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

March 20, 2014

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

E-filed and hand delivered

Re: Consolidated Docket Nos. D2014.11.91 and N2014.4.38

Dear Ms. Whitney:

Transmitted with this letter is the response of Qwest Corporation d/b/a CenturyLink QC to Data Request PSC-007 of the Montana Public Service Commission in the above referenced docket.

Respectfully,

A handwritten signature in black ink that reads "Philip E. Grate". The signature is written in a cursive, flowing style.

**DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA**

IN THE MATTER OF CenturyLink QC's )	REGULATORY DIVISION
Service and Its Response to Notice of )	
Commission Action in Docket N2014.3.38, )	DOCKET NO. D2014.11.91
Including Petition for Waiver of Admin. R. )	
Mont. 38.5.3371(7)(b) )	

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**CENTURYLINK'S RESPONSES TO DATA REQUEST PSC-007 OF THE MONTANA  
PUBLIC SERVICE COMMISSION TO QWEST CORPORATION d/b/a  
CENTURYLINK QC**

**REQUEST: PSC-007**

Regarding: CenturyLink QC Response to DR PSC-001 Exhibits 3 & 5

Looking just at 2013 for sake of illustration, the exhibit shows \$270,334 in capital expenditures where 90-100% of the exchange is substantially unserved by an unsubsidized competitor. The exhibit next shows \$282,918 where 60% to 89% of the exchange is unserved, and finally it shows \$394,881 in CAF I Copay. The affidavit states that the CAF I Copay expenditures have been made in areas that are defined as currently unserved by an unsubsidized competitor as defined by the FCC. The three amounts total to \$948,133.

a. What is a CAF I Copay and what is your FCC obligation in that regard?

**RESPONSE: The Connect America Fund ("CAF") Phase I Round 1 Incremental Support program has no requirement to spend any particular amount. Instead, it has an enablement requirement. The FCC provided CAF Phase I Incremental Support to carriers who committed to enable broadband service to a specific number of living units in un-served areas at specified minimum speeds and within certain timeframes. The Incremental Support program provided carriers \$775 per living unit enabled. The Copay is the amount spent on qualified enablement in excess of the \$775 per living unit CAF Phase I Round 1 Incremental Support received.**

**CenturyLink QC included the Copay expenditures in Exhibit 3 because those expenditures were incurred in furthering broadband deployment in the state and because they go towards satisfying the CAF Phase I Frozen High-Cost Support use requirements.**

b. Did CenturyLink QC receive any CAF Phase I support during the 2013 and Jan. – Aug. 2014 timeframes? If so, please provide the amounts received.

**RESPONSE: Yes. CenturyLink QC accepted \$1,061,375 in CAF Phase I Round 2 Incremental Support for Montana that it received in December 2013. The Round 2 Incremental Support is subject to refund if the Company does not meet certain enablement deadlines. The Company has two years (until January 2016) to have broadband service enabled to two thirds of the number of locations funded and three years to enable service to 100% of the locations funded. The service enablement obligations are measurable at the holding company level and the FCC allows recipients to change locations with appropriate notification.**

c. Will the exchange investment amounts on Exhibit 5 total to the \$948,133 or to some other amount? Please explain.

**RESPONSE: Yes. The exchange investment amounts on Exhibit 5 for 2013 total to the \$948,133 on Exhibit 3.**

d. Is it a true statement to say that, regarding the use of FHCS, that the investments supported by FHCS equal the \$270,334 plus the \$282,918 while the CAF I Copay investment is another source of funding outside of FHCS? If not, please explain.

**RESPONSE: No. The question assumes that CenturyLink QC engages in fund accounting for construction projects so that it can identify the sources of funding for particular construction expenditures. In actuality, the Company simply identifies costs incurred that satisfy the CAF Phase I Frozen High-Cost use requirements without accounting for sources and uses of funding for such projects. As explained in response to part "a" of this data request, CenturyLink QC included the Copay in Exhibit 3 because those expenditures go towards satisfying the CAF Phase I Frozen High-Cost Support use requirements.**

e. Will Exhibit 5 identify the specific exchanges which were 90-100% unserved, 60-89% unserved, and funded by CAF I copay? If not, please provide a breakdown of which category each exchange listed on Exhibit 5 is in.

**RESPONSE: Exhibit 5 shows, by exchange by project, expenditures totaling \$553,252 in 2013 and \$174,236 in 2014 for all exchanges that are 60%-100% unserved; it does not separately identify exchanges that are 60%-89% unserved from exchanges that are 90%-100% unserved. Exhibit 5 also shows, by exchange by project, expenditures totaling \$394,881 in 2013 and \$62,053 in 2014 that are CAF Phase I Round 1 Company Copays.**

**RESPONDENT: Ken Buchan, Regulatory Finance Manager**



**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that true and correct copies of the foregoing were served on March 20, 2015, in the manner shown and addressed as follows:

**E-filed and hand delivered:**

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DATED this 20th day of March, 2015

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Shelley Glueckert

