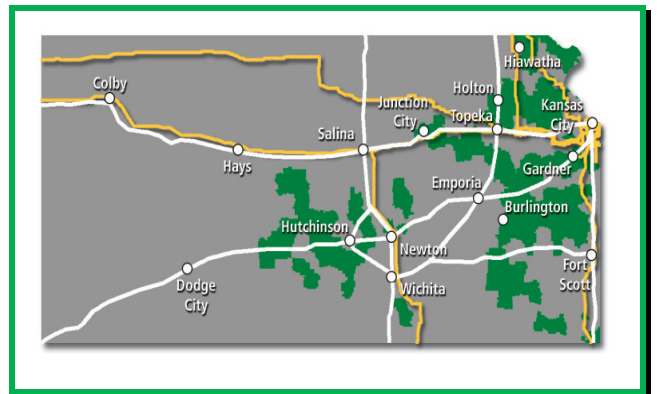
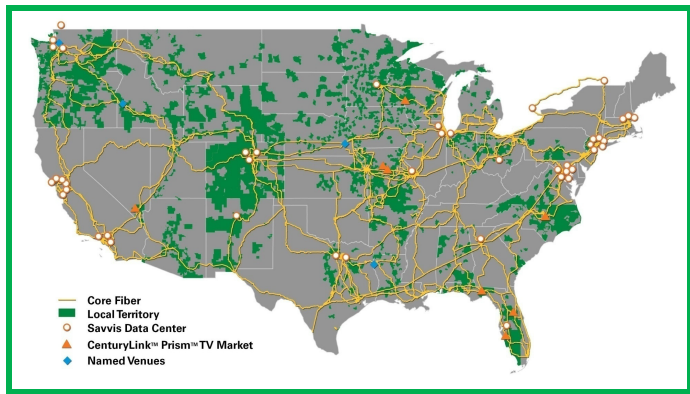


**Introduction of CenturyLink
John Idoux, Kansas Governmental Affairs
Before the House Utilities & Telecommunications Committee
January 16, 2013**

Thank you Chairman Seiwert and members of the Committee. My name is John Idoux with CenturyLink's Governmental Affairs team and I appreciate this opportunity to introduce myself and the long history of CenturyLink in Kansas.

CenturyLink Introduction

CenturyLink has provided communications services in Kansas for over 110 years under various names including United Telephone, Sprint's local division and Embarq. Today, CenturyLink is the third largest telecommunications company in the United States providing broadband, voice, wireless and managed services to consumers and businesses across the country. CenturyLink serves over 72,000 rural Kansans in 119 communities including Junction City, Fort Riley, Gardner, and 111 communities with less than 1000 residents. CenturyLink has deployed high speed Internet facilities to all 119 Kansas communities and nearly 92% of customers have access to broadband. In addition, the company provides data, voice and managed services to enterprise, government and wholesale customers in local, national and select international markets through its high-quality advanced fiber optic network and multiple data centers. CenturyLink is recognized as a leader in the network services market by key technology industry analyst firms, and is a global leader in cloud infrastructure and hosted IT solutions for enterprises through Savvis, a CenturyLink company.



CenturyLink maintains a significant workforce in Kansas with nearly 1700 employees. Over the past two years, CenturyLink subsidiaries have provided \$613,500,000 in taxable wages and \$28,400,000 in withholding taxes for the state of Kansas.

CenturyLink Committed To Broadband in Kansas

Over 90% of CenturyLink’s Kansas territory has less than 10 households per square mile. To reach rural Kansans with broadband, CenturyLink invested over the past two years more than \$2000 per new accessible customer. With broadband service starting at \$15/month, or \$180/year, plus the additional network and operational monthly costs to maintain a robust broadband network, the payback period for this investment is measured in decades. This is compounded by the fact that less than half of all customers who have access to broadband subscribe to broadband service. CenturyLink has not received any federal or state support to deploy its broadband network to the 92% of CenturyLink’s Kansas customers that have access to high speed Internet. A vast majority of CenturyLink’s customers have access to speeds that equal or exceed 4 Mbps downstream; however, to date CenturyLink has not engineered its network to accommodate the 1 Mbps upstream speed contemplated by the FCC. The following chart highlights CenturyLink’s broadband deployment costs and rural demographics:

Broadband Deployment Costs	
To take availability from	Incremental Investment
90% to 95% 3,911 lines	\$5,000 per line \$19.6 million
95% to 98% 2,346 Lines	\$7,000 per line \$17.1 million
98% to 100% 1,564 lines (some wireless)	\$16,000 per line \$25 million
Disclaimer: Investment costs are <i>high level, best available estimates</i> using factors from the National Broadband Plan and will change. (2011)	

Kansas Rural Demographics	
Less than 100 access lines	Quincy – Piqua Neosho Falls Langdon – Lehigh
101 – 1000 access lines	106 exchanges
2000 – 3000 access lines	Baxter Springs Burlington Garnett -- Holton Baldwin City
3000+ access lines	Spring Hill Gardner Junction City

Augmenting capacity also requires substantial investment. In 2012, CenturyLink invested over \$2 million to increase capacity 5-fold to accommodate increased usage from applications such as Netflix. As CenturyLink continues to expand its broadband network in Kansas, the investment per incremental customer grows exponentially due to the rural nature of Kansas.

CenturyLink is A Price Cap Regulated Carrier

It is the public policy of Kansas to “*Ensure that every Kansan will have access to a first class telecommunications infrastructure that provides excellent services at an affordable price.*” As a regulated carrier, CenturyLink’s rates are governed by the Commission. In Kansas, there are two types of price regulation: rate of return regulation and price cap regulation. CenturyLink is a price cap regulated carrier which means it cannot raise its rates above a ceiling which was initially set by statute but is modified based upon a price cap formula determined by the Commission. Today, CenturyLink’s local rates are \$17.73/month for residential service and \$28.66/month for business service and these rates have been in place since 2006. In 2005, CenturyLink’s local rates were \$18.00/month and \$29.34/month, respectively, for residential and business. CenturyLink also faces aggressive and growing competition in many of its service areas as customers today have a variety of options depending upon where they live. All regulated carriers, regardless of price regulation or competitive status, are subject to quality of service rules and billing oversight by the Commission.

Kansas Universal Service Fund Support

CenturyLink serves as the carrier of last resort for the communities it serves and is statutorily obligated to provide voice service to any requesting customer. The KCC established a statewide cost benchmark of \$36.45/month to provide voice service using a cost model from the Federal Communications Commission. Support from the KUSF for CenturyLink is only received where the cost to provide basic voice service exceeds 125% of the benchmark of \$36.45. For CenturyLink, 55% of its customers reside in areas that receive no KUSF support while 45% reside in KCC determined high cost areas allowing CenturyLink to obtain KUSF support. CenturyLink desires to continue to provide service to all customers in its service areas although given the rural nature of the state, competition has not developed and the full cost of service would burden consumers.

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