

1 BEFORE THE PUBLIC SERVICE COMMISSION

2 STATE OF MISSOURI

3

4 TRANSCRIPT OF PROCEEDINGS

5 HEARING

6 February 17, 2006

7 Jefferson City, Missouri

8 Volume 2

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10 Application of Sprint Nextel Corporation)
11 for Approval of the Transfer of Control) Case No.
 of Sprint Missouri, Inc., Sprint Long) IO-2006-0086
12 Distance, Inc. from Sprint Nextel)
 Corporation to LTD Holding Company)

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 MORRIS L. WOODRUFF, Presiding
17 DEPUTY CHIEF REGULATORY LAW JUDGE.
 JEFF DAVIS, Chairman
18 ROBERT M. CLAYTON, III,
 COMMISSIONERS.

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20 REPORTED BY:
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1 P R O C E E D I N G S

2 (Exhibit Nos. 1 through 16 were marked for
3 identification.)

4 JUDGE WOODRUFF: Welcome everyone to the
5 hearing today concerning the Stipulation and Agreement that's
6 been filed in Case No. IO-2006-0086.

7 My name is Morris Woodruff. I'm the Regulatory
8 Law Judge appointed to preside at this proceeding. And we're
9 going to begin today by taking entries of appearance. First
10 of all, for Sprint Nextel.

11 MS. GARDNER: Linda K. Gardner appearing on
12 behalf of Sprint Nextel Corporation and local holding company
13 now known as Embarq Corporation, 6450 sprint Parkway, Overland
14 Park, Kansas 65221.

15 JUDGE WOODRUFF: And, Ms. Gardner, you need to
16 use your microphone.

17 MS. GARDNER: Sorry.

18 JUDGE WOODRUFF: Thank you.

19 And for Staff.

20 MR. MEYER: Good morning. David Meyer on
21 behalf of the Staff of the Missouri Public Service Commission.
22 Our address is PO Box 360, Jefferson City, Missouri 65102.

23 JUDGE WOODRUFF: Thank you.

24 For Public Counsel.

25 MR. DANDINO: Good morning, your Honor.

1 Michael Dandino, Office of the Public Counsel, Post Office Box
2 2230, Jefferson City, Missouri 65102 representing the Office
3 of Public Counsel and the public.

4 JUDGE WOODRUFF: All right. I believe that's
5 all the parties then.

6 Of course, the purpose of this proceeding is
7 for the Commission to ask questions about the Stipulation and
8 Agreement that's been submitted. And I understand there are a
9 number of witnesses here, some by telephone. And I just got
10 an e-mail that one of the Commissioners is on his way down, so
11 they'll be ready to get started on asking questions.

12 There's been some discussion beforehand about
13 going ahead and swearing all the witnesses in as a panel. I
14 think that's a good idea, so let's go ahead and do that.
15 Ms. Gardner, if you can just give me a list of the witnesses.

16 MS. GARDNER: We have Mr. Kent Dickerson,
17 Mr. Richard Lawson, Dr. Brian Staihr, Mr. Mark Harper all in
18 the room. And then Dr. John Mayo and Mr. Kevin Collins are
19 both by phone.

20 JUDGE WOODRUFF: All right. And I believe
21 there's some Staff witnesses as well.

22 MR. MEYER: That's correct. We have William
23 Voight, Matt Barnes, Larry Henderson and David Winter are
24 available in the room.

25 JUDGE WOODRUFF: All right. Would all of those

1 witnesses please rise? And the witnesses that are on the
2 phone, I'll trust that you're going to raise your right hand
3 also.

4 (Witnesses sworn.)

5 JUDGE WOODRUFF: Let the record reflect that
6 all the witnesses have been sworn.

7 Are there any other preliminary matters that
8 anyone wants to address at this point?

9 MR. MEYER: Your Honor, do you believe it's
10 necessary for us to go through the testimony discussion that
11 has --

12 JUDGE WOODRUFF: To qualify the witnesses?

13 MR. MEYER: Right. To get that in and have
14 that be admitted or not?

15 JUDGE WOODRUFF: I don't think that's necessary
16 because all these witnesses have filed pre-filed testimony in
17 which that is part of their testimony, I believe. If any of
18 the Commissioners have specific questions about that, we'll
19 let them offer that at that time.

20 Do you wish to offer the pre-filed testimony
21 into evidence?

22 MS. GARDNER: Yes.

23 JUDGE WOODRUFF: All right. All the pre-filed
24 testimony, it was marked as Exhibits 1 through 16 have been
25 offered into evidence. Is there any objections to the receipt

1 of those documents into evidence?

2 MR. MEYER: No.

3 MR. DANDINO: No objection.

4 JUDGE WOODRUFF: Hearing none, all those
5 documents are received into evidence.

6 (Exhibit Nos. 1 through 16 were received into
7 evidence.)

8 JUDGE WOODRUFF: All right. At this point then
9 we'll just wait until some Commissioners get here. We'll go
10 off the record for a moment

11 (Off the record.)

12 JUDGE WOODRUFF: Commissioner Clayton has
13 joined us. And I'll let you know when we first went on the
14 record, I swore all the witnesses in as a panel. So if
15 there's any questions that the witnesses need to answer,
16 they're already sworn in. And we have a couple of witnesses
17 on the telephone.

18 COMMISSIONER CLAYTON: Who is on the telephone?

19 JUDGE WOODRUFF: Can you tell us who is on the
20 telephone?

21 MS. GARDNER: On the telephone for witnesses,
22 we have Kevin Collins with Houlihan, Lokey and Dr. John Mayo.

23 DR. MAYO: I can't hear if someone's talking.
24 This is John Mayo. I'm a professor of business and public
25 policy at Georgetown University.

1 COMMISSIONER CLAYTON: That's all right,
2 Professor. We couldn't hear her either.

3 Make sure you're speaking in your mic.

4 Do you have any more?

5 JUDGE WOODRUFF: No. I don't have any
6 preliminaries. We'll turn it over to you for questions.

7 COMMISSIONER CLAYTON: I want to thank everyone
8 for being here. I feel very special to be the only
9 Commissioner here with all these people in the room and I
10 would ask for everyone's patience. We just got out of agenda
11 and I just returned from a NARUC meeting, so I'm perhaps not
12 up to speed as I need to be. So if I ask questions, please be
13 patient with me.

14 I want to start off with Staff and ask who is
15 here for Staff or is the lead person? I don't know if I need
16 every person that's worked on it, but who is sworn in?

17 MR. MEYER: We have four witnesses. David
18 Winter is here to address any pension-related issues. Bill
19 Voight is here to address general telecommunications issues.
20 Larry Henderson for quality service. And Matt Barnes for
21 financial aspects.

22 COMMISSIONER CLAYTON: When you say
23 "financial," what do you mean?

24 MR. MEYER: The nature of the transaction at
25 the corporate level, debt equity ratios, credit ratings for

1 the new entity.

2 COMMISSIONER CLAYTON: Mr. Voight, I guess I'm
3 going to start with you.

4 And would it be all right, Judge, if they
5 stayed out there? I don't know if it makes any difference.

6 JUDGE WOODRUFF: As long as they're near a
7 microphone.

8 COMMISSIONER CLAYTON: The reason I suggest
9 that is that I think it would be easier and faster if we
10 just -- I may be able to get through questions faster and --
11 from my perspective, get through the questions that I have.

12 Mr. Voight, in terms of your role in reviewing
13 this transaction, what items did you look to in evaluating the
14 position of Staff?

15 MR. VOIGHT: One of the -- one of the primary
16 areas that I investigated was the ability of the new local
17 entity, I believe they're called Embarq now, to maintain the
18 facilities that would needed -- be needed to continue to
19 provide high quality telephone service, in particular, the
20 network assets, things like switching and transmission systems
21 and signalling networks and that sort of thing. Wanted to
22 make sure that the new local entity had the requisite
23 facilities to be able to continue to provide high quality
24 telephone service.

25 In addition, the company -- in order -- it

1 would be my understanding in order to have this transaction
2 approved, there must be a showing by the company that the
3 transaction will not be detrimental to the public interest.
4 And my testimony covers that area as well.

5 COMMISSIONER CLAYTON: Now, the nature of -- I
6 don't know whether to refer to them as Embarq or Sprint, but
7 the local wireline businesses that are operating in the state
8 of Missouri, are they completely declared competitive or are
9 they rate of return or are they price cap? Are they all of
10 them? What is the nature of the Sprint local exchanges right
11 now?

12 MR. VOIGHT: It's a combination of price cap
13 and competitive classification, I believe would be my
14 understanding.

15 COMMISSIONER CLAYTON: So there's no exchanges.
16 They're still under rate of return. Correct?

17 MR. VOIGHT: That is correct. There are no
18 exchanges under rate of return and have not been for a number
19 of years.

20 COMMISSIONER CLAYTON: Do you know what the
21 breakdown is between the two classifications? Is it, say,
22 50/50 between competitive and rate of return or --

23 MR. VOIGHT: The breakdown would be between
24 price cap and --

25 COMMISSIONER CLAYTON: Yeah. Excuse me. When

1 we say rate of return --

2 MR. VOIGHT: And forgive me, but I do not know
3 that breakdown. I'd be happy to find that out. My boss is in
4 the room and I think he would know the answer, but I don't
5 know the answer off the top of my head.

6 COMMISSIONER CLAYTON: How many exchanges are
7 there where Sprint is the incumbent?

8 MR. VOIGHT: I'm sorry. I don't know.

9 COMMISSIONER CLAYTON: Do you have an
10 approximation? Do you guys know, Larry?

11 MR. HENDERSON: Yes, it's 82.

12 COMMISSIONER CLAYTON: 82 exchanges. Now,
13 Mister -- and I guess I'll lead with the question of
14 Mr. Voight and if one of the other Staff witnesses knows, feel
15 free to chime in. I don't want to stump Mr. Voight out in
16 front of everybody. We wouldn't want to do that to him.

17 Will the new company also have competitive
18 carriers as well?

19 MR. VOIGHT: The new company will have
20 competitive classification in those exchanges that the current
21 company has received that classification.

22 COMMISSIONER CLAYTON: So the CLECs that are in
23 existence now with Sprint will also go to Embarq?

24 MR. VOIGHT: No. I'm sorry. I misunderstood
25 your question. Sprint, the CLEC, as we call it, will not go

1 to Embarq. That will stay with the current Sprint entity.

2 COMMISSIONER CLAYTON: Okay. And what will the
3 name of that company -- will it remain Sprint?

4 MR. VOIGHT: It will continue to be named
5 Sprint Communications.

6 COMMISSIONER CLAYTON: Okay. So this company
7 is strictly an ILEC company in character --

8 MR. VOIGHT: Yes, sir, that's correct.

9 COMMISSIONER CLAYTON: -- Embarq -- that snappy
10 new name, Embarq?

11 MR. VOIGHT: Yes. Yes. And they will also be
12 a reseller of long distance telephone service. As a matter of
13 fact, they already have certificate and tariff approval. I
14 believe Judge Jones granted that about last October.

15 COMMISSIONER CLAYTON: Okay. Since these 8--
16 and in these 82 exchanges, Sprint, being the ILEC, will be
17 serving these customers. They are not rate of return
18 regulated, they are either competitive or price cap. What
19 role does the Staff have or does the State have in ensuring
20 their ability to serve customers?

21 MR. VOIGHT: We have total regulatory control
22 over the quality of service. None of that changes as a result
23 of competitive or price cap status.

24 COMMISSIONER CLAYTON: Okay.

25 MR. VOIGHT: We also have oversight over rule

1 compliance, the Commission's consumer rules, shall we say,
2 tariff filing requirements.

3 COMMISSIONER CLAYTON: Are any of these
4 different than the type of regulation that you would place on
5 a competitive carrier in the same exchange or are these the
6 same -- the same provisions that are applicable to both?

7 MR. VOIGHT: Quality of service, there is no
8 difference. Consumer-related rules and things of that sort,
9 there is no difference. To the extent the incumbent has
10 received competitive classification, the Commission does not
11 customarily at least exert any jurisdiction over the price of
12 the service that it's charged and that too would be consistent
13 with competitive local exchange carriers.

14 To the extent the new company would remain
15 under price cap type rate regulation, there are some
16 distinctions there between the new local company and the
17 competitive carriers.

18 In other words, to the extent that the new
19 local company -- again, I think I will call them Embarq. To
20 the extent that they remain under price cap status in an
21 exchange area, their prices are capped at I believe it's
22 5 percent annual increases for non-basic services and an
23 annual consumer price adjustment for basic services. And that
24 would -- that would be the most and perhaps the only
25 distinction between the company that we're talking about here,

1 Embarq, and the competitive carriers.

2 COMMISSIONER CLAYTON: So the only distinction
3 between the two types would be how their rates are
4 established. One being price cap, they're limited to a
5 certain type of increase, and then the competitive carriers
6 can raise their prices or lower their prices, throw that in
7 there to fairness to them, can do whatever they want. So
8 between the two characters, that would be the only difference
9 in regulatory oversight by the Commission. Correct?

10 MR. VOIGHT: I'm a little bit hesitant to say
11 that it is the only one, but --

12 COMMISSIONER CLAYTON: Can you give me an
13 example?

14 MR. VOIGHT: Well, for example, there -- there
15 are classifications for their services, which I think is
16 mostly what we're talking about, but there are also -- they
17 would continue -- a new local company would continue to be
18 classified in legal terms as a non-competitive carrier. And
19 there I believe are certain recognitions in the statutes that
20 would continue to apply to the new local company. I don't
21 recall off the top of my head what they are.

22 We normally -- they're normally not an issue
23 and -- before the Commission, but I do want to acknowledge
24 that they would continue to have the non-competitive carrier
25 classification irrespective of whether or not some of their

1 services in some of their exchanges have competitive
2 classification.

3 COMMISSIONER CLAYTON: Okay. Will this company
4 in these exchanges still have provider of last resort
5 requirements as the incumbent?

6 MR. VOIGHT: Yes.

7 COMMISSIONER CLAYTON: Okay. That would
8 certainly be a distinction in regulation between the CLEC and
9 the ILEC, or not?

10 MR. VOIGHT: Yeah. That would be a
11 distinction. I -- I can't specifically cite where in the law
12 that might be, but certainly if -- if no one else wanted to
13 serve an exchange area, we would be looking to this new local
14 company to explain why they should not.

15 COMMISSIONER CLAYTON: Okay. In your analysis,
16 you have found then the company has sufficient assets to
17 comply with Commission rule and quality of service standards?

18 MR. VOIGHT: Yes. And I hesitated because
19 sufficient -- I didn't know if that was a financial question,
20 but -- which I would ask Mr. Barnes.

21 COMMISSIONER CLAYTON: Well, to the extent of
22 your analysis, did --

23 MR. VOIGHT: Yes. They will maintain their
24 requisite --

25 COMMISSIONER CLAYTON: Sufficient facilities?

1 MR. VOIGHT: Yes.

2 COMMISSIONER CLAYTON: Okay.

3 MR. VOIGHT: Yes. We --

4 COMMISSIONER CLAYTON: What would be your
5 greatest concern at looking at a transaction like this? What
6 would be your greatest -- your greatest concern in ensuring
7 that a transaction of this nature would not be detrimental to
8 the public interest?

9 MR. VOIGHT: Certainly the debt to equity
10 ratios and the other financial matters that Mr. Barnes has
11 testified to, the continued meeting of the Commission's
12 quality of service rules. We'll make sure that trouble
13 reports get addressed adequately and new installations get
14 addressed adequately, the type of things that Mr. Henderson
15 testified to.

16 Those are two -- two of the first things that
17 come to mind, but also my area of inquiry was when you look at
18 the switches and the fiberoptic cables and the transmission
19 systems and all of the modern technologies, I wanted to assure
20 that the new local company continued to have the necessary
21 assets to provide the continued high quality service. Things
22 like number of employees have been, I believe, addressed in
23 this case, the quality management.

24 COMMISSIONER CLAYTON: But, Mr. Voight, do you
25 do that analysis if you have a transfer or a merger of a

1 competitive carrier that's strictly a competitive carrier? Do
2 you do that same type of analysis or is it by the nature of
3 this company being an incumbent that you do that analysis?

4 MR. VOIGHT: We do not normally do that for
5 competitive long distance carriers and that sort.

6 COMMISSIONER CLAYTON: Do you worry about debt
7 to equity ratio with competitive carriers or only with an
8 incumbent?

9 MR. VOIGHT: We don't worry about it with
10 competitive carriers. We don't have these type of cases.

11 COMMISSIONER CLAYTON: So when you do your
12 analysis, do you -- in the areas that have been declared
13 competitive, where Sprint serves, do you do an analysis of
14 whether they have sufficient facilities to serve their
15 customers? And if you do, why is that different than what you
16 would do in a CLEC circumstance?

17 MR. VOIGHT: The answer to the first part of
18 the question is -- I believe it's yes. The analysis that we
19 have done in this case includes areas where Sprint -- or the
20 new local company has competitive classification such as
21 Jefferson City and Rolla would -- the analysis covered those
22 areas.

23 But, again, they are -- even though they have
24 pricing flexibility in those areas, they are still the
25 incumbent carrier and they carry with them the designation of

1 a non-competitive company.

2 COMMISSIONER CLAYTON: Which you referenced
3 earlier. Where would the obligations of a non-competitive
4 carrier be listed? In statute or in rule?

5 MR. VOIGHT: Statutes.

6 COMMISSIONER CLAYTON: Okay. Thank you.

7 Mister Barnes --

8 MR. BARNES: Yes.

9 COMMISSIONER CLAYTON: -- in terms of financial
10 analysis, explain to me exactly what you look at in this type
11 of transaction and what you believe are the most important
12 factors in assessing whether such a transaction is detrimental
13 to the public interest.

14 MR. BARNES: I looked at a number of factors.
15 I looked at the indicative credit ratings that the company
16 sought from the credit rating agencies, Standard and Poor's,
17 Moody's and Fitch. I looked at the capital ratios, debt of
18 total capital, equity of total capital. I looked at optimal
19 capital structure and I also --

20 COMMISSIONER CLAYTON: How much of this
21 information that you're referring to right now is public
22 information versus highly confidential information?

23 MR. BARNES: A lot of the numbers are HC.

24 COMMISSIONER CLAYTON: So if I were to ask what
25 is the debt to equity ratio, that would be an HC number, you

1 think?

2 MR. BARNES: I believe so.

3 COMMISSIONER CLAYTON: Okay. Go ahead with
4 your answer.

5 MR. BARNES: And one last thing I looked at was
6 the -- with the interest rate associated with this debt, since
7 there's no third party involved, I looked at that as a
8 conflict of interest. And my solution to that was to have the
9 company sign an affidavit saying that the interest rate on the
10 debt will be a market rate and not an interest rate assigned
11 by Sprint Nextel.

12 COMMISSIONER CLAYTON: Who stands in the place
13 of that third party? I mean, you just said there's normally a
14 third party.

15 MR. BARNES: Well, this is -- this is a
16 spin-off. It's my understanding there's -- it's not an arm's
17 length transaction, so no one's buying the company. They're
18 splitting up into a new company on its own.

19 COMMISSIONER CLAYTON: So who holds the debt
20 then? Who would be the creditor? An affiliate, parent?

21 MR. BARNES: Sprint will actually hold the debt
22 from the new local company. And it's my understanding that
23 they will -- the new company will go out to the market and --
24 to get the market interest rate and issue the debt, but Sprint
25 will ultimately hold the notes.

1 COMMISSIONER CLAYTON: Now, on each of the
2 items that you just referenced, you are satisfied in your
3 analysis that the transaction is not detrimental to the public
4 interest?

5 MR. BARNES: Yes, I am satisfied.

6 COMMISSIONER CLAYTON: Okay. Can you elaborate
7 without getting into HC material?

8 MR. BARNES: I believe that their debt to
9 equity ratio is -- is reasonable, that they've optimized their
10 capital structure to maximize the shareholder value, to -- I
11 believe is -- they're -- they have reasonable debt payments,
12 their interest coverage ratios are -- are reasonable with
13 other comparable companies. I believe the indicative credit
14 ratings -- I don't know that this would be confidential,
15 but --

16 COMMISSIONER CLAYTON: Go ahead and just yell
17 it out.

18 MR. BARNES: -- two out of three of the credit
19 rating agencies have initially rated them investment grade.

20 COMMISSIONER CLAYTON: Okay. Can you describe
21 to me in financial terms the worst case scenario of a
22 transaction of a similar nature? What is the worst thing that
23 could happen in, say, the state of Missouri for the people
24 that are relying on State analysis or State regulatory role?

25 And I guess to elaborate on the question,

1 you're looking at debt to equity ratio, you're looking to make
2 sure the company's going to be financially solvent, that it's
3 going to be able to conduct business, it will be able to
4 comply with provider of last resort obligations, that it's
5 going to provide quality service.

6 In a financial analysis perspective, what is
7 the worst case scenario that would happen? Simply approving
8 somebody that is not financially solvent that cannot? And how
9 would we prevent such a circumstance?

10 MR. BARNES: Worst case scenario is that they
11 would not be able to pay off their debt and that would
12 increase their -- or actually decrease their coverage ratios,
13 especially interest coverage. High dividend payout ratio, if
14 it's too high, they won't be able to pay.

15 COMMISSIONER CLAYTON: Will this company be
16 entirely owned by its parent or the holding company or will
17 there be public shareholders that will own shares of the --

18 MR. BARNES: There will be public -- as of day
19 one, the shareholders will be Sprint Nextel. But once their
20 shares start trading on the market, the public will be able to
21 buy the shares of this company.

22 COMMISSIONER CLAYTON: Is it public information
23 what percentage of Embarq will be available to the public for
24 trading?

25 MR. BARNES: I'm not for sure the number of

1 shares. I don't think that's been determined yet.

2 COMMISSIONER CLAYTON: For example, will it
3 just be greater than 51 percent will remain with the parent?
4 Is that disclosed? Is it highly confidential?

5 MS. GARDNER: I think Dr. Staihr could probably
6 answer that question.

7 COMMISSIONER CLAYTON: Okay. We'll get to it.

8 Okay. From Staff's perspective, who would be
9 looking at impact on customers in terms -- I guess quality of
10 service is Mr. Henderson?

11 MR. MEYER: That's correct.

12 MR. HENDERSON: That's correct, Commissioner.

13 COMMISSIONER CLAYTON: Explain to me or
14 elaborate on the type of analysis that you have done on this
15 transaction from a customer's perspective, if you can.

16 MR. HENDERSON: What we took a look at is the
17 performance of the company for the past 17 quarters.

18 COMMISSIONER CLAYTON: When you say
19 "performance," what do you mean?

20 MR. HENDERSON: The quality of service
21 performance. We also took a look at the abnormal reports that
22 we receive here in the Commission over that same time frame
23 and complaints. We took an analysis of all the quality of
24 service that had been submitted and come to a conclusion of
25 where they're standing today and took a look at the number of

1 employees that they will maintain.

2 COMMISSIONER CLAYTON: Well, stopping right
3 there on the complaints, what was your conclusion on that part
4 of your analysis on reviewing the past 17 years?

5 MR. HENDERSON: 17 months.

6 COMMISSIONER CLAYTON: 17 months, excuse me.
7 There's a significant difference between 17 years and
8 17 months.

9 MR. HENDERSON: We can only track as long as
10 EFIS has been online that I can take a look at. There's not a
11 high volume for the amount of customers they have based on
12 physical quality of service problems.

13 COMMISSIONER CLAYTON: Volume of complaints?

14 MR. HENDERSON: Yes. There was 219 over that
15 period of time that we've received here. And that was from I
16 think 2002 -- the early part of 2002 when EFIS went online.

17 COMMISSIONER CLAYTON: How would that compare
18 to other incumbents during the same time period?

19 MR. HENDERSON: Probably a little bit less than
20 a percentage-wise based on access lines.

21 COMMISSIONER CLAYTON: Do you characterize
22 those complaints at a lower level? Do you break them out by
23 the nature of the problem?

24 MR. HENDERSON: You have -- yes, they are.
25 Okay? If you go into EFIS, you can take a look at quality of

1 service, billing issues, general questions, questions,
2 miscellaneous and things of that nature. And those are
3 categories that you can take a look at and see what type
4 complaints we are receiving here.

5 I primarily took a look at those dealing with
6 quality of service to see what type of issues was there, if it
7 was repeated.

8 COMMISSIONER CLAYTON: How many of those
9 complaints were quality of service complaints?

10 MR. HENDERSON: I think 54.

11 COMMISSIONER CLAYTON: 54?

12 MR. HENDERSON: If I remember correctly.

13 COMMISSIONER CLAYTON: And do you recall the
14 nature of those complaints? I know you say -- you said you
15 can take a look in EFIS. Well, assuming I don't know how to
16 do that, can you tell me what the nature of those --

17 MR. HENDERSON: Some -- they range from
18 Internet speed, dial-up speed to continued nature of problems
19 of noise on the line or a physical problem with the service.

20 COMMISSIONER CLAYTON: Okay. Did you do any --
21 aside from quality of service, did you do any billing
22 analysis?

23 MR. HENDERSON: No, I do not.

24 COMMISSIONER CLAYTON: You didn't look at that?

25 MR. MEYER: Commissioner, I might also

1 volunteer Mr. Voight. I think he also looked at this from the
2 customer's perspective as far as transparency and along those
3 lines. So Mr. Henderson may not be the sole witness on this.

4 COMMISSIONER CLAYTON: Before I let go off
5 Mr. Henderson, is it your testimony that this transaction is
6 not detrimental to the public interest in terms of quality of
7 service received by the incumbent -- by the incumbent's
8 customers?

9 MR. HENDERSON: That is correct.

10 COMMISSIONER CLAYTON: Mr. Voight, in terms of
11 billing and notice, what type of assessment have you done on
12 transition to the new company, change of rates, modification
13 of rates or terms? Tell me what you've done and what your
14 conclusions are.

15 MR. VOIGHT: Well, we've sought assurances, and
16 I believe we have received assurance, that there will be no
17 impact in terms of rates either for local service or long
18 distance service, have no reason to believe there would be any
19 impact on such things as Internet access, DSL and that sort of
20 thing.

21 In terms of customer notice, the notice that
22 will be sent to business and residential end-user customers
23 has been entered into this case file. We are currently
24 examining that. I worked with Mr. Idoux of the new local
25 company and I know that Public Counsel has had some input in

1 that area as well and so the customer notice is currently
2 being examined and we're working with the company on that.

3 COMMISSIONER CLAYTON: So you haven't reviewed
4 the notice yet to see what the customer will receive?

5 MR. VOIGHT: Yes, we have. It's been entered
6 into this case file.

7 COMMISSIONER CLAYTON: You said you were
8 reviewing it. I'm sorry.

9 MR. VOIGHT: Well, frankly, we've had a couple
10 of changes that we've asked Sprint to look into before it's
11 sent out to customers.

12 COMMISSIONER CLAYTON: And can you describe
13 those changes?

14 MR. VOIGHT: One change was for residential
15 customers, the notion that long distance carriers are listed
16 in -- typically listed in telephone directories, we are
17 working with the company on that statement. We think we may
18 want them to remove that statement. I simply don't find that
19 to be the case.

20 There's another area of -- that references
21 Federal Communication Commission rules on the PIC, that's
22 P-I-C, primary interexchange carrier, PIC change rules.
23 Essentially that -- discussions that we're having with the new
24 local company have to do with current Sprint end-user local
25 telephone customers who have a PIC freeze on their line. If

1 they want that to remain on the line, they will have to call
2 the new local company and ask that it be reinstated.

3 COMMISSIONER CLAYTON: Okay.

4 MR. VOIGHT: And there are many areas of
5 customer transparency that the Staff looked at. They included
6 the customer notice, the local telephone service, the long
7 distance portion of their telephone service, their bundles of
8 telephone services and including wireless service offerings
9 that are offered as part of a bundle.

10 We -- we recognize that end-user residential
11 and business customers are not the only customers of Sprint.
12 They also have exchange access customers such as the long
13 distance carriers, Relay Missouri customers, interconnection
14 agreement customers, other CLECs. We wanted to make certain
15 that the interconnection agreements that are currently in
16 place were transparent to -- to the CLECs so we looked at that
17 area.

18 Also, customers of newer modern broadband type
19 technologies, in particular, high speed Internet access,
20 there are assurances in this package, this transition that the
21 new local company will continue to roll out broadband
22 deployment and things of that nature.

23 COMMISSIONER CLAYTON: Okay. Mr. Meyer, Staff
24 made recommendations or -- recommendations or requirements as
25 part of this?

1 MR. MEYER: That is correct.

2 COMMISSIONER CLAYTON: Okay. It was my
3 understanding that some were complied with right off the bat
4 and some were not and maybe have been complied with or agreed
5 to since then. Are there any outstanding Staff requirements
6 that have not been agreed to by the company?

7 MR. MEYER: That have not been agreed to by the
8 company, no. Our Stipulation and Agreement sets forth all of
9 our requests and requirements and have been agreed to by the
10 company.

11 But as you note, some of them have not yet
12 reached the point where they have been -- become past and,
13 therefore, filed with the Commission. For example, there were
14 a couple of points in there where I believe there need to
15 still be subsequent filings by the company.

16 COMMISSIONER CLAYTON: What filings, what
17 information are you waiting on?

18 MR. MEYER: Specifically I'm referring to the
19 terms of the financial arrangements since those still, I
20 believe at this time, are not complete. And our stipulation
21 under financial considerations -- or conditions, there's
22 paragraph 2 and paragraph 3 that have not yet taken place on
23 the Sprint Nextel end and, therefore, the filings have not yet
24 arrived for the Commission.

25 COMMISSIONER CLAYTON: Do you anticipate that

1 those terms for financial arrangement will arrive prior to
2 this Commission taking up this order to approve or not approve
3 the stipulation or is it anticipated that those terms will be
4 filed after action by the Missouri Commission?

5 MR. MEYER: I'd probably defer to Sprint on how
6 they were planning to, but it's our understanding that they
7 are likely to not take place until after the approval has been
8 granted, but we would expect that the approval would be in the
9 context of this case that's been submitted to you and then
10 based on the record that Sprint has already provided to you.

11 COMMISSIONER CLAYTON: So Staff is anticipating
12 that those will be filed and Staff will do an additional
13 analysis on the contents of those terms even if we were to,
14 say, approve the Stipulation and Agreement?

15 MR. MEYER: That's correct. If the filings end
16 up being out of keeping with what Sprint has said over the
17 course of this case and it was submitted to you for approval,
18 we would certainly notify the Commission that what seems to be
19 taking place is not, in fact, what you approved.

20 COMMISSIONER CLAYTON: What would be -- and at
21 that point what would Staff's remedy be if there was something
22 included within those financial arrangements that you did not
23 anticipate or perhaps that Staff found objectionable? What
24 would be -- what would be your procedural step in trying to
25 address those concerns?

1 MR. MEYER: I would imagine that Staff would
2 notify the Commission and ask that the Commission take what
3 legal remedies it believes at that time are necessary. I --

4 COMMISSIONER CLAYTON: Okay. Well, would it be
5 prudent to wait until those terms are available for review?

6 MR. MEYER: It's my understanding that -- I
7 imagine that Sprint will not be able to, for example, proceed
8 with the transaction until it has all State approvals. So I
9 think there are some aspects that are probably going to fall
10 after the Commission's approval has already been entered.

11 COMMISSIONER CLAYTON: So we've got a chicken
12 and an egg type of problem here?

13 MR. MEYER: That's my perception.

14 COMMISSIONER CLAYTON: So this has to happen
15 for the other terms -- or financial arrangements that have to
16 be agreed to and then you'll take a look at those and then
17 you'll let us know whether or not we should unwind the whole
18 deal?

19 MR. MEYER: That has been my perception on it.

20 COMMISSIONER CLAYTON: Was that the most
21 prudent course of action? Who is the chief Sprint person? I
22 apologize.

23 MS. GARDNER: I'm the Sprint attorney and then
24 I'll identify the six witnesses we have.

25 COMMISSIONER CLAYTON: Okay. Hang on. Ma'am,

1 what's your name?

2 MS. GARDNER: Linda Gardner.

3 COMMISSIONER CLAYTON: Okay, Ms. Gardner.

4 So it is Staff's position to go forward and to
5 just get the information after the fact, or is it Staff's
6 position to get the information first?

7 MR. MEYER: It's Staff's position that we
8 recommend approval of the transaction that was presented to
9 you and that's why we have the conditions that we've
10 presented.

11 COMMISSIONER CLAYTON: Okay. Thank you.

12 Ms. Gardner, can you explain this, why we would
13 want to wait for these terms regarding the financial
14 arrangements of the transaction or why that information
15 couldn't be made part of the case prior to approving it?

16 MS. GARDNER: Yeah. I don't think that you
17 want to wait. The way the Stipulation and Agreement -- and
18 Mark Harper is available to answer more specific questions,
19 but as I read the Stipulation and Agreement, there are
20 conditions on the finances -- financial situation of Embarq
21 Corporation at the time of separation.

22 So obviously we have to approve it first,
23 separate and then comply with the various conditions to show
24 that we meet the conditions that we agreed to with Staff and
25 the Public Counsel. So it's really more of a compliance to

1 show that we meet the financial characteristics that we said
2 we would meet at that time.

3 COMMISSIONER CLAYTON: Okay. Is there any
4 other filing -- I'm going to come back to you, Ms. Gardner.

5 Mr. Meyer, is there any other information that
6 is to be filed after the -- once we approve it or if we do
7 approve it, is there any other information that would be filed
8 afterwards that's comparable to this terms of financial
9 arrangement as referenced earlier?

10 MR. BARNES: Just credit rating agency reports
11 and if they not -- if they're not rated investment grade,
12 condition 5 would apply to that. And there's three steps that
13 they would need to meet.

14 COMMISSIONER CLAYTON: Ms. Gardner, are you
15 operating in practice in both Missouri and Kansas?

16 MS. GARDNER: I am licensed in Missouri and I'm
17 aware of the Kansas situation, yes.

18 COMMISSIONER CLAYTON: Is this the information
19 that Kansas is waiting on?

20 MS. GARDNER: No. Kansas we are going through
21 a hearing process there. We do have -- you know, the Staff of
22 the Kansas Commission has recommended certain things. One of
23 the items that the Kansas Staff indicates that they need is a
24 more final distribution agreement. And we've addressed the
25 distribution agreement in the stipulation with the Staff and

1 the Public Counsel and we'll give them a copy of the
2 distribution agreement -- in fact, I think we've already
3 provided one step of that agreement. That's, in fact, the
4 same information we've provided to Kansas.

5 COMMISSIONER CLAYTON: Okay. But are they just
6 reviewing that now or are they just not satisfied with it
7 or -- I printed off -- there's a newspaper article that came
8 around today, but I haven't had a chance to -- with other
9 things going on. And I guess I'm just interested to know
10 what's going on just across the border.

11 MS. GARDNER: Yeah. I actually haven't read
12 that newspaper article either. We are still in the process of
13 the hearing in Kansas. I think they have a slightly different
14 statute that they believe requires a final executed copy of
15 the distribution agreement. That is not what we have faced
16 elsewhere, including here, where we've been able to provide
17 all the details with the assurance that we'll provide the
18 final once it's drafted.

19 COMMISSIONER CLAYTON: But some distribution
20 agreement has been filed in both places, perhaps just not a
21 final agreement?

22 MS. GARDNER: I think actually the -- what's
23 been filed in both places to date has been the description in
24 the Form 10 SEC filing.

25 COMMISSIONER CLAYTON: And so they're waiting

1 on the description in Form 10?

2 MS. GARDNER: Actually, the Kansas Staff has
3 that. I think they're waiting on a more final copy of the
4 distribution agreement. And I believe we intend to file that
5 next week.

6 COMMISSIONER CLAYTON: Is that something that's
7 changing? I mean, when you say "final," it suggests it's not
8 finished.

9 MS. GARDNER: It's a lengthy document, it's got
10 some schedules that, you know, get determined as -- as you get
11 closer to it as far as final balances and those kind of things
12 in the schedule. So it's just a lengthy drafting process.
13 You know, the basic terms are -- are done. It's just
14 completing the documentation.

15 COMMISSIONER CLAYTON: Okay. Mr. Barnes, have
16 you reviewed the concerns of the Kansas Commission with regard
17 to receiving a final executed distribution agreement or a
18 description in Form 10?

19 MR. BARNES: I've briefly looked over Staff's
20 recommendation. It was a public recommendation so I couldn't
21 determine what numbers were being used in terms of an
22 agreement. I do know that they have very similar concerns
23 that we have and I believe our conditions address those same
24 concerns.

25 COMMISSIONER CLAYTON: Your conditions --

1 MR. BARNES: In the Stip and Agreement.

2 COMMISSIONER CLAYTON: Okay. Have you
3 communicated with the Kansas Staff at all?

4 MR. BARNES: I have not. I just briefly looked
5 over their recommendation earlier this week. I have not had a
6 chance to talk to the Staff.

7 COMMISSIONER CLAYTON: Nothing in their
8 recommendation would cause you any concern?

9 MR. BARNES: No.

10 COMMISSIONER CLAYTON: Okay. Thank you,
11 Ms. Gardner.

12 Office of Public Counsel.

13 MR. DANDINO: Yes, sir.

14 COMMISSIONER CLAYTON: Mr. Dandino, could you
15 rank, say, the top three concerns that Office of Public
16 Counsel would have with a transaction of this nature or give
17 me an idea of what analysis -- ranking by importance of what
18 Public Counsel sees as the most important provisions in
19 protecting consumers in this transaction?

20 MR. DANDINO: Certainly. Our probably major
21 concern was the same concern I think the Staff had, was that
22 after the spin-off, that Embarq would have sufficient assets,
23 both facilities, personnel and finances to be able to continue
24 to serve the local ratepayers.

25 Second of all, we wanted to make sure that they

1 would have -- they would have a commitment and the ability to
2 maintain a high level of services to the customers.

3 There's another -- the next concern I think was
4 a commitment to provide advanced services to their customers.
5 Sprint has considerable rural areas and it was -- we wanted to
6 make sure that not only did they say that they had the
7 commitment, but that they presented some type of evidence, and
8 I believe they presented an outline of capital projects, which
9 would demonstrate how they would do -- provide those advanced
10 services.

11 Of course, we're always interested in just and
12 reasonable rates. Therefore, we -- we had a commitment on
13 the -- we have a commitment on the price cap status of the new
14 company that it would continue with the present status and
15 timeline of Sprint for a price cap company.

16 This means that the company would not seek to
17 re-balance its rates again. It's -- it would have four
18 opportunities to re-balance their rates up to \$1.50. They're
19 saying that they will continue that same timeline and they
20 have done all the re-balancing unless the law changes.

21 And also, I think the next aspect of that is
22 there would be a continuation of the prices, rates, terms and
23 conditions in services now provided to the Sprint local
24 customers.

25 One other point that we were very concerned

1 about was that the Embarq long distance service, that when it
2 was spun off and was separated from Sprint Communications,
3 that it would not impose the access recovery surcharge.
4 And the Stipulation and Agreement provides an agreement with
5 the new company that it will not impose the access recovery
6 surcharge for two years -- at least two years.

7 Another aspect of it was the customer choice.
8 That we wanted to make sure that the customer would have an
9 ability to choose the IXC of its choice. We wanted there to
10 be a notice with a -- they continue their right to change
11 provider and that there would be no charge that after the
12 transfer, the customer wanted to switch from the company it
13 was assigned to, that it could at least make one change from
14 that if they found out they didn't like that service.

15 And the company agreed in the Stipulation and
16 Agreement that at least for 30 days after the transfer, a
17 customer would have a right to change with no charge for that
18 transfer.

19 I think finally we wanted to make sure that
20 nothing we did in this case would constitute a waiver of
21 Public Counsel's challenge to the 2001, 2002 and 2003 Sprint
22 re-balancing. That case is now pending in the Western
23 District of Missouri.

24 COMMISSIONER CLAYTON: Okay. How many
25 witnesses do you have here available that have worked on this

1 case?

2 MR. DANDINO: All I have is Ms. Meisenheimer.

3 COMMISSIONER CLAYTON: I wouldn't say only that
4 you have Ms. Meisenheimer.

5 MR. DANDINO: Let me reword that. I have a
6 strong witness of Ms. Meisenheimer.

7 COMMISSIONER CLAYTON: Nice backpedal.

8 MR. DANDINO: Mr. Trippensee is on vacation,
9 but he did review the matter in conjunction with Mr. Barnes.
10 And separately he did not have any problems concerning the
11 financial aspects of it.

12 COMMISSIONER CLAYTON: Is he available by
13 phone, Mr. Dandino?

14 MR. DANDINO: Unless there's one out on the
15 greens.

16 JUDGE WOODRUFF: Let me clarify, Commissioner.
17 Public Counsel did not submit any pre-filed testimony in this
18 case. Correct?

19 MR. DANDINO: That's correct. All we did was
20 file a statement of our concerns. And I had drafted that, so
21 I would be glad to testify as to anything.

22 COMMISSIONER CLAYTON: Okay. Since you have no
23 pre-filed testimony, has Ms. Meisenheimer been sworn?

24 JUDGE WOODRUFF: She's not been sworn, but we
25 can if you want to.

1 COMMISSIONER CLAYTON: We don't necessarily
2 have to do as much -- that's fine. We won't do that.

3 Public Counsel's satisfied. Correct?

4 MR. DANDINO: That's correct.

5 COMMISSIONER CLAYTON: Aside from Staff, Public
6 Counsel and Sprint, is there anyone else here for Embarq?

7 JUDGE WOODRUFF: Those are the only parties.

8 COMMISSIONER CLAYTON: Only parties. No
9 intervenors.

10 Is Embarq represented separately then Sprint?

11 MS. GARDNER: No.

12 COMMISSIONER CLAYTON: Okay. Now, does
13 Mr. Idoux go with Embarq or does he go with Sprint?

14 MS. GARDNER: He goes with Embarq.

15 COMMISSIONER CLAYTON: How about Mr. Lawson?

16 MS. GARDNER: With Embarq.

17 COMMISSIONER CLAYTON: So his check will be
18 green instead of the -- yeah.

19 Okay. I would like to ask Sprint some
20 questions -- or Embarq some questions. I'd like to ask some
21 about the character of the exchanges. To whom would I ask
22 those questions?

23 MS. GARDNER: The character of our local
24 exchanges?

25 COMMISSIONER CLAYTON: Like some questions

1 about are they rural, are they metropolitan, urban.

2 MS. GARDNER: Mr. Harper and Mr. Lawson.

3 COMMISSIONER CLAYTON: Whoever's available.

4 I'll let you pick.

5 MR. LAWSON: Our largest exchange is Jefferson
6 City, so then they become smaller from there. Our other
7 larger exchanges are Warrensburg, Clinton, some towns like
8 that. Get down to Henrietta with 179 access lines.

9 COMMISSIONER CLAYTON: You have 82 exchanges --

10 MR. LAWSON: 82 exchanges.

11 COMMISSIONER CLAYTON: -- that are at issue
12 here. Mr. Lawson, can you tell me how many of the 82 are
13 competitively classified?

14 MR. LAWSON: Yeah. We have eight exchanges
15 that are competitively classified including Rolla, Platte
16 City, Kearney, Norborne, Weston, Farrelview, St. Roberts and
17 Waynesville.

18 COMMISSIONER CLAYTON: So that would mean 74
19 are price cap regulated. Correct?

20 MR. LAWSON: That's -- thereabout.

21 COMMISSIONER CLAYTON: Of those 82, can you
22 tell me what percentage would be considered rural exchanges

23 MR. LAWSON: Oh, boy.

24 COMMISSIONER CLAYTON: I don't need an exact
25 figure. Don't worry about --

1 MR. LAWSON: I need the calculator.

2 COMMISSIONER CLAYTON: 50 percent, 60 percent,
3 70 percent?

4 MR. LAWSON: I'd probably say 75 percent of
5 those communities at least are considered rural.

6 COMMISSIONER CLAYTON: Okay. Mr. Lawson, can
7 you tell me whether broadband services offered through Embarq
8 or Sprint, whichever company, is broadband service available
9 through -- and offered by your company in each of the
10 82 exchanges?

11 MR. LAWSON: No, it is not. About 70-- at the
12 end of this year a little bit more than 70 percent of our
13 central offices will have DSL capabilities. And by the end of
14 2006, about 90 percent of our central offices will be DSL
15 capable. That doesn't mean that all the access lines will be
16 DSL capable.

17 COMMISSIONER CLAYTON: I'm going to get to that
18 in the next question. So 70 percent of your central offices.
19 Is that the same as saying 70 percent of your exchanges?

20 MR. LAWSON: Yes.

21 COMMISSIONER CLAYTON: And by the end of this
22 year, you're saying 90 percent of those exchanges?

23 MR. LAWSON: Yes. Will be DSL capable.

24 COMMISSIONER CLAYTON: Okay. Can you give me a
25 comparable percentage on number of customers or number of

1 access lines? If you have 70 percent of the exchanges are
2 eligible for DSL --

3 MR. LAWSON: Yeah. Mark is telling me that
4 it's approaching 90 percent of the access lines. I know that
5 there's still some physical limitations, your distance from
6 the central office. But as we get the central offices
7 capable, then we'll deploy remote terminal devices which takes
8 the capability even out further.

9 COMMISSIONER CLAYTON: Will Embarq have a
10 different strategy for broadband deployment than what Sprint
11 has currently or will it be just a continuation of what's
12 going on?

13 MR. LAWSON: I'd say it will be a continuation
14 by and large of what's going on, although one of the -- one of
15 the features of this transaction -- one of the gems of this
16 transaction is that we will be exclusively focused on our
17 local market. So capital decisions, that sort of thing will
18 be exclusively focused on our local markets as opposed to
19 having some wireless strategy that's nationwide and urban.

20 COMMISSIONER CLAYTON: I understand that the
21 company will have a new focus, but how will that help in terms
22 of capital distribution? Do you anticipate Embarq will
23 receive sufficient funds from the financial makeup of the
24 transaction to enhance what it has done in the past?

25 MR. LAWSON: Yes, generally speaking. And

1 Brian can certainly speak to the specifics of it, but we will
2 continue to have technical, managerial and financial
3 capability of maintaining and running our business the way we
4 do today.

5 COMMISSIONER CLAYTON: Mr. Lawson, in the
6 stipulation and the documents that have been filed, is there a
7 schedule for broadband deployment?

8 MR. LAWSON: Not a specific schedule, no. Just
9 the two numbers that I referenced.

10 COMMISSIONER CLAYTON: Can you offer me
11 suggestions of what would accelerate broadband deployment in
12 those areas of the state that do not have it right now and
13 those parts of exchanges that do not have it right now?

14 MR. LAWSON: I think that our broadband
15 deployment schedule is more than adequate given the per unit
16 costs involved and also the demand. So an acceleration in
17 demand, for example, a higher level of demand would certainly
18 justify those kind of --

19 COMMISSIONER CLAYTON: The schedule you just
20 referenced, it suggests that there's something more specific
21 than just saying 90 percent of our exchanges by 2006. Is
22 there -- as part of the record in this case, is there a more
23 detailed schedule which would set out the exchanges and the
24 level of service in each of those exchanges for broadband
25 deployment?

1 MR. HARPER: Commissioner, Mr. Harper. There's
2 not a specific exchange schedule, however, the percentages
3 Mr. Lawson has been referring to are in my Surrebuttal
4 Testimony referring to our 2006 capital budget, the
5 15 additional offices and that reaches that 90 percent number.
6 It's Schedule MDH-2, I believe, to my Surrebuttal Testimony in
7 this case.

8 COMMISSIONER CLAYTON: I did not bring your
9 Surrebuttal Testimony with me. We have an ongoing debate
10 around here about how much testimony Commissioners are
11 expected and not expected to review in anticipation of a
12 hearing. Some of the practicing attorneys before the
13 Commission said, Oh, we never anticipate that those will be
14 brought up so -- I think I've got a copy of that. Let me talk
15 about -- let me find Schedule 2.

16 MR. HARPER: Just an example, we mentioned --
17 to give you an idea of where we're reaching in terms of the
18 networks, one of those offices in 2006 to reach 90 percent is
19 an exchange called Henrietta that has 179 access lines. So to
20 give you an idea how far we've gotten down into what would be
21 considered rural America with this investment.

22 COMMISSIONER CLAYTON: Mr. Harper, what role do
23 you think this Commission has in encouraging and trying to
24 accelerate broadband deployment, especially in rural areas?
25 Recognizing that we don't regulate the rates of broadband, we

1 don't regulate DSL, we have limited involvement with this.
2 Does the State have a role in trying to get broadband Internet
3 capabilities out to people in rural areas?

4 MR. HARPER: Yeah. We continue to believe that
5 the pathway that allows the company to get there, the best way
6 is one that does not mandate specific deployment schedules but
7 instead frees the company, allows things like the competitive
8 status that's come through statute, allows us to bring
9 services in a creative and flexible way.

10 COMMISSIONER CLAYTON: Well, I'm assuming that
11 the areas -- you only have competitive classification in
12 8 exchanges which suggests 74 -- it would suggest that 74 are
13 either not -- they're not competitive by statutory definition.

14 MR. HARPER: What I was referring to there is
15 by being able to respond to competition in the urban areas, it
16 allows us to hopefully extend the market share loss, which
17 improves the financial strength and flexibility of the company
18 to invest.

19 COMMISSIONER CLAYTON: Okay. Without getting
20 too technical, can you give me an idea of the level of DSL
21 service in Embarq exchanges? And what I mean, level of
22 service, is the speed and the quantity of data that can be
23 sent upstream and downstream. Is it comparable in your more
24 rural and small town areas to what is being offered in more
25 urban areas? Is the capacity the same? Do you know the

1 answer to that?

2 MR. HARPER: Yes, I do. The product set that
3 we offer, when it's deployed, is the same product.

4 COMMISSIONER CLAYTON: It's the same product.
5 So there are no differences?

6 MR. HARPER: Yeah. No difference in speed,
7 depending on where you are. As long as it's available to you,
8 you have available the same service.

9 COMMISSIONER CLAYTON: Thank you, Mr. Harper.
10 From Staff's perspective and also from OPC, was
11 there any evaluation of broadband deployment at all in your
12 analysis of this transaction? And I'll start with Mr. Voight.

13 MR. VOIGHT: No, there was no analysis. There
14 is -- other than Mr. Harper's schedule, other than I believe
15 what was a data request responded to by Embarq from the Public
16 Counsel, there was no -- there was no in depth analysis.
17 We --

18 COMMISSIONER CLAYTON: The answer's no,
19 Mr. Voight. I got it. Got the picture. Thank you.

20 Mr. Dandino?

21 MR. DANDINO: We didn't do any in depth
22 analysis. We just wanted to see what -- what they were
23 planning to do for advanced services.

24 COMMISSIONER CLAYTON: Okay. Do either
25 Staff -- either Mr. Voight, Mr. Dandino, is there any role for

1 State involvement in working towards accelerated broadband
2 deployment in exchanges?

3 MR. VOIGHT: Not directly.

4 MR. DANDINO: I believe there is. I believe
5 because, one, you're using the telephone lines. It's part of
6 the public switched network. And I also believe that even
7 though you don't regulate the rates, I think we're probably
8 looking at broadband as maybe being the next universal service
9 requirement for -- for the nation.

10 MR. HENDERSON: Commissioner, may I comment on
11 one thing? The Staff did take a look at their capital
12 expenditure budgets, forecasts to make sure that they were --
13 at least what Sprint Nextel had today and what was in the
14 future. And it does show growth in expenditures throughout
15 the company.

16 COMMISSIONER CLAYTON: Is it an -- is it a
17 growth in spending that Staff was satisfied with?

18 MR. HENDERSON: When we took a look at Missouri
19 as a stand-alone, they spent \$77 per access line in 2004.
20 Okay? Now, this may be highly confidential, I'm not sure.

21 JUDGE WOODRUFF: Be careful if you are.

22 Ms. Gardner, if Sprint feels something that is
23 coming out is highly confidential, let me know and we'll go in
24 camera. You can go ahead.

25 MR. HENDERSON: And what was -- Commissioner,

1 what they're projecting in 2006 and 2007 would actually be
2 more money than that, without giving a dollar figure to you.

3 COMMISSIONER CLAYTON: Is that dollar figure he
4 already said, is that HC?

5 MR. HARPER: No.

6 COMMISSIONER CLAYTON: Could you repeat that?
7 You said it so fast, so --

8 MR. HENDERSON: \$71.

9 COMMISSIONER CLAYTON: When I heard it was HC,
10 I immediately forgot it. So what was that again?

11 MR. HENDERSON: I'd have to look in my
12 testimony.

13 COMMISSIONER CLAYTON: 2004 figures?

14 MR. HENDERSON: It was \$71, I believe was
15 correct.

16 COMMISSIONER CLAYTON: Okay. And what did you
17 say the forecasted amount was? You just said more than that?

18 MR. HENDERSON: It's in the -- let me look in
19 my testimony and I can give you the exact figure.

20 COMMISSIONER CLAYTON: Is it more?

21 MR. HENDERSON: Yes, it is more.

22 COMMISSIONER CLAYTON: It's more than the 71?

23 MS. GARDNER: I think the precise number for
24 the forecasted would be HC.

25 COMMISSIONER CLAYTON: But we can say more

1 than?

2 MS. GARDNER: That's fine.

3 COMMISSIONER CLAYTON: Since we've already said
4 it four times.

5 MS. GARDNER: That's fine.

6 COMMISSIONER CLAYTON: Okay. Mr. Dandino --
7 I'm winding down, everyone. I'll give you forewarning.

8 Mr. Dandino --

9 MR. DANDINO: Yes, sir.

10 COMMISSIONER CLAYTON: -- if there is a quality
11 of service -- and I'll ask this both of both Mr. Voight and
12 Mr. Dandino, so pay attention, Bill.

13 If there is a -- assuming that we approve the
14 transaction, approve the stipulation, the transfer and the
15 split occurs or however you want to describe, the transaction
16 goes through, we have Embarq providing local service in the
17 state of Missouri.

18 With existing law, with existing rules, with
19 the complaint process, will Staff and OPC have the -- have the
20 tools sufficient to ensure future quality of service and
21 future obligations that the company would have to its
22 customers moving forward?

23 MR. DANDINO: Yes. Given the -- given the
24 existing -- existing statutes. I would like improvement in
25 the statutes if it's more flexibility and -- and perhaps more

1 teeth into it, because I think that service quality is going
2 to be an important area in the future without price
3 regulation.

4 COMMISSIONER CLAYTON: What kind of teeth would
5 you want aside from price regulation? I wouldn't hold your
6 breath on that.

7 MR. DANDINO: Yes. Well, I haven't given it
8 enough thought to really give you some ideas.

9 COMMISSIONER CLAYTON: Mr. Voight, any
10 comments?

11 MR. VOIGHT: Well, the answer to the question
12 is, yes, we will continue to have the tools. One of the
13 biggest tools is the local contact information. This will
14 continue to be a company headquartered in this area. They
15 will continue to have a local presence. We're even told that
16 in our community in Jefferson City they will be opening a
17 local office. And you look at what they've said about their
18 management structure and we will continue to have those local
19 contacts and that's -- that's very important.

20 COMMISSIONER CLAYTON: Okay. My last question
21 I guess I'm going to pose to Mr. Lawson and you can punt to
22 someone else if you don't know the answer. And I'll ask --
23 the general nature of questions that I wanted to ask is about
24 the nature of Embarq and about inter-carrier compensation,
25 about universal service support and the focus of Embarq in

1 having a separate identity from a wireless carrier or a long
2 distance carrier.

3 Do you foresee a difference in policy as this
4 company moving forward in both the inter-carrier compensation
5 debate as well as the universal service reform?

6 MR. LAWSON: I think that there are -- that's
7 evolving as -- as this company comes to -- as this company
8 matures. But our focus will be as a local exchange carrier,
9 an incumbent local exchange carrier, not a CLEC. We will
10 have, you know, interexchange carrier interests, we'll
11 certainly have wireless interests in that that will be part of
12 our portfolio, but I think that we'll be viewing the world
13 more as an incumbent local exchange carrier.

14 COMMISSIONER CLAYTON: When you say "we," are
15 you saying Embarq --

16 MR. LAWSON: Embarq.

17 COMMISSIONER CLAYTON: -- or Sprint Nextel
18 d/b/a Embarq?

19 MR. LAWSON: Embarq. We won't be d/b/a
20 anything.

21 COMMISSIONER CLAYTON: Well, other companies in
22 this state do that.

23 MR. LAWSON: Oh, yeah. The d/b/a Sprint part,
24 we need to understand that on day one -- after this
25 transaction or the day one, as it stands, we'll be a totally

1 separate independent company. We'll have no relationship with
2 Sprint. So there won't be any d/b/as. We'll just be Embarq.

3 And the stockholders -- Sprint Nextel won't
4 hold any stock in Embarq on that day. It will be today's
5 Sprint Nextel stockholders who will own Embarq, because we're
6 simply separating and spinning off to those stockholders
7 certain assets and -- and stock on the day of transaction.

8 They'll be able to sell that stock perhaps and
9 other people will be able to purchase it, but they'll have no
10 ownership -- we'll have no relationship to Sprint after this
11 transaction.

12 COMMISSIONER CLAYTON: Just the shareholders
13 would potentially be the same on day one and that will --

14 MR. LAWSON: Yes.

15 COMMISSIONER CLAYTON: So the question would be
16 whether those shareholders have more loyalty to Embarq than
17 they would to Sprint Nextel in setting policy. Do you see a
18 conflict there?

19 MR. LAWSON: No. Not necessarily. That's the
20 beauty -- one of the beauties of this is you'll be able to
21 invest for perhaps growth in Sprint Nextel, you'll be
22 investing for a dividend perhaps in Embarq. You'll be able to
23 diversify. There's a wireless company that wants to compete
24 against wireline companies and you'll have a wireline company
25 who wants to build on its wireline business.

1 COMMISSIONER CLAYTON: Okay. So we can
2 anticipate that Embarq will defend -- be able to effectively
3 defend its position as a local exchange company, an incumbent,
4 and in many cases a rural -- still be a large rural company,
5 but it will be able to defend the needs that it has apart from
6 the wireless carrier affiliate?

7 MR. LAWSON: Absolutely.

8 Brian, did you have something to add? This is
9 Brian Staihr, our chief economist.

10 MR. STAIHR: Just really quickly and kind of
11 tag-teams what Mr. Dandino was saying. There's basically a
12 conflict between Sprint Nextel's strategic direction and
13 Embarq's and that's why this separation is necessary.

14 Now, given that, once the separation happens,
15 as Mr. Lawson said, we're a rural company not only in this
16 state. So we would have a different point of view with regard
17 to things like universal -- universal service assistance for
18 broadband in extreme rural areas to the extent that you were
19 talking about a role for this Commission. I guarantee you
20 Embarq would have a different point of view than a 46 million
21 customer wireless company would have on that type of thing.

22 COMMISSIONER CLAYTON: Will Embarq have the
23 resources, the staffing and the personnel necessary to
24 aggressively pursue its -- pursue those unique perspectives
25 before this Commission, whether it be on rule making, ETC,

1 rule makings or where there are perhaps disagreements among
2 wireless or long distance? You anticipate there's sufficient
3 funding and staffing and --

4 MR. STAIHR: Yes. And we got all the good
5 people, so --

6 MR. LAWSON: Commissioner, it's going to be
7 transparent. The team that you see -- have seen over the
8 years is the team that you're going to continue to see.

9 COMMISSIONER CLAYTON: Except this time we
10 can't turn to you and say, What's the wireless part doing, and
11 instead of saying, I don't know, I can talk to those people,
12 you can be honest and truthfully say, We're not affiliated
13 with them at all. Right?

14 MR. LAWSON: We won't be quite as
15 schizophrenic, perhaps.

16 COMMISSIONER CLAYTON: I understand.

17 Thanks everyone for their indulgence on my
18 questions. I appreciate.

19 JUDGE WOODRUFF: Thank you, Commissioner.

20 Chairman Davis, do you have questions?

21 CHAIRMAN DAVIS: Mr. Voight, can you refresh
22 for my recollection? You said there was no adverse impact to
23 the ratepayers; is that correct?

24 MR. VOIGHT: Yes. Yes, that's correct.

25 CHAIRMAN DAVIS: And, Mr. Dandino, do you feel

1 the same way?

2 MR. DANDINO: That's correct.

3 CHAIRMAN DAVIS: Is there anyone here present
4 that feels differently?

5 Okay. Now, Mr. Lawson --

6 MR. LAWSON: Yes, sir, Mr. Chairman.

7 CHAIRMAN DAVIS: -- have you ever heard of a
8 company called Monsanto?

9 MR. LAWSON: I think so.

10 CHAIRMAN DAVIS: Ever heard of a company called
11 Solutia?

12 MR. LAWSON: That one I don't think so.

13 CHAIRMAN DAVIS: Well, Solutia was a company
14 that was set up by Monsanto and spun off almost 10 years ago.
15 And now they're in bankruptcy and they've got -- basically the
16 allegations are that Monsanto dumped all of their
17 environmental liabilities off on Solutia, amongst other
18 things.

19 Now, Sprint Nextel -- you're going to tell me
20 that Sprint Nextel is not doing that in this case. Right?

21 MR. LAWSON: That's what I'm going to tell you.

22 CHAIRMAN DAVIS: Okay. Sprint Nextel has money
23 to buy ads on the Super Bowl, but I guess Embarq doesn't need
24 to buy ads on the Super Bowl. Is that a fair
25 characterization, Mr. Idoux?

1 MR. LAWSON: I think that that's a fair
2 characterization. I don't know that the Super Bowl's been
3 held in any of our local service territory today.

4 CHAIRMAN DAVIS: Is there going to -- is there
5 going to be any adverse impact to the shareholders who retain
6 their shares in Embarq?

7 MR. LAWSON: I think that's going to be a
8 purely investment decision on their part. You're going to
9 look at the characteristics of our company and whether it's a
10 growth company or whether it's a company that you're looking
11 for a return on your investment, I mean, as far as a dividend
12 is concerned. It may be a different type of investor, but as
13 far as adverse impacts, those are things that we certainly
14 can't advise about, I don't think.

15 CHAIRMAN DAVIS: So you just tell them to read
16 the prospectus and what is it -- what is it, Judge? Caveat
17 emptor? Let the buyer beware.

18 DR. MAYO: Mr. Chairman, this is John Mayo.
19 I'm on the phone, you can't see me, but maybe I might say a
20 word here.

21 CHAIRMAN DAVIS: Absolutely, Mr. Mayo.

22 DR. MAYO: Thank you. I didn't want to just
23 interrupt, but you've touched on an issue that I think is a
24 completely legitimate issue and that is how are -- you know,
25 how are spin-offs generally taken by investors and what are

1 the financial repercussions of those.

2 One of the things that I think -- one of the
3 roles that I played in developing some of the public interest
4 testimony was looking at how financial markets generally treat
5 spin-offs. And I think you gave an example of a situation
6 where the spin-off may not have worked out so well. And
7 certainly those do exist.

8 But as a general proposition, a number of
9 empirical studies have been done, and I think this is why I
10 wanted to just chime in, is that I think a dispassionate
11 reading of the academic literature on spin-offs suggests that,
12 generally speaking, financial markets view these things
13 favorably.

14 And the reason they do is because of the sort
15 of things that Sprint folks have been -- and now Embarq folks
16 have been telling you and that is, is that it allows managers
17 to more clearly focus on a core set of assets and to sort of
18 get a keen sense of strategy.

19 In this case, there's no reason for not doing
20 due diligence, but I just simply wanted to say that as a
21 general matter, financial markets should give you some comfort
22 in this regard despite the fact that there are once in a while
23 going to be the sort of exceptions you talked about with
24 Monsanto. But in general you've, got some comfort here from
25 the academic literature.

1 CHAIRMAN DAVIS: All right, Mr. Mayo. I'm
2 trying to think of how I can find greater comfort here. Let
3 me see if I can digest all that.

4 I guess, Mr. Mayo, I mean, my concern is
5 obviously there are a lot of -- going to be a lot of retirees
6 on both sides that have pension funds. And, you know, for
7 those folks -- because a lot of those employees reside here in
8 Missouri, I want to make sure that the money's going to be
9 there to take care of those folks in their older years. Any
10 comments on that?

11 DR. MAYO: If you're speaking about people --
12 you're talking about here, I think, people that own shares
13 currently in Sprint Nextel and would be allocating shares to
14 the new --

15 CHAIRMAN DAVIS: Well, I'm not just talking
16 about shares. But aren't there going to be pension
17 liabilities that are going to attached to both companies?

18 DR. MAYO: There will be. And with respect to
19 what I was speaking about were the shareholders of the
20 companies.

21 With respect to the pension liabilities, I
22 think people at Sprint will be -- there in the room will be in
23 a better position to, you know, provide comfort with respect
24 to the continuities of those pension plans.

25 What I was speaking about was shareholders, the

1 people that currently own shares in the company and how
2 financial markets typically evaluate these sorts of spin-offs.
3 And the answer is generally very favorably.

4 MR. DICKERSON: Chairman, if I could speak to
5 that. I'm Mr. Dickerson with Embarq.

6 CHAIRMAN DAVIS: Absolutely, Mr. Dickerson.

7 MR. DICKERSON: My testimony actually addressed
8 the very issue of the pension assets and pension liabilities,
9 as did Staff witness Mr. Winters.

10 And in my testimony, I provided our external
11 independent actuarial report of our pension. It was performed
12 by Watson Wythe Worldwide Firm and it was dated July 2005. In
13 that report, it demonstrated a very sound relationship between
14 the pension liabilities and the pension assets. I believe
15 that number would be confidential, but it approaches
16 100 percent.

17 And then also in that testimony we provided an
18 affidavit from our chief financial officer, Mr. Gene Betts,
19 wherein we outlined the company's commitment to comply with
20 the IRS regulations. There's a regulation 414-L which governs
21 the assignment of pension assets and liabilities in exactly
22 this case, a split of a pension plan into two pension plans.

23 And so what you've got is the assurances that
24 Watson Wythe will do its independent actuarial review, you've
25 got our chief financial officer's commitment to the continued

1 funding of the plan. And we have a long history of -- we've
2 done an excellent job in this area and I think the actuarial
3 report demonstrates that. And then you've got our assurances
4 that we're going to comply with the law of the land to achieve
5 a proper assignment of liabilities and assets.

6 And to give you a rubber on the road
7 understanding, it's pretty simple. All of us here -- sitting
8 here are named employees of Embarq. We all have achieved a
9 vested pension benefit. When we go to do the assignment, for
10 example, the liabilities and the assets associated with our
11 vested pensions will move over to Embarq.

12 So I have confidence I'm going to be -- I plan
13 to receive a pension from the company and I have confidence
14 that we're going to do the right thing here.

15 CHAIRMAN DAVIS: Just want to make sure that
16 we're all on the record here because I'm not going to be here
17 in 10 years and I doubt many of my colleagues will be here
18 either. Commissioner Clayton, he's a young man, he may be
19 here, but I just want to get all this on the record because if
20 we, you know, have one of these problems here in 10 years,
21 then I might just want to come back and file something pro se
22 and ask people to come back and say what happened, what went
23 wrong. So thank you.

24 JUDGE WOODRUFF: Thank you, Mr. Chairman.

25 COMMISSIONER CLAYTON: Can I ask one thing?

1 JUDGE WOODRUFF: Go right ahead. And
2 Commissioner Gaw has sent me some questions so I'm going to
3 ask those also when you're done.

4 COMMISSIONER CLAYTON: You're going to be here
5 for a while.

6 Mr. Harper --

7 MR. HARPER: Yes.

8 COMMISSIONER CLAYTON: -- you pointed me to
9 your Surrebuttal Testimony in Schedule 2 which set out I think
10 some general points regarding capital program on broadband
11 deployment. Is there a document somewhere which has more
12 detailed broadband deployment information that we've discussed
13 earlier today? Specifically what exchanges have broadband
14 availability right now and a general idea of the percentage of
15 customers within each that have access to that service and
16 then looking forward, who will -- who will receive the
17 benefits of the referenced capital program?

18 Is there a schedule somewhere that is filed in
19 this case or is that something that could be compiled and
20 maybe filed later, whether it's HC or not?

21 MR. HARPER: It's something that could be
22 compiled. It wasn't filed in this case. We could certainly
23 identify where we stand at the end of 2005 in terms of offices
24 done and capability and then the ones that are planned we can
25 reflect and it will show the percent capable as well as how

1 many offices are completed at that point.

2 COMMISSIONER CLAYTON: If you have the
3 information available, I'd really like to see of the 82
4 exchanges who is eligible for having -- which exchanges have
5 broadband available to them through Embarq or through the
6 future company Embarq. And then I'd like a general idea of
7 the availability within the exchange. And I know that there
8 are physical limitations to that --

9 MR. HARPER: I can give you both of those.

10 COMMISSIONER CLAYTON: -- but I'd like to see
11 that schedule. And if you could throw in just some
12 information that the service that you provide or offering in
13 metropolitan Kansas City would be the same service that you'd
14 offer in Henrietta.

15 MR. HARPER: We can lay out the service options
16 and attest to that.

17 COMMISSIONER CLAYTON: Great. And make sure
18 that you note how the capital campaign referenced in your
19 schedule will change that going forward. I mean, identify
20 which exchanges will change in the future and that will leave
21 us with which ones will be awaiting 21st century service
22 patiently, patiently.

23 MR. HARPER: I understand.

24 COMMISSIONER CLAYTON: Great. Thank you.

25 JUDGE WOODRUFF: Thank you, Commissioner.

1 As I indicated, Commissioner Gaw has sent me
2 some questions and they're actually fairly brief. Apparently
3 he dictated these to his assistant as he was driving back from
4 St. Louis, so he's back on the ground in Missouri.

5 But his first question is, are there portions
6 of the Stipulation and Agreement still to be worked out? I'm
7 not sure what he's getting at there, but is there any portion
8 of the Stipulation and Agreement that's not been finalized?

9 MR. DANDINO: I'm certainly not aware of it.
10 This is the document we're relying upon.

11 JUDGE WOODRUFF: He may have been referring to
12 the same questions that Commissioner Clayton was referring to
13 about some documents still to be filed and I believe that was
14 already addressed.

15 All right. Next question then is, have any
16 other states put conditions on this agreement; and if so,
17 which states and what are the conditions? Can somebody
18 address that?

19 MS. GARDNER: Let me take a shot at that.
20 There are Stipulations and Agreements that we have entered
21 into with other staffs and consumer advocates in the various
22 states. So, you know, similar to the procedure in Missouri
23 that if it's approved, it's approved subject to the terms and
24 conditions that are in the stipulation.

25 We've reached stipulations in Pennsylvania, New

1 Jersey, both of which are still pending. It's just -- you
2 know, they're going through the same process you are to accept
3 the stip and approve it. There are stipulations in Nevada, I
4 believe and that has been approved subject to the terms of the
5 Stipulation and Agreement.

6 They are similar type provisions dealing with
7 some financial conditions, some rate conditions. There are
8 various -- in New Jersey, for example, we're rate-based rate
9 of return so there are conditions that are related more to
10 rate-base rate of return type company in New Jersey. So it
11 varies by state.

12 JUDGE WOODRUFF: Okay. Similar question, are
13 there any states that have not approved this agreement and
14 when do you expect their approval to be --

15 MS. GARDNER: There are -- there are states
16 that haven't acted yet, but there are no states that have said
17 no to the transaction, if that's what the question asks.

18 JUDGE WOODRUFF: Okay. There are other states,
19 I understand, that stipulations have been filed -- same
20 situation as Missouri is in; is that right?

21 MS. GARDNER: Yes. There are seven states that
22 have actually approved it. There are four states where there
23 is no approval needed under their statutory scheme. And then
24 there are seven that are in the various stages. So, you know,
25 we're still working through the final approval process in

1 those states.

2 JUDGE WOODRUFF: Okay. Now, Kansas was
3 mentioned earlier.

4 MS. GARDNER: Yes.

5 JUDGE WOODRUFF: The situation there was
6 described. Are there any other states where there's not been
7 a Stipulation and Agreement?

8 MS. GARDNER: Washington is the other one where
9 we have a hearing scheduled over the next couple weeks.

10 JUDGE WOODRUFF: Is it the same situation in
11 Washington? The Staff is opposing or --

12 MS. GARDNER: Staff and --

13 MR. STAIHR: I don't mean to jump in here.
14 We're actually engaged in settlement negotiations with
15 Washington Staff and Public Counsel there. And their
16 testimony did not recommend denying the application. They
17 were just recommending specific conditions. And so we're just
18 working out the details of those conditions.

19 JUDGE WOODRUFF: Okay. Next question then
20 concerns the expectation of the number of employees in the
21 Kansas City region before and after the transfer. Will those
22 numbers be changing?

23 MR. LAWSON: Not substantially. We'll have
24 to -- we will be adding employees in the Kansas City
25 metropolitan area as we build a headquarters group there.

1 There's certain functions that we'll be performing on our own
2 that are jointly performed today, but there are no plans for
3 any wholesale changes in the numbers of employees right now
4 other than the addition of staff in the Kansas City
5 metropolitan area.

6 JUDGE WOODRUFF: Okay. How many employees are
7 there in the Kansas City area now?

8 MR. LAWSON: Somebody help me out. Just -- I'm
9 sorry.

10 MS. GARDNER: About 4,000 or so.

11 MR. STAIHR: I was going to say four or five.

12 MR. LAWSON: Yeah, for Embarq.

13 JUDGE WOODRUFF: He also asked the question
14 about the pensions, but I believe that's already been handled.

15 His last question may very well get into highly
16 confidential information. If that's the case, let me know and
17 we'll go in-camera.

18 He specifically asked what is the debt to
19 equity ratio before the transfer and after the transfer?
20 Would that be highly confidential?

21 MS. GARDNER: Yes, it would.

22 JUDGE WOODRUFF: At this point then, we will go
23 into in-camera session. Anyone who needs to leave the room,
24 please do so. And then if you'd look around and make sure
25 everyone's gone that needs to be gone.

1 (Reporter's Note: At this time, an in-camera
2 session was held, which is contained in Volume 3, pages 82
3 through 95 of the transcript.)

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JUDGE WOODRUFF: All right. We're back on the general
record.

Is there anything else that anyone wants to add
at this point? Well, hearing nothing further then, at this
point we are adjourned

WHEREUPON, the on-the-record proceeding was
adjourned.

1	EXHIBITS		
2		Marked	Rec'd
3	Exhibit No. 1		
4	Application	18	21
5	Exhibit No. 2NP		
6	Stipulation and Agreement, non-proprietary	18	21
7	Exhibit No. 2HC		
8	Stipulation and Agreement, highly confidential	18	21
9	Exhibit No. 3NP		
10	Testimony of Kevin P. Collins, non-proprietary	18	21
11	Exhibit No. 3HC		
12	Testimony of Kevin P. Collins,		
13	highly confidential	18	21
14	Exhibit No. 4NP		
15	Testimony of Mark A. Harper, non-proprietary	18	21
16	Exhibit No. 4HC		
17	Testimony of Mark A. Harper, highly confidential	18	21
18	Exhibit No. 5		
19	Testimony of Richard D. Lawson	18	21
20	Exhibit No. 6		
21	Testimony of John W. Mayo	18	21
22	Exhibit No. 7		
23	Rebuttal Testimony of William L. Voight	18	21
24			
25			

1	Exhibit No. 8NP		
2	Rebuttal Testimony of Matthew J. Barnes,		
3	non-proprietary	18	21
4	Exhibit No. 8HC		
5	Rebuttal Testimony of Matthew J. Barnes,		
6	highly confidential	18	21
7	Exhibit No. 9NP		
8	Rebuttal Testimony of Larry Henderson,		
9	non-proprietary	18	21
10	Exhibit No. 9HC		
11	Rebuttal Testimony of Larry Henderson,		
12	highly confidential	18	21
13	Exhibit No. 10NP		
14	Surrebuttal Testimony of Larry Henderson,		
15	non-proprietary	18	21
16	Exhibit No. 10HC		
17	Surrebuttal Testimony of Larry Henderson,		
18	highly confidential	18	21
19	Exhibit No. 11NP		
20	Surrebuttal Testimony of David G. Winters,		
21	non-proprietary	18	21
22	Exhibit No. 11HC		
23	Surrebuttal Testimony of David G. Winters,		
24	highly confidential	18	21
25			

1	Exhibit No. 12		
2	Surrebuttal Testimony of Kevin P. Collins	18	21
3	Exhibit No. 13		
4	Surrebuttal Testimony of Kent W. Dickerson	18	21
5	Exhibit No. 13HC		
6	Surrebuttal Testimony of Kent W. Dickerson,		
7	highly confidential	18	21
8	Exhibit No. 14		
9	Surrebuttal Testimony of John W. Mayo	18	21
10	Exhibit No. 15		
11	Surrebuttal Testimony of Brian K. Staihr	18	21
12	Exhibit No. 15HC		
13	Surrebuttal Testimony of Brian K. Staihr,		
14	highly confidential	18	21
15	Exhibit No. 16		
16	Surrebuttal Testimony of Mark K. Harper	18	21
17	Exhibit No. 16HC		
18	Surrebuttal Testimony of Mark K. Harper,		
19	highly confidential	18	21
20			
21			
22			
23			
24			
25			

