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**Phil Grate**  
Director Montana  
Regulatory and Legislative Affairs

December 3, 2014

Montana Public Service Commission  
Kate Whitney  
Division Administrator - Regulatory Division  
1701 Prospect Avenue  
Helena, MT 59620

Hand delivered

Re: **Revised** response to Data Request PSC-001 of the Montana Public Service Commission to CenturyLink in consolidated Docket Nos. D2014.11.91 and N2014.4.38

Dear Ms. Whitney:

Transmitted with this letter is CenturyLink QC's **revised** response to Data Request PSC-001 of the Montana Public Service Commission in the above referenced docket.

In CenturyLink QC's original response to this data request, CenturyLink QC sought to treat Exhibits 1 through 3 as confidential. In light of the Staff's and Commission's comments at its December 2, 2014 work session, CenturyLink is revising its response to treat Exhibits 1 through 3 as non-confidential. Exhibits 4 and 5 contain information that we believe the Staff and Commission will consider confidential trade secret information. Accordingly, the information in Exhibits 4 and 5 remain redacted in the attached revised response. CenturyLink QC will file a motion for protection from disclosure of the redacted data.

Respectfully,

A handwritten signature in black ink that reads "Philip E. Grate".

**Data Request PSC-001 in Docket No. N2014.4.3**  
**Of the Montana Public Service Commission to**  
**Qwest Corporation, Inc. d/b/a CenturyLink QC (Montana)**

In response to Staff's data request, we take this opportunity to provide background information on frozen high-support and its obligations, along with schedules showing that Qwest Corporation, Inc. d/b/a CenturyLink QC (Montana) ("CenturyLink") has met its obligations. Also included as part of the response is information addressing Staff's specific questions.

**Frozen Support Obligations:**

CenturyLink made investments and incurred expenditures that maintained and enhanced voice and broadband-capable networks as intended by the USF/ICC Transformation Order. The Federal Communications Commission ("FCC") in DA 13-2101 released October 30, 2013 paragraphs 9 and 10 express the FCC's objectives regarding the use of frozen high cost funds. Paragraph 9 states, "...the Commission's overarching policy objectives to transition high-cost funding to expressly support voice and broadband-capable networks..." Paragraph 10 states, "...Historically, ETCs have used universal service support to recover costs previously incurred for network investment and ongoing operation and maintenance of those facilities.....we take this opportunity to restate that carriers may use their frozen high-cost support either to recover costs of past network upgrades to extend broadband-capable networks in areas substantially unserved by an unsubsidized competitor, or to maintain and operate existing networks

in such areas, or a combination of the two. Price cap carriers are not required to use one-third of their frozen support for new capital investment in 2013. The Commission recognized that there are significant ongoing costs for carriers maintaining a dual-use network, and therefore there is significant value in permitting carriers to use frozen high-cost support to cover the operating expenditures necessary to maintain such networks that have been constructed prior to the adoption of the USF/ICC Transformation Order, rather than just utilizing frozen high-cost support solely to cover the operating expenditures necessary to maintain networks newly built.”

In addition, the FCC in DA 13-2101 released October 30, 2013, paragraph 11, allows companies the flexibility of spending the appropriate portion of their frozen high cost support (one third in 2013 and two thirds in 2014) for voice and broadband-capable networks in areas substantially unserved by an unsubsidized competitor at the holding company level, as long as the total amount of frozen high-cost support received by study area is spent within the same study area.

CenturyLink received \$9,789,060 in frozen high cost support in 2013 and \$6,476,398 in frozen high cost support through August of 2014. One-third or \$3,263,020 in 2013 and two-thirds or \$4,317,599 through August of 2014 of the frozen support was required to be spent for building, operating, or maintaining voice and broadband capable networks in areas that were substantially unserved by an unsubsidized competitor. CenturyLink incurred expenses and invested amounts in facilities that far exceeded the required obligation in both 2013 and so far in 2014. Please see the following schedules depicting amounts attributable to provision,

maintenance, and upgrading of facilities related to voice and broadband-capable networks within the relevant study area.

Exhibit 1 – Schedule depicting Frozen Federal High Cost Support received and historically supported expenses and Investments at the study area level

Exhibit 2 – Schedule depicting Operating Expenses

Exhibit 3 – Schedule depicting Capital Expenditures

Exhibit 4 – Confidential Schedule depicting broadband service enablement in wire centers that are at least 60% unserved by an unsubsidized competitor

Exhibit 5 – Confidential Schedule depicting project details for investments in voice and broadband capable networks in exchanges that are at least 60% unserved by an unsubsidized competitor

Please see responses to data requests below:

**Request #1:** A detailed description of the unserved geographic area now served.

**Response:** Carriers are allowed to spend their frozen high cost support to build, operate, and maintain a dual use network. Please see Exhibits 1-3 detailing amounts used to build, operate, and maintain the network. Confidential Exhibit 4 provides geographic details on broadband enablement in select areas. Finally, Confidential Exhibit 5 provides geographic details on a project level basis for select areas.

**Request #2:** The number of customers that were unserved prior to the project but now have access to a broadband capable network.

**Response:** The number of customers now served is not readily available. However, please see Confidential Exhibit 4 which depicts broadband enablement at the census block level that has been made since 2012 in select areas.

**Request #3:** The upload and download speeds deployed for each project.

**Response:** Please see Confidential Exhibit 4 depicting broadband enablement made since 2012 in selected areas, which included the available download speeds.

**Request #4:** A detailed description and inventory of the network additions and upgrades required for the project, the cost of each upgrade or addition, and the total project cost.

**Response:** Please see Confidential Exhibit 5 depicting project level details for select areas.

# Exhibit 1

## Exhibit 1

## Qwest Corporation d/b/a CenturyLink QC (Montana)

	Actual 2013	Actual YTD Aug 2014
<b>Frozen Federal High Cost Support:</b>	<b>\$9,789,060</b>	<b>\$6,476,398</b>
Receipts as a Percentage of Total Supported expenditures	7.01%	6.94%
<b>Expenditures For Provision, Maintenance, and Upgrading of Facilities and Services Historically Supported by Federal Universal Service Funding</b>		
	Actual 2013	Actual YTD Aug 2014
<b>Plant Specific Operations Expenses</b>		
Network support (Accts. 6100s)	\$139,483	\$162,038
General support (Accts. 6120s)	\$5,305,186	\$4,748,928
Central office switching (Accts. 6210s)	\$3,014,692	\$1,938,795
Central office transmission (Accts. 6230s)	\$2,417,745	\$1,529,040
Cable and wire facilities (Accts. 6400s)	\$12,906,658	\$7,869,486
Network operations (Accts. 6530s)	\$12,425,578	\$14,846,525
Depreciation and amortizations (Accts. 6560s)	\$32,533,513	\$18,773,921
<b>Customer operations expenses</b>		
Customer services (Accts. 6610-20s)	\$14,621,781	\$9,723,443
<b>Corporate operations expenses</b>		
Executive, general and corporate (Accts. 6710-20s)	\$12,299,318	\$13,922,184
<b>Total Operating Taxes (Accts. 7200s)</b>	<b>\$20,339,413</b>	<b>\$9,702,783</b>
<b>Total Supported Expenses Before Return on Investment</b>	<b>\$116,003,367</b>	<b>\$83,217,143</b>
<b>Additions</b>		
Central Office Equipment (Acct. 2200s)	\$10,712,976	\$2,881,062
Cable and wire (Acct. 2400s)	\$12,877,762	\$7,215,951
<b>TOTAL</b>	<b>\$23,590,737</b>	<b>\$10,097,013</b>
<b>Total Supported Expenditures Before Return on Investment</b>	<b>\$139,594,104</b>	<b>\$93,314,156</b>

**Note:** Qwest Corporation d/b/a CenturyLink QC (Montana) made investments and incurred expenditures that far exceeded the total frozen high cost support received within its study area.

# Exhibit 2

Exhibit 2

Qwest Corporation d/b/a CenturyLink QC (Montana)

	2013	Jan-Aug 2014
Operating Expenses associated with broadband capable networks (dual use)	87,747,438	55,841,599
Operating Expenses associated with broadband capable networks in areas substantially unserved by an unsubsidized competitor (dual use)	16,377,142	10,422,251

**Note:**

Qwest Corporation d/b/a CenturyLink QC (Montana) does not record expenses at an exchange or census block level. Therefore expense amounts had to be attributed to broadband capable networks.

Qwest Corporation d/b/a CenturyLink QC (Montana) exceeded its obligation to spend a specific portion of its frozen high cost support in areas substantially unserved by an unsubsidized competitor through operating expenses alone.

# Exhibit 3

Exhibit 3

Qwest Corporation d/b/a CenturyLink QC (Montana)

	2013	Jan-Aug 2014
Total Capital Expenditures	25,309,386	10,097,013
Capital Expenditures Associated with broadband capable network	15,596,157	8,204,997
Capital Expenditures Associated with broadband capable network * in areas where 90% - 100% of the exchange is substantially unserved by an unsubsidized competitor	270,334	112,366
Capital Expenditures Associated with broadband capable network * in areas where 60% - 89% of the exchange is substantially unserved by an unsubsidized competitor	282,918	61,870
Subtotal	553,252	174,236
CAF Phase 1 Round 1 Incremental Support Company Copay	394,881	62,053
Total of Broadband capable network expenditures in areas where 60% and above of the exchange is substantially unserved by an unsubsidized competitor	948,133	236,289

**Note:**

Capital expenditures and Operating expenses combined allowed Qwest Corporation d/b/a CenturyLink QC (Montana) to meet its obligation to spend a specific portion of its frozen high cost support in areas substantially unserved by an unsubsidized competitor.

\* Capital expenditures reported at an exchange level.

# Exhibit 4



















Qwest Corporation d/b/a CenturyLink QC (Montana)

Wire Center	Census Block	2012 Down Speed	2013 Down Speed	2014 Q2 Down Speed
			Greater than 25 mbps and less than 50 mbps	Greater than 25 mbps and less than 50 mbps
			Greater than 10 mbps and less than 25 mbps	Greater than 10 mbps and less than 25 mbps
			Greater than 10 mbps and less than 25 mbps	Greater than 10 mbps and less than 25 mbps
			Greater than 10 mbps and less than 25 mbps	Greater than 10 mbps and less than 25 mbps
			Greater than 6 mbps and less than 10 mbps	Greater than 1.5 mbps and less than 3 mbps
				Greater than 1.5 mbps and less than 3 mbps
			Greater than 10 mbps and less than 25 mbps	Greater than 3 mbps and less than 6 mbps
			Greater than 10 mbps and less than 25 mbps	Greater than 10 mbps and less than 25 mbps

# Exhibit 5

Qwest Corporation d/b/a CenturyLink QC (Montana)

PERIOD	DESCRIPTION	EXCHANGE	INVESTMENT_REASON	AMOUNT
[REDACTED]				

REDACTED

Qwest Corporation d/b/a CenturyLink QC (Montana)

PERIOD	DESCRIPTION	EXCHANGE	INVESTMENT_REASON	AMOUNT
[REDACTED]				