

Barbara Young
Director
State Government Affairs



ORHDRA0305
902 Wasco Street
Hood River, OR 97031
Tel: 541.387.9850

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Vikie Bailey-Goggins
Administrator, Regulatory Operations
Oregon Public Utility Commission
550 Capitol Street N.E., Suite 215
Salem, OR 97301-2551

RE: UM 1416 – CenturyLink Report of Merger Integration Activities

Dear Members of the Commission:

CenturyLink provides the enclosed report in accordance with condition 4t in the Commission's Order No. 09-169, in Docket UM 1416 approving the merger between CenturyTel, Inc. and Embarq Corporation.

CenturyLink asks that the report be treated as **confidential** under the protective order entered in the docket, or in the alternative, under OAR 860-011-0080. The report contains competitively sensitive information, including trade secret information, that would allow CenturyLink's competitors to gain a business advantage over it.

Please do not hesitate to call me at (541) 387-9850 with questions or concerns you may have regarding this report.

Sincerely,

Barbara Young

enclosure

CenturyLink
Estimated Synergies from CenturyTel/Embarq Merger
For the 9-month period – July 1, 2009 through March 31, 2010

Functional Area	Total Company	Oregon ILECs ¹
Sales & Marketing		
Finance		
Centralized Ops		
Information Technology		
Customer Service		
Engineering		
Human Resources		
Other		
Total All Functional Areas		

	Total Company	Oregon ILECs ¹
Integration Costs through March 31, 2010		

¹ Includes CenturyTel of Oregon, Inc., CenturyTel of Eastern Oregon, Inc., and United Telephone Co. of the Northwest (Oregon operations)

CenturyLink Report of Merger Integration Activities
CenturyTel/Embarq Merger
Docket UM 1416 – Order No. 09-169, Appendix B, Condition 4t
July 2010

Introduction

In compliance with condition 4t in the Commission’s Order No. 09-169 in Docket UM 1416 approving the merger between CenturyTel, Inc. and Embarq Corporation, CenturyLink hereby provides a report describing:

1. Substantive activities undertaken relating to integrating CenturyTel operations with Embarq, as well as achieving synergies made available as a result of this transaction.
2. Costs and projected savings of each such respective activity;
3. Organizational and staff force changes in Oregon operations; and,
4. Impacts on Oregon operations and customers.

Substantive Integration Activities

Date	Integration Activity
July 2009	Launch region operating model – Effective with the close of the CenturyTel/Embarq merger in July 2009, CenturyLink integrated the legacy Embarq operations into its region operating model across its 33 state operations, including Oregon. The model establishes a Vice President/General Manager reporting to one of five Regional Presidents who are responsible for evaluating and responding to the needs of customers at the local market level, assessing the evolving capabilities and needs of local network infrastructure, and who have accountability for the company’s operating and financial performance within their markets. The General Managers have responsibility for all aspects of the local market operations including capital budget planning and implementation, local customer support, management of service delivery and quality, and local retail and technician sales initiatives. Tim Grigar was appointed as the Vice-President, General Manager for the CenturyLink’s Oregon, Washington and California local markets. Reporting to Tim are several Area Operations Managers, a Manager of Local Customer Care, a Manager of Market Development and a Marketing Account Manager.
October 2009	Financial and Human Resources System Conversion – In October 2009, CenturyLink completed the conversion from Embarq’s PeopleSoft System to CenturyTel’s SAP application solution platform. CenturyLink’s SAP system is integrated application software that links business information and processes across workstreams. SAP is used by CenturyLink for Finance, Human Resources, Payroll, Materials Management, Project Systems and Business Intelligence Reporting.

Date	Integration Activity
October 2009	Launch of CenturyLink Brand – In October 2009, CenturyLink successfully launched its new brand name. Customers were notified in advance of the change.
October 2009	Initial Billing System Conversion - In October 2009, CenturyLink completed a successful conversion of the legacy Embarq customers in Ohio to the legacy CenturyTel billing and customer care system. At the same time, CenturyLink converted the legacy Embarq work force management and provisioning systems to the legacy CenturyTel systems for the Ohio market.
January 2010	Wholesale System Conversion for Access and Services Customers – In January 2010, CenturyLink successfully converted ordering for all Access and Interconnection services in the legacy CenturyTel wholesale operations to the EASE System. EASE is a state-of-the-art ordering system that was previously used by wholesale customers for the legacy Embarq wholesale operations.
April 2010	Phase II Billing System Conversion - In April 2010, CenturyLink completed a successful conversion of legacy Embarq customers in North Carolina to the integrated legacy CenturyTel billing and customer care system. At the same time, CenturyLink converted the legacy Embarq work force management and provisioning systems to the legacy CenturyTel systems for the North Carolina market. CenturyLink has now successfully converted approximately 25% of the former Embarq access lines to the CenturyLink systems, with another 25% scheduled to be converted by year-end 2010.
Third/Fourth Quarter 2010	Wholesale System Conversion for CLEC and ISP Services Customers – CenturyLink has initiated integration efforts to convert the ordering for all CLEC and ISP Local Service Requests (LSRs) in the legacy CenturyTel areas to the EASE System. EASE is a state-of-the-art ordering system that was previously used by wholesale customers for the legacy Embarq wholesale operations. Once this conversion is completed, which is expected before the end of the year, all CenturyLink Wholesale operations will be utilizing EASE.

Costs and Projected Savings of Integration Activities

Please see CONFIDENTIAL Attachment 1 for a schedule of synergies and integration costs realized by CenturyLink as a result of the integration activities associated with the CenturyTel/Embarq merger. The amounts reflect integration savings and costs realized during the period July 1, 2009 through March 2010.

Amounts provided reflect the estimated impacts for CenturyLink at a total company level and for its Oregon operations. CenturyLink is also providing an estimate of the synergy savings for each

key functional area. Synergies and integration costs are not separately tracked for each integration activity or project.

Organizational and Staff Force Changes in Oregon Operations

As described above, effective with the merger close in July 2009, CenturyLink integrated the legacy Embarq operations into its region operating model across its 33 state operations, including Oregon. Impacts to staffing at the local operations level in Oregon have been very minor, with a reduction of only two management/supervisory positions resulting from the integration of the legacy Embarq and legacy CenturyTel operations. The integration did not result in the reduction of any technician positions in Oregon.

Impacts on Oregon Operations and Customers

The integration activities described above have been virtually seamless to CenturyLink's Oregon customers. The region organizational structure provides a localized approach, which drives operations and service decision-making closer to the customer. This model has allowed the local Oregon operations team to meet the distinct needs of Oregon customers.