

## STATE OF MICHIGAN

## BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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3  
4 In the matter of the application of )  
CenturyTel Acquisition, LLC for the ) Case No. U-14473  
5 issuance of a license to provide local ) Evidentiary  
exchange service in all exchanges ) Hearing  
6 currently served by SBC Michigan, Verizon)  
North, Inc. And Contel of the South, Inc.)  
7 d/b/a Verizon North Systems, and for )  
related approvals/waivers. )  
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## VOLUME I

9  
10 Proceedings held in the above-entitled matter before  
Daniel E. Nickerson, Administrative Law Judge, at the Michigan  
11 Public Service Commission, 6545 Mercantile Way, Lansing  
Michigan on Tuesday, May 24, 2005 at 9:00 a.m.  
12

## APPEARANCES:

13 On behalf of CenturyTel Acquisition, LLC:

14 SHERRI A. WELLMAN (P38989)  
HARVEY J. MESSING (P23309)  
15 LOOMIS, EWERT, PARSLEY, DAVIS & GOTTING, PC  
232 S. Capitol Ave., Suite 1000  
16 Lansing, MI 48933  
(517) 482-2400  
17

18 On behalf of the Commission Staff:

THOMAS E. MCCLEAR (P25585)  
Assistant Attorney General  
19 6545 Mercantile Way, Suite 15  
Lansing, MI 48911  
20 (517) 241-6680

## REPORTED BY:

21 LOREA SPICER, CSR 7172  
22 Certified Shorthand Reporter  
(313) 963-5410  
23  
24  
25

1 T A B L E O F C O N T E N T S

2

3 WITNESSES:

4 PAGE

5 Daniel A. Davis

6 (Direct Testimony bound-in) 6

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12

13 E X H I B I T S

14

15	NUMBER	DESCRIPTION	MRKD	OFFRD	RECD
16	A-1	Articles of Organization	5	5	16
17	A-2	Certificate of Authority	5	5	16
18	A-3	Biographical Information	5	5	16
19	A-4	Stockholders' Report	5	5	16
20	A-5	Business Participation Plan	5	5	16
21	A-6	Mr. Davis's Affidavit	5	5	16

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1           Lansing, Michigan

2           Tuesday, May 24, 2005

3           At approximately 9:05 a.m.

4           -    -    -    -    -    -

5           JUDGE NICKERSON: Good morning everyone. This is  
6 the time set for a hearing before the Michigan Public  
7 Service Commission in Docket No. U-14473. This involves  
8 the application by CenturyTel Acquisition for a license to  
9 provide basic local exchange service. My name is Daniel  
10 Nickerson, I'm an Administrative Law Judge. Could I take  
11 the appearances of counsel for the record please.

12           MS. WELLMAN: Sherry A. Wellman and Harvey J.  
13 Messing on behalf of CenturyTel Acquisition, LLC.

14           MR. MCCLEAR: Thomas McClear, on behalf of the  
15 Staff of the Michigan Public Service Commission.

16           JUDGE NICKERSON: Thank you for your appearances  
17 this morning. Ms. Wellman notice requirements?

18           MS. WELLMAN: Yes, Your Honor. As you know, the  
19 Commission's Executive Secretary directed the company to  
20 give notice of this hearing pursuant to her directive on  
21 April 27, 2005. I had electronically filed with the  
22 Commission a Proof of Service on May 5th. I believe that  
23 Mr. McClear should have been served as well as Your Honor.  
24 With that Proof of Service indicates that mailing of a  
25 Notice of Hearing was made to all the ILES and CLES within

1 the State of Michigan within the Verizon and SBC service  
2 area, and also to all the municipalities in that area also.  
3 Notice was all mailed to Michael Cox, the Attorney General  
4 of the State of Michigan.

5 JUDGE NICKERSON: All right, thank you Ms.  
6 Wellman. Any comments with regard to Notice?

7 MR. MCCLEAR: Nothing, Your Honor.

8 JUDGE NICKERSON: They are accepted for filing.  
9 Anything further Ms. Wellman in a preliminary nature?

10 MS. WELLMAN: No, not in a preliminary matter.

11 JUDGE NICKERSON: Please proceed.

12 MS. WELLMAN: Yes. The company had a  
13 conversation with the Staff attorney, and we agreed the  
14 company will put it's direct case into the record via an  
15 Affidavit. I have today before me the Affidavit of Daniel  
16 A. Davis. And, I indicate that he is the same Daniel A.  
17 Davis who caused to have prefiled his Direct Testimony and  
18 Exhibits on April 1st in this case. He indicates that the  
19 testimony which appears on 10 separately numbered pages and  
20 consists of a series of questions and answers is in good  
21 order.

22 He also indicates that the exhibits that he  
23 sponsored as Exhibit A-1, Exhibit A-2, Exhibit A-3, Exhibit  
24 A-4, and Exhibit A-5, which were prefiled as well on April  
25 1st are in good order, and he has presented them today to

1 be bound and admitted into the record. He indicates that  
2 if he were here today that he would not have any changes to  
3 that prefiled testimony or to these exhibits. He indicates  
4 that if he were called to testify today that his answers to  
5 the questions and his testimony would be the same. I  
6 caused to have marked by the Court Reporter Mr. Davis's  
7 prefiled exhibits as they would correspond to how he had  
8 marked them when he prefiled them. So, Exhibit A-1 has  
9 been marked as A-1 by the Court Reporter. And  
10 correspondingly, I have marked Exhibit A-2 it corresponds  
11 to the Exhibit A-2 that was prefiled. The prefiled Exhibit  
12 A-3 has now been marked as A-3 by the Court Reporter. A-4  
13 as prefiled has been marked A-4 by the Court Reporter.  
14 Exhibit A-5 has been premarked as Exhibit A-5 by the Court  
15 Reporter. I also, for convenience had Mr. Davis's  
16 Affidavit marked as Exhibit A-6. So therefore, I would  
17 request that Mr. Davis's prefiled testimony be bound into  
18 the record, and Exhibits A-1 through A-6 be admitted into  
19 the record.

20 JUDGE NICKERSON: Any objection to binding Mr.  
21 Davis's testimony into the record?

22 MR. MCCLEAR: None, Your Honor.

23 JUDGE NICKERSON: It may be bound into the  
24 record.

25 - - -

**STATE OF MICHIGAN**

**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter of the application of	)	
CENTURYTEL ACQUISITION, LLC	)	
for the issuance of a license to provide	)	Case No. U-14473
local exchange service in all exchanges	)	
currently served by SBC Michigan, Verizon	)	
North, Inc., and Contel of the South, Inc.	)	
d/b/a Verizon North Systems, and for related	)	
<u>approvals/waivers.</u>	)	

**DIRECT TESTIMONY AND EXHIBITS OF  
DANIEL A. DAVIS  
ON BEHALF OF  
CENTURYTEL ACQUISITION, LLC**

**April 2005**

1 **Q. Please state your name and business address.**

2 A. My name is Daniel A. Davis. My business address is 14567 N. Outer Forty Road, Ste.  
3 500, Chesterfield, MO 63017.

4

5 **Q. By whom are you employed?**

6 A. CenturyTel, Inc. and its subsidiary, CenturyTel Fiber Company II, LLC d/b/a LightCore,  
7 a CenturyTel Company

8

9 **Q. Please describe your job title.**

10 A. I am CenturyTel Acquisition LLC’s Assistant Secretary. I am also General Counsel of  
11 CenturyTel Fiber Company II, LLC d/b/a LightCore, a CenturyTel Company.

12

13 **Q. Have you previously prepared any evidence or given testimony before any  
14 regulatory agency?**

15 A. Yes.

16

17 **Q. Are you sponsoring any exhibits in this proceeding?**

18 A. Yes, I am sponsoring the following exhibits:  
19 Exhibit A-1 (DAD-1), Articles of Organization of CenturyTel Acquisition LLC;  
20 Exhibit A-2 (DAD-2), CenturyTel Acquisition’s Authority to Transact Business in  
21 Michigan;  
22 Exhibit A-3 (DAD-3), Biographical Information;  
23 Exhibit A-4 (DAD-4), CenturtyTel, Inc.’s Most Recent Stockholders’ Report; and

1 Exhibit A-5 (DAD-5), Small and Minority-Owned Telecommunications Business  
2 Participation Plan.

3  
4 **Q. What is the purpose of your testimony in this proceeding?**

5 A. The purpose of my testimony is to demonstrate that CenturyTel Acquisition, LLC  
6 (“CenturyTel Acquisition”) has the requisite managerial, technical, and financial  
7 competence to provide facilities-based and resold basic local exchange services in  
8 Michigan; that CenturyTel Acquisition’s provision of such services is in the public  
9 interest; and that CenturyTel Acquisition is in compliance with the Michigan  
10 Telecommunications Act (“MTA”) and the rules and policies of the Michigan Public  
11 Service Commission (“Commission”). I will also generally describe the services that  
12 CenturyTel Acquisition proposes to offer in Michigan.

13  
14 **Q. Please describe the authority that CenturyTel Acquisition seeks from the  
15 Commission.**

16 A. CenturyTel Acquisition seeks authority to offer facilities-based and resold basic local  
17 exchange services in Michigan throughout the exchanges of SBC Michigan (“SBC”) and  
18 throughout the exchanges of Verizon North Inc. and Contel of the South, Inc. d/b/a  
19 Verizon North Systems (collectively “Verizon”).

20  
21 **Q. Please describe the circumstances surrounding CenturyTel Acquisition’s request for  
22 a license.**

1 A. CenturyTel Acquisition's request for a license is to effectuate an asset purchase  
2 agreement entered into on February 2, 2005, between KMC Telecom II LLC ("KMC II")  
3 and KMC Telecom III LLC ("KMC III") (collectively "KMC") and CenturyTel  
4 Acquisition, whereby CenturyTel Acquisition would acquire the metropolitan area  
5 network transmission and switching facilities of KMC used to provide  
6 telecommunications services, as well as KMC's customer accounts and other assets in  
7 Michigan, together with similar assets in (i) Alabama; (ii) Indiana; (iii) Kansas; (iv)  
8 Louisiana; (v) Minnesota; (vi) Mississippi; (vii) Ohio; (viii) Tennessee; (ix) Texas; and  
9 (x) Wisconsin.

10  
11 **Q. Is CenturyTel Acquisition's request for a license in this proceeding time sensitive?**

12 A. Yes, it is. Because CenturyTel Acquisition and KMC urgently need to complete the  
13 proposed transaction on or before June 30, 2005, CenturyTel Acquisition requests the  
14 Commission to grant CenturyTel Acquisition a license in this proceeding no later than  
15 June 1, 2005.

16  
17 **Q. Is CenturyTel Acquisition requesting a temporary license to begin providing**  
18 **services?**

19 A. Yes.

20  
21 **Q. Please explain CenturyTel Acquisition's reasons for requesting a temporary license.**

22 A. If a permanent license cannot be granted by June 1, 2005, CenturyTel Acquisition needs a  
23 temporary license to complete the asset sale described above on or before June 30, 2005,

1 and to provide services to the then-former KMC customers immediately upon completion  
2 of the transaction.

3  
4 **Q. Please describe the corporate structure of CenturyTel Acquisition.**

5 A. CenturyTel Acquisition is a limited liability company organized under the laws of the  
6 State of Louisiana, and is a wholly-owned subsidiary of CenturyTel, Inc., a corporation  
7 also organized under the laws of the State of Louisiana and publicly traded on the New  
8 York Stock Exchange. Attached as Exhibit A-1 (DAD-1) is Articles of Organization of  
9 CenturyTel Acquisition LLC.

10  
11 **Q. Is CenturyTel Acquisition legally authorized to do business in Michigan?**

12 A. Yes. CenturyTel Acquisition's authorization to transact business in Michigan is attached  
13 as Exhibit A-2 (DAD-2).

14  
15 **Q. Please describe CenturyTel Acquisition's managerial and technical qualifications.**

16 A. CenturyTel Acquisition has the managerial talents and technical abilities to provide  
17 customers in the state of Michigan with high-quality basic local exchange services. As a  
18 wholly-owned subsidiary of CenturyTel, Inc., CenturyTel Acquisition shares the same  
19 management team and has access to the same technical resources as CenturyTel, Inc.  
20 The directors and officers of CenturyTel, Inc. have extensive experience and  
21 responsibility at CenturyTel, Inc. Attached as Exhibit A-3 (DAD-3) is biographical  
22 information for CenturyTel Acquisition's key management and technical personnel.

1 CenturyTel Acquisition's managerial and technical ability is therefore evidenced by  
2 CenturyTel, Inc.'s provision of a wide range of telecommunications services throughout  
3 the United States. CenturyTel, Inc., through its subsidiaries, is a leader in providing  
4 integrated communications services to rural markets. CenturyTel, Inc. provides a variety  
5 of high quality communications services, including local exchange services as an  
6 incumbent Local Exchange Carrier to over 2.4 million access lines, long distance services  
7 to over 1 million customers, and dial-up and high-speed DSL Internet access services to  
8 approximately 300,000 customers, in twenty-two states. These states are: Alabama,  
9 Arizona, Arkansas, Colorado, Idaho, Indiana, Iowa, Louisiana, Michigan, Minnesota,  
10 Mississippi, Missouri, Montana, Nevada, New Mexico, Ohio, Oregon, Tennessee, Texas,  
11 Washington, Wisconsin and Wyoming. In addition, CenturyTel, Inc., through its  
12 affiliates CenturyTel Solutions LLC and CenturyTel Fiber Company II, LLC, d/b/a  
13 LightCore, a CenturyTel Company (collectively, "Lightcore"), offer a full suite of  
14 competitive local, long distance, and data services to enterprise customers in Monroe and  
15 Shreveport, Louisiana, and wholesale bandwidth transport services to  
16 telecommunications carriers and service providers, using its fiber optic transmission  
17 network totaling more than 10,000 route miles across 15 states in the central United  
18 States. These long-haul fiber optic transmission lines in many cases complement the  
19 fiber optic metropolitan area networks of KMC that are the subject of the asset sale.

20  
21 **Q. Please describe CenturyTel Acquisition's financial qualifications.**

22 A. CenturyTel Acquisition possesses the required financial qualifications and resources to  
23 provide basic local exchange service. As a subsidiary of CenturyTel, Inc., CenturyTel

1 Acquisition has access to the financing and capital necessary to conduct its  
2 telecommunications operations in Michigan. CenturyTel, Inc. will ensure that  
3 CenturyTel Acquisition has sufficient capital to maintain its operations. As indicated in  
4 CenturyTel, Inc.'s most recent stockholders' annual report, attached as Exhibit A-4  
5 (DAD-4), and CenturyTel, Inc.'s most recent SEC Form 10-K, available online at  
6 <http://www.sec.gov/Archives/edgar/data/18926/000001892605000025/0000018926-05-000025.txt>,  
7 CenturyTel Inc. has ample financial resources to fund CenturyTel Acquisition's proposed  
8 telecommunications operations in Michigan and other states. As CenturyTel  
9 Acquisition's revenues increase, CenturyTel Acquisition's revenues will supplant  
10 CenturyTel, Inc.'s assistance.

11

12 **Q. Please describe the type of services that CenturyTel Acquisition will offer in**  
13 **Michigan.**

14 A. CenturyTel Acquisition proposes to provide resold and facilities-based basic local  
15 exchange telecommunications services to subscribers throughout the areas of the state of  
16 Michigan served by SBC and Verizon. CenturyTel Acquisition intends to provide all  
17 forms of local exchange telecommunications services, and will comply with all  
18 applicable Commission rules, regulations, and standards. CenturyTel Acquisition will  
19 offer its services pursuant to tariff on a non-discriminatory basis.

20

21 **Q. When will CenturyTel Acquisition commence providing service within the**  
22 **requested service area?**

1 A. CenturyTel Acquisition intends to provide service in Michigan within one year of  
2 licensing. Specifically, CenturyTel Acquisition will begin providing service at the  
3 completion of the asset sale between CenturyTel Acquisition and KMC.

4

5 **Q. What geographic areas will CenturyTel Acquisition serve?**

6 A. As stated, CenturyTel Acquisition seeks authority to provide facilities-based and resold  
7 basic local exchange services throughout the SBC and Verizon service territories in the  
8 state of Michigan.

9

10 **Q. Please describe CenturyTel Acquisition's rate structure.**

11 A. CenturyTel Acquisition will offer rates competitive with the rates charged by the  
12 incumbent providers. Immediately following the completion of the proposed transaction,  
13 the then-former customers of KMC will continue to receive services under the same rates,  
14 terms, and conditions as those services are presently provided by KMC.

15

16 **Q. Is CenturyTel Acquisition prepared to file tariffs prior to providing service?**

17 A. Yes. CenturyTel Acquisition will incorporate the generic tariff exhibited on the  
18 Commission's website and will adopt this tariff for the provisioning of basic local  
19 exchange service following the granting of a license.

20

21 **Q. Please describe the public interest benefits associated with CenturyTel Acquisition's**  
22 **proposed offering of telecommunications services in Michigan.**

1 A. CenturyTel Acquisition's offering of telecommunications services will provide customers  
2 served by KMC's metropolitan area network facilities access to the complementary,  
3 extensive regional long-haul fiber optic network operated by CenturyTel, Inc.'s affiliate,  
4 Lightcore. Lightcore's network covers more than 10,000 route miles spanning 15 states  
5 in the central United States, connecting points in or near many of the markets in which  
6 KMC's facilities are located. The integration of KMC's metropolitan area network assets  
7 into CenturyTel, Inc.'s existing competitive provider networks will redound to the benefit  
8 of both carriers' customers in Michigan. Also, granting the license to CenturyTel  
9 Acquisition will strengthen competition in Michigan, putting CenturyTel, Inc.'s  
10 managerial, technical, and financial resources to work to ensure continued delivery and  
11 improvement of the services provided to KMC's then-former customers. Further,  
12 granting the license to CenturyTel Acquisition is also expected to enhance competition in  
13 Michigan by expanding CenturyTel, Inc.'s existing presence as a viable competitor.  
14 CenturyTel, Inc. specializes in providing service in rural and small urban markets, chiefly  
15 in the central and northwestern United States. CenturyTel, Inc. continues to be a leader  
16 in providing reliable, high-quality services to its residential, business, and carrier  
17 customers alike. Its investment in competitive facilities in KMC's markets reflects  
18 CenturyTel, Inc.'s strengthening commitment to becoming one of the region's premier  
19 telecommunications providers to carriers and end user customers alike.

20

21 **Q. Does CenturyTel Acquisition have a small and minority-owned telecommunications**  
22 **business participation plan?**

23 A. Yes. The plan is attached as Exhibit A-5 (DAD-5).

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**Q. Does CenturyTel Acquisition intend on complying with relevant regulatory requirements in its provision of basic local exchange service?**

A. Yes, CenturyTel Acquisition will comply with all regulatory requirements of the MTA and applicable Commission rules and orders. CenturyTel Acquisition will be subject to and comply with all requirements which are imposed upon other similarly situated licensed providers of basic local exchange service.

**Q. Please explain the quality of service that CenturyTel Acquisition plans to offer.**

A. CenturyTel, Inc. has a history of providing high quality telecommunications service in Michigan. CenturyTel, Inc. is ready, willing, and able to ensure that CenturyTel Acquisition also provides such safe, reliable, and high quality service in Michigan.

**Q. Does this conclude your testimony at this time?**

A. Yes.

1           JUDGE NICKERSON: Could we identify Exhibits A-1  
2 through A-5?

3           MS. WELLMAN: Yes. A-1 is the Articles of  
4 Organization of CenturyTel Acquisition, LLC. The next is  
5 the CenturyTel Acquisition of the Authority to Transact  
6 Business in the State of Michigan. Exhibit A-3 is  
7 CenturyTel Acquisition's Biographical Information.  
8 Exhibit A-4 is CenturyTel's Most Recent Stockholders  
9 Report, and Exhibit A-5 is the Small and Minority Owned  
10 Telecommunications Business Plan for CenturyTel  
11 Acquisition, LLC.

12           JUDGE NICKERSON: All right, any objection to the  
13 admission of proposed Exhibits A-1 through A-6?

14           MR. MCCLEAR: None, Your Honor.

15           JUDGE NICKERSON: They are admitted.

16           MS. WELLMAN: The Court Reporter has extra copies  
17 of the prefiled testimony, along with a disk.

18           JUDGE NICKERSON: All right, anything further Ms.  
19 Wellman?

20           MS. WELLMAN: Just a statement on the record Your  
21 Honor. My client, CenturyTel Acquisition is acquiring, as  
22 you noted the assets and property of LLC, and they would  
23 like to close on this deal as soon as possible. In order  
24 to do that, they feel they need a final Commission order  
25 granted them the license. So, if at all possible the

1 company would like to be on the June 7 Agenda for a final  
2 Commission order, if at all possible.

3 JUDGE NICKERSON: As noted, I will transmit this  
4 matter as quickly as possible to the Commission for it's  
5 consideration once we're done here today.

6 MS. WELLMAN: Thank you.

7 JUDGE NICKERSON: Mr. McClear, anything?

8 MR. MCCLEAR: We have nothing Your Honor.

9 JUDGE NICKERSON: With regard to Section 81, do the  
10 parties waive?

11 MR. MCCLEAR: We would so waive Your Honor.

12 MS. WELLMAN: Yes.

13 JUDGE NICKERSON: Is there anything else for the  
14 record?

15 MR. MCCLEAR: Nothing, Your Honor.

16 MS. WELLMAN: No, Your Honor.

17 JUDGE NICKERSON: The record is closed.

18 (Proceedings concluded at 9:15 a.m.)

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## C E R T I F I C A T E

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3 STATE OF MICHIGAN)

4 COUNTY OF INGHAM )

5

6 I certify that this transcript, consisting of 18  
7 pages, is a complete, true and correct transcript of the  
8 proceedings and testimony taken in this case on May 24,  
9 2005.

10

11

12

June 7, 2005
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13

14 Date

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LOREA A. SPICER CSR 7172

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