inc., and CenturyTel of Cowiche, Inc. (collectively “CenturyTel ILECs”). CenturyTel provides long distance service in Washington through its subsidiary CenturyTel Long Distance, LLC. CenturyTel has two other non-ILEC operating entities certificated in Washington; CenturyTel Solutions, Inc. and CenturyTel Fiber Company II, d/b/a LightCore, a CenturyTel Company LLC. CAC is a direct wholly-owned subsidiary of CenturyTel created to effectuate this Transaction. Under the terms of the Transaction, Embarq and CAC will merge. Embarq will be the surviving corporation, as a direct subsidiary of CenturyTel, Inc., and CAC will cease to exist at merger.³ The Transaction will be accomplished through a stock-for-stock transaction. There is no incremental debt associated with the Transaction.

² The Merger Agreement is a public document and can be viewed in its entirety at: <http://ccbn.10kwizard.com/cgi/convert/pdf/CENTURYTELINC8K.pdf?pdf=1&repo=tenk&ipage=5947105&num=-2&pdf=1&xml=1&cik=18926&odef=8&rid=12&quest=1&xbri=0&dn=2&dn=3>

³ Embarq will be the surviving corporation but will adopt the By-Laws and Certificate of Incorporation of CAC.

2. Under the terms of the Transaction, Embarq will become a direct wholly owned subsidiary of CenturyTel. The terms of the Merger Agreement provide that Embarq's subsidiaries that operate in Washington State will remain subsidiaries of Embarq; however, Embarq Corporation will become 100% owned by CenturyTel, Inc. Therefore, indirect control of UTNW and ECI will effectively transfer to CenturyTel, Inc.

3. Following completion of the Transaction, CenturyTel's Washington State operating subsidiaries will remain subsidiaries of CenturyTel, Inc. The pre- and post-Transaction corporate structure is illustrated in Exhibit 1, attached to this application.

4. In connection with this Transaction, Applicants respectfully request that the Commission approve the indirect transfer of control of UTNW and ECI to CenturyTel.

5. As explained in detail below, the Transaction is consistent with the public interest and is in full compliance with applicable law. UTNW, ECI and the CenturyTel ILECs will continue as the certificated carriers in Washington and will continue to have the requisite managerial, technical and financial capability to provide services to their 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. Therefore, the Transaction will be transparent to customers. Any subsequent service or price changes will be made in accordance with all applicable rules and laws.⁴

⁴ In view of the current rapidly changing communications market, any provider, including post-Transaction CenturyTel, must constantly review its pricing strategy and product mix to respond appropriately to marketplace demands. While rates, terms and conditions will be the same immediately after the Transaction as immediately before the Transaction, prices and product mixes necessarily will change over time as marketplace, technology, and business demands dictate. The affected entities will make such changes only following full compliance with all applicable rules and laws.

6. Moreover, 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.

7. 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.

II. THE PARTIES

8. Embarq is a publicly traded Delaware corporation with headquarters at 5454 West 110th Street, Overland Park, Kansas, 66211. Embarq subsidiaries offer a complete suite of communications services to residential consumers and businesses, including local, long distance,

high speed data, wireless and video services. Embarq has incumbent local exchange operations in 18 states and is in the Fortune 500's list of America's largest corporations.⁵ As of December 31, 2007, Embarq ILEC operations served approximately 6.5 million local access lines in those 18 states.

9. UTNW and ECI are first tier wholly owned subsidiaries of Embarq. UTNW is authorized by this Commission to provide local exchange services. As of December 31, 2007, UTNW served approximately 73,000 total access lines in Washington, as of. ECI is authorized by this Commission to provide long distance service in Washington. As a result of this Transaction, the ultimate parent holding company of UTNW and ECI will change from Embarq Corporation to CenturyTel, Inc. Embarq will remain the immediate parent company of UTNW and ECI. Moreover, the Transaction will not result in any transfer of certificates, assets, or facilities in Washington.

10. CenturyTel, Inc. is a Louisiana corporation, with headquarters at 100 CenturyTel Drive, Monroe, Louisiana 71211-4065. Included in the S&P 500 Index, CenturyTel is a leading provider of communications, high-speed Internet and entertainment services in small-to-mid-size cities through its broadband and fiber transport networks.⁶ As of December 31, 2007, CenturyTel, Inc.'s ILEC operations served approximately 2.1 million local access lines in 25 states, and serve approximately 152,000 access lines in Washington State.

⁵ Embarq's most recent 10K filing to the Securities and Exchange Commission is a public document and is available at:

http://ww3.ics.adp.com/streetlink_data/dirEQ/annual/HTML2/default.htm

⁶ CenturyTel's most recent 10K filing to the Securities and Exchange Commission is also a public document and available at:

<http://ccbn.10kwizard.com/cgi/convert/pdf/CENTURYTELINC10K.pdf?pdf=1&repo=tenk&ipage=5502767&num=-2&pdf=1&xml=1&cik=18926&odef=8&rid=12&quest=1&xbrl=0&dn=2&dn=3>

11. Cajun Acquisition Company, a Delaware corporation, is a newly formed wholly-owned subsidiary of CenturyTel, Inc. Under the merger agreement, Embarq and CAC will merge, with Embarq being the surviving corporation as a first tier subsidiary of CenturyTel, Inc.⁷ The Embarq operating subsidiaries in Washington will be wholly owned subsidiaries of Embarq and indirect subsidiaries of CenturyTel, Inc.

12. Communications and correspondence for the proceeding herein should be sent to the following individuals:

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III. STANDARD OF REVIEW

13. The standard for approval of the proposed Transaction is whether it is consistent with the public interest. The Transaction need not specifically benefit the public, but must simply cause no harm.⁸ However, in this case the Applicants believe that the Transaction will in fact benefit customers. The transfer of parent-level control of UTNW and ECI satisfies the criteria set forth in the Washington law and Commission rules. As indirect subsidiaries of

⁷ As described in footnote 1, Embarq will be the surviving corporation but will adopt the By-Laws and Certification of Incorporation of CAC.

⁸ See *In the Matter of the Application of PacifiCorp and Scottish Power*, Docket No. UE-981627, Third Supplemental Order on Prehearing Conference at 2 (Apr. 2, 1999).

CenturyTel post-Transaction, UTNW and ECI will maintain the capability to provide high quality telecommunications services and to introduce advanced services. Similarly, CenturyTel's operating subsidiaries will continue to provide high quality telecommunications services post-Transaction. The increased scale and scope of the combined entity will allow it to better serve its customers. The transfer is therefore consistent with the public interest.

IV. DESCRIPTION OF THE TRANSACTION AND NEW CORPORATE STRUCTURE

14. In order to effectuate the merger, CenturyTel, Inc. formed a new direct, wholly owned subsidiary, CAC. Embarq and CAC will merge. Post-merger, Embarq's operating subsidiaries, including UTNW and ECI, will be wholly owned subsidiaries of Embarq, and Embarq will be a wholly owned subsidiary of CenturyTel. The certificated entities, including UTNW and ECI, will continue to exist in their current form after the merger is completed and will not change.⁹ Likewise, the existing ILEC operating companies of CenturyTel, Inc. will not change but will become affiliates of the Embarq subsidiaries. *See Exhibit 1.*

15. 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, Inc. are expected to own approximately 34% of post-Transaction CenturyTel. Following the completion of the Merger, the CenturyTel Board of Directors will be composed of 8 members designated by the pre-Transaction CenturyTel Board of Directors and 7 members designated by the pre-Transaction Embarq Board of Directors.

⁹ Although it has not yet been determined whether there will be any name changes associated with this Transaction, if any name changes do occur then any state-required registrations, filings, or notifications related to the name change will be provided at the appropriate time.

V. THE PROPOSED TRANSACTION IS CONSISTENT WITH THE PUBLIC INTEREST

16. The proposed Transaction is consistent with the public interest. The Transaction will provide benefits to customers of the combined company without any countervailing harms. It also combines two leading communications companies with strong customer-centric histories. Since its separation from Sprint, Embarq has delivered on its promise to serve the public interest by pursuing a single-minded focus of becoming the preferred hometown communications company in the local service areas in which it operates. Embarq has a rich history of providing telecommunications services to local communities that dates back over a hundred years, and since its emergence it has strengthened its local community roots. CenturyTel has a similarly rich history in local telecommunications service. Like Embarq, CenturyTel serves customers in predominantly rural service areas and smaller markets and its primary role has been as a communications provider anchored by wireline service in its existing certificated areas. CenturyTel has a proven track record for customer service and provisioning high-quality telecommunications and advanced services. Thus, the merger will bring together two companies whose businesses are built upon serving local customers in predominantly rural areas and smaller markets and creating a variety of products and services that more directly address the preferences of those customers. CenturyTel is uniquely qualified to manage the Embarq companies as part of the CenturyTel family of companies.

17. The communications industry has been and is expected in the future to be the subject of rapid and fundamental changes in technology, customer preferences, and the competitive landscape. Rapid changes in technology and customer preferences require equally rapid responses and execution strategies by telecommunications carriers. To respond rapidly and succeed most effectively in this competitive market environment, carriers must have a strategic

focus on providing products and services that differentiate them in the market, and they need sufficient scale to execute upon their strategic focus. Even a carrier that knows its customers' preferences cannot compete effectively in today's marketplace without sufficient size and scope to match those preferences with suitable products or services offered at affordable rates. The Transaction will result in a combined enterprise that can achieve greater economies of scale and scope than the two companies operating independently. This, in turn, will enhance its ability to focus more strategically and rapidly respond to customer preferences in providing a full portfolio of quality, advanced communications services that will differentiate the company in the markets it serves.

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

19. Moreover, the Transaction offers the financial strength and flexibility for the operating subsidiaries of the post-Transaction CenturyTel to continue providing outstanding

service and enhanced offerings to customers, while delivering returns to shareholders. 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 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 UTNW, ECI, and the CenturyTel subsidiaries that offer service in Washington to have the financial stability and access to capital necessary to continue to provide reliable services in the ever-increasingly competitive telecommunications marketplace.

20. Consumers of communications services, including both residential consumers and businesses, have more choices than ever before in the market for local and long distance calling services, high speed Internet and other data services, video services, and wireless services. Intermodal competition to provide these services is now widespread. The two companies combined will be the largest independent wireline communications company 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.

21. Ensuring the continuation of high quality service and customer experience pre- and post-merger is vitally important. Embarq and CenturyTel understand that continuing to meet customer needs is its top priority. The Transaction will not change the incentives of the combined entity to do so. To that end, 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.

22. Embarq's and CenturyTel's subsidiaries that offer service in Washington will continue to employ personnel experienced and dedicated to the provision of local service in Washington. The customer service, network and operations functions that are critical to each company's success today will continue when the Transaction is complete, and the post-Transaction company will be staffed to ensure that continuity. The local operations of Embarq and CenturyTel subsidiaries that offer service in Washington will continue to be managed by employees with extensive knowledge of the local telephone business and with a commitment to needs of the local community.

23. Furthermore, upon completion of the merger, the Commission will retain the same regulatory authority over the Embarq and CenturyTel subsidiaries that offer service in Washington that the Commission possesses just prior to consummation of the Transaction. The Embarq and CenturyTel subsidiaries that offer service in Washington will continue to provide local exchange service, and to offer long distance service, subject to the same rules, regulations and applicable tariffs. The Embarq and CenturyTel subsidiaries that offer service in Washington will remain subject to existing rate regulation, service quality obligations, and tariffs, as modified by any future Commission and legislative decisions. Future end user rate changes will continue to be governed by the same rules and procedures as today, again, as modified from time to time

by any future Commission or legislative decisions. Likewise, the terms and prices for existing wholesale services under UTNW's and the CenturyTel ILECs' access tariffs will be unchanged immediately after the closing of this Transaction. Moreover, this Transaction will have no impact on the terms of any existing interconnection agreements, nor will it affect UTNW's and the CenturyTel ILECs' obligations under state and federal laws regarding interconnection.

Applicants therefore respectfully request that, pursuant to Chapter 80.12 RCW and Chapter 480-143 WAC, and any other applicable law, the Commission approve: (1) The indirect transfer of control of EQ operating subsidiaries; (2) the request for expedited approval and waiver of hearing at a Commission Open Public Meeting; and (3) any other relief or approvals required by Washington law.

Respectfully submitted this 21st day of November 2008.

By:


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CERTIFICATION

I certify under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct, to the best of my belief.

11/20/08
(Date and Place)

Barbara C. Young
For Embarq Corporation