

TENNESSEE REGULATORY AUTHORITY



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

August 20, 2010

VIA FACSIMILE AND U.S. MAIL

Jeanne W. Stockman, Esq.
CenturyLink
14111 Capital Boulevard
Wake Forest, NC 27587

Re: Notice of Indirect Transfer of Control of Qwest Communications Company, LLC
from Qwest Communications International, Inc. to CenturyLink
TRA Docket 10-00115

Dear Ms. Stockman:

This letter is provided in response to your request for written confirmation of the position of the Tennessee Regulatory Authority ("Authority") with respect to the indirect transfer of control of Qwest Communications Company, LLC ("QCC") to CenturyLink, Inc. Based on the information provided in your letter filed on June 9, 2010, Qwest Communications International, Inc. ("QCII") and QCC have entered into an Agreement and Plan of Merger with CenturyLink, Inc. ("CenturyLink").

The letter describes the transaction as contemplating a parent-level transfer of control of QCII whereby QCII will become a wholly-owned, first tier subsidiary of CenturyLink. QCC and the subsidiaries of CenturyLink in Tennessee will continue to operate as separate certificated carriers with no change in corporate structure. No local exchanges, companies or assets are being sold, combined or transferred to a new provider. Further, each subsidiary will continue to have the requisite managerial, technical and financial capability to provide services to its respective customers. Specifically, the letter states:

. . . the Transaction will not change the regulatory jurisdiction that the Authority has over QCC and the CenturyLink Tennessee Operating Subsidiaries. Immediately following the Transaction, QCC and the CenturyLink Tennessee Operating Subsidiaries will continue to provide local exchange and long distance services to their respective customers as they do today. The Transaction will not cause any change in rates, terms and conditions of service, service quality obligations, and applicable orders, although those may be modified by future Authority and legislative decisions.¹

¹ Letter from CenturyLink dated June 9, 2010, p.5.

As stated in your letter, QCC is a provider of long distance and competitive local exchange services in Tennessee as approved by the Authority in Docket Nos. 05-00019 and 99-00922, respectively. QCC also provides facilities-based and resold interexchange and competitive local exchange operations nationwide. As of March 31, 2010, QCC has been operating under market regulation pursuant to Tenn. Code Ann. § 65-5-109.

In Docket No. 08-00219, the Authority considered the Joint Application filed therein seeking approval of a transfer of control of Embarq Corporation and its Tennessee operating subsidiaries, including United Telephone Southeast LLC d/b/a Embarq, Embarq Communications, Inc. and Embarq Payphone Services, Inc., to CenturyTel. In that docket, the Authority convened a contested case proceeding and held a hearing, finding that the proposed transaction required Authority approval pursuant to Tenn. Code Ann. § 65-4-113 because the transaction involved a transfer of control at the holding company level. The approval of the transaction entailed a determination that CenturyTel possessed the requisite technical, managerial and financial qualifications to assume control of Embarq and its operating subsidiaries. The Joint Application was approved as reflected in the Order issued on May 12, 2009 in Docket No. 08-00219.

Your letter distinguishes this transaction from the action taken in Docket No. 08-00219 as follows:

As of March 31, 2010, QCC is operating pursuant to market regulation under T.C.A. § 65-5-109. Before passage of the Market Regulation Act of 2009, this Transaction would have been reviewed pursuant to T.C.A. § 65-4-113 because this is a transfer of control of QCC at the holding company level. Under T.C.A. § 65-4-113(a), a public utility must obtain Authority approval to transfer its authority to provide utility services. However, as a market-regulated company, QCC is “exempt from all Authority regulation” except for specifically enumerated instances in T.C.A. §§ 65-5-109(m) and (n) where Authority jurisdiction is preserved. T.C.A. § 65-4-113 is not one of the statutes listed under either T.C.A. §§ 65-5-109(m) and (n) that continues to apply to market-regulated companies. Thus, because QCC is a market-regulated company, the Authority lacks jurisdiction to review the indirect transfer of QCC to another entity.² [Footnotes omitted.]

The Authority concurs in your analysis that prior to the passage of the Market Regulation Act of 2009 and QCC’s election of market regulation on March 31, 2010, this transaction would require Authority approval pursuant to Tenn. Code Ann. § 65-4-113. Nevertheless, the transaction as described in your letter of June 9, 2010, together with the fact that QCC has elected market regulation pursuant to Tenn. Code Ann. § 65-5-109, causes the proposed

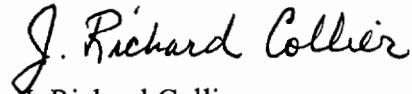
² Letter from CenturyLink dated June 9, 2010, pp. 5-6.

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Agreement and Plan of Merger to fall outside the scope of the Authority's jurisdiction, as circumscribed by Tenn. Code Ann. § 65-5-109. Therefore, it is the position of the Authority that approval by the Authority of the transaction is not required. This conclusion is based solely on the facts as presented in your letter of June 9, 2010 and is not to be construed as a statement of general policy regarding the Authority's jurisdiction to review transactions pursuant to Tenn. Code Ann. § 65-4-112 or § 65-4-113 in the instance one or more entities involved in the transaction have elected market regulation.

Thank you for your detailed description and explanation of the Agreement and Plan of Merger. Should you have any additional questions or should there be a change in any of the information provided in your letter, please contact me at the telephone number indicated below.

Very truly yours,

A handwritten signature in black ink that reads "J. Richard Collier". The signature is written in a cursive style with a large, stylized "J" and "C".

J. Richard Collier
General Counsel
(615) 741-3191 ext. 170

c: Chairman Mary W. Freeman
Jerry Kettles, Chief of Economic Analysis Division
David Foster, Chief of Utilities Division
R. Dale Grimes, Esq.
Docket No. 10-00115