

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

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IN THE MATTER OF the Request of the	)	REGULATORY DIVISION
Staff of the Public Service of Commission	)	
for CenturyLink Service Quality	)	DOCKET NO. N2014.4.38
Information	)	

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CENTURYLINK RESPONSE TO NOTICE OF COMMISSION ACTION, REQUEST  
FOR CONTINUANCE AND PETITION FOR WAIVER

1. Qwest Corporation d/b/a CenturyLink QC (“CenturyLink”), by and through undersigned counsel, submits this *Response to Notice of Commission Action, Request for Continuance and Petition for Waiver* (“Response”) to the Montana Public Service Commission (“MPSC”). CenturyLink files this Response to comply with the August 26, 2014 Notice of Commission Action in this docket, in which the Commission ordered CenturyLink to submit a Repair Service Improvement Plan. In light of CenturyLink’s October 17, 2014 oral presentation (“Presentation”) to the Commission and the ensuing discussion, CenturyLink respectfully requests that the Commission grant a continuance in this proceeding to allow time for CenturyLink, PSC Staff, and the Commission to work together to develop a plan to address the issues about which the Commission expressed concern. In addition, CenturyLink petitions the Commission for a waiver of Admin. R. Mont. 38.5.3371(7)(b), pursuant to Admin. R. Mont. 38.5.3301(3).

I. CenturyLink is committed to addressing the issues raised at the October 17, 2014 Presentation and requests a continuance of the requirements in the Notice to do so.

2. On October 17<sup>th</sup> CenturyLink presented information in response to the requirement for the company to submit a Repair Service and Improvement Plan. Pending a determination on CenturyLink's Motion for Protective Order, filed in this docket on October 23<sup>rd</sup>, redacted versions of that information are being provided as Attachments 1 and 2 to this response. Specifically, the Commission asked the Company to "file with the Commission a plan to improve the repair times for OOS customers, such that CenturyLink will be in compliance with Admin. R. Mont. 38.5.3371(7)(b), for its legacy Qwest serving area." CenturyLink explained at the Presentation that very substantial annual expenditures would be needed in order to achieve compliance with the rule. CenturyLink also explained that in order to meet the OOS repair standard, a large portion of this annual expenditure would have to occur in more densely populated areas where competition for voice service is fierce.

3. At the same time, CenturyLink noted that approximately one percent of its access lines, which serve predominantly remote rural customers, account for a disproportionately large 15 percent of the out of service ("OOS") restorals that are not completed within 24 hours. It is likely that no other provider currently offers landline or terrestrial wireless voice service to some of these customers. Unfortunately, the analog carrier systems that CenturyLink uses to serve many of these remote rural customers are often difficult and expensive to maintain due to (1) the remote nature of these areas, (2) the extremely long loop lengths required to serve these customers and (3) the limited availability of repair parts. Replacing these analog carrier systems with fiber systems in sparsely populated areas would be extremely costly. The FCC recognized this fact in its "Transformation Order" where it determined that the broadband (and voice) technology solution for customers in extremely high-cost areas

would be satellite, not traditional wireline technologies.<sup>1</sup> Based on the discussion at the October 17 Presentation, CenturyLink believes that the Commission's primary concern is the quality of service that the company provides to these customers. CenturyLink understands this concern and is committed to providing the highest quality of service possible to all of its customers in Montana and to working towards meeting those customers', and the Commission's, expectations.

4. CenturyLink believes that addressing these issues requires a long term view and consideration of the environment in which CenturyLink now operates; an environment that is vastly different from the one that existed when ARM 38.5.3371(7) was adopted in 1989. CenturyLink faces fierce competition throughout its service territory in Montana, not only in densely populated areas but also in many less populated rural areas. In 1989, when the OOS rule was established, CenturyLink provided voice service to nearly every household in its service territory. As of the end of 2013, CenturyLink provided voice service to less than 22% of the Living Units in its serving area. That means that over three quarters of the voice market in Montana is now served by CenturyLink's competitors.

5. When ARM 38.5.3371(7) was adopted in 1989, and even when it was amended in 2006, CenturyLink could afford to maintain above-cost rates in more urban areas in order to subsidize below-cost rates in rural areas. Competition prevents such implicit subsidies today because it drives all rates towards the least-cost provider's cost and does not allow any competitor to sustain rates above that cost. As a result, CenturyLink believes that the Commission must consider other ways to support rural networks and remote customers. One such funding source is the new federal high-cost support program, the Connect America Fund ("CAF"), which CenturyLink and the

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<sup>1</sup> See ¶¶156, 167-169, 533-534, 1223-1224, FCC 11-161, Report and Order and Further Notice of Proposed Rulemaking, release November 18, 2011 in WC Docket No. 10-90, in the Matter of the Connect America Fund.

Commission must consider in order to make wise decisions about where, and to what extent investments will be made in Montana.

6. The FCC has indicated that if it adopts a 10 Mbps download speed, \$13.8 million of annual CAF Phase II funding could be available to CenturyLink in Montana.<sup>2</sup> Should CenturyLink receive that CAF II funding in Montana, it would help CenturyLink address some of the service quality issues that are of concern to the Commission in the census blocks targeted for support. If a provider other than CenturyLink receives the CAF II funding, the other provider would use it to provide an alternative to CenturyLink voice service in the funded census blocks. It follows that any service quality remediation plan must take CAF II funding into account. It would be premature to formulate final remediation plans until it is clear where and to what extent CAF II support will be available and utilized in Montana.

7. Likewise, there are other ways in which CenturyLink might address service quality in areas where customers are served with analog carrier systems. For example, CenturyLink is exploring the development of a new inventory system to track replacement equipment for these systems, which should enhance the company's ability to reduce service repair intervals.

8. At the October 17 Presentation, CenturyLink provided a detailed estimate of the cost to meet the 90% OOS restoral within 24 hours requirement. Incurring these costs would be an unreasonable hardship, as CenturyLink would be forced to focus its resources towards meeting service quality criteria that are now less important, or irrelevant, to most customers. Today the traditional landline is no longer the only customer communication link – nearly all customers have a wireless phone, and most have a broadband internet connection. Customers communicate via email, texting and social media. In many cases, customers are more concerned with having internet

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<sup>2</sup> Based on challenges and the finalization of rules, the final amount offered by the FCC—which will be announced in the next few months—could be more or less than \$13.8 million.

service restored quickly, or even having new internet service installed, than they are to have landline voice service restored. Thus, for many customers, restoration of voice service within 24 hours is not the priority it once was.

9. In order to meet the OOS<24 metric every month—which impacts only a fraction of a percent of customers—the company would have to use resources that would otherwise be dedicated to meeting the demand for broadband installations and other customer priorities.<sup>3</sup> In other words, strict adherence to meeting the OOS<24 benchmark can lead to a misallocation of resources, forcing CenturyLink (but not its competitors) to dedicate resources to meeting service criteria less important in the market. These substantial and unreasonable expenditures will affect only a fraction of one percent of CenturyLink’s customers, while Broadband installations may be significantly delayed. The result will be customers who are dissatisfied with the service they truly demand and increased churn from CenturyLink to competitors. This would put CenturyLink at an extreme competitive disadvantage in the marketplace and result in loss of market share and reduced revenue, which would further impair the company’s ability to comply with service quality rules.

10. The bottom line is that CenturyLink must address these issues prudently. Inefficient and excessive expenditures would financially cripple CenturyLink and impair its ability to compete and survive against competitors that have already captured the large majority of the Montana voice service market from CenturyLink. CenturyLink believes that having one less viable competitor in the marketplace would be contrary to the public interest. In addition, it is clear that focusing on statewide compliance with the OOS<24 metric would be extremely costly and only a fraction of that expenditure would address the rural service concerns that appear to be of particular concern to the Commission. CenturyLink therefore respectfully asks the

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<sup>3</sup> Or, as discussed above, the company would have to add a significant number of technicians.

Commission to grant a continuance of the OOS<sup>24</sup> requirements specified in the Notice so that the Commission, its Staff, and CenturyLink can collaborate to address the concerns regarding the provision of service in rural areas, where customers may have fewer competitive options and are more likely to be served by analog carrier systems.

II. CenturyLink respectfully requests that the Commission grant it a waiver of Admin. R. Mont. 38.5.3371(7)(b), pursuant to Admin. R. Mont. 38.5.3301(3), because compliance with the rule would cause an unreasonable hardship for CenturyLink.

11. As CenturyLink explained to the Commission at the October 17 Presentation, without incurring unreasonable and imprudent additional expenditures, it cannot meet the requirements in Admin. R. Mont. 38.5.3371(7)(b), which provides:

Ninety percent of out of service trouble reports shall be cleared within 24 hours, excluding Sunday (except where access to the customer's premises is required but not available, or where interruptions are caused by unavoidable causalities and acts of God affecting large groups of customers).

Incurring the expenditures to meet the requirement on a statewide basis would create an unreasonable hardship for the company and, in fact, may not even address the concerns that are of primary import to the Commission, i.e. addressing service quality and network reliability issues where no other provider offers wireline or terrestrial wireless service.

12. Anticipating the possibility that the currently promulgated service quality standards could impose an unreasonable hardship on a carrier, the Commission's rules provide for a waiver of the telecommunications service quality standards if their application results in an unreasonable hardship for the company. Admin. R. Mont. 38.5.3301(3) states that if "the application of any rule results in an unreasonable hardship to a carrier or a customer, either may apply for waiver of the rule."

CenturyLink asserts that the expense associated with complying with the rule and the competitive disadvantage that would result from compliance creates an unreasonable

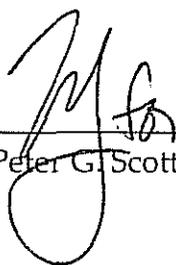
hardship justifying waiver of the rule. CenturyLink therefore respectfully urges the Commission to grant it a waiver of Admin. R. Mont. 38.5.3371(7)(b).

### III. Conclusion

13. CenturyLink respectfully requests that the Commission grant a continuance of its August 26, 2014 Notice of Commission Action to allow it, its Staff and the company an opportunity to collaboratively address the concerns it raised in the Notice and at the October 17 Presentation. In addition, CenturyLink respectfully requests that the Commission grant it a waiver of 38.5.3371(7)(b).

DATED this 24<sup>th</sup> day of October, 2014.

GOUGH, SHANAHAN, JOHNSON & WATERMAN, PLLP

By:  \_\_\_\_\_  
Peter G. Scott, Attorneys for CenturyLink

#### Attachments:

- Attachment 1: Service Quality Metrics powerpoint presentation. Slides 1-12 are produced, slides 14-42 are redacted pending determination on Motion for Protective Order filed 10/23/14.
- Attachment 2: Spreadsheet of confidential cost information that has been redacted pending a determination on Motion for Protective Order filed 10/23/14.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the foregoing were hand delivered and e-filed to the PSC website on October 24, 2014, addressed as follows:

Kate Whitney, Administrator  
Utility Division  
Montana Public Service Commission  
1701 Prospect Avenue  
Helena, MT 59601

A handwritten signature in cursive script, reading "Melissa Carney". The signature is written in black ink and is positioned centrally on the page.

# **Attachment 1**

Service Quality Metrics powerpoint presentation. Slides 1-12 are produced, slides 14-42 are redacted pending determination on Motion for Protective Order filed 10/23/14.

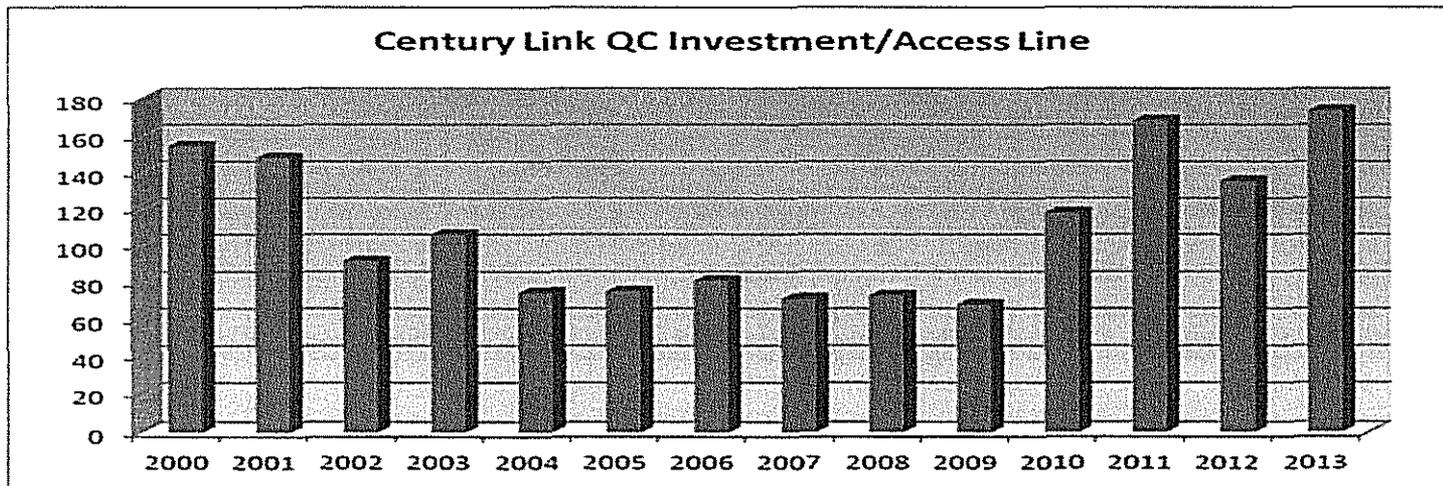
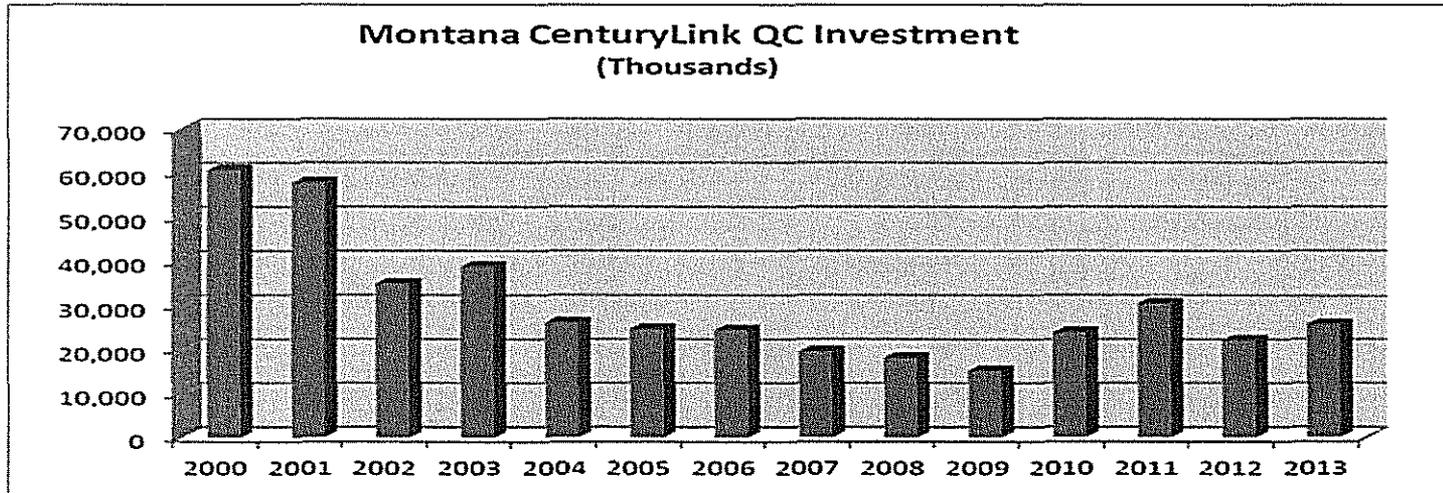
Service Quality Metrics

Issues in Today's Montana Marketplace



# CenturyLink QC continues to invest in Montana

Since 2000, CenturyLink QC has invested over \$420 million in its Montana network and has increased per line investment



# Investment Since Qwest Transaction

Day 1 Qwest Transaction - Zero customers fed with FTTN...

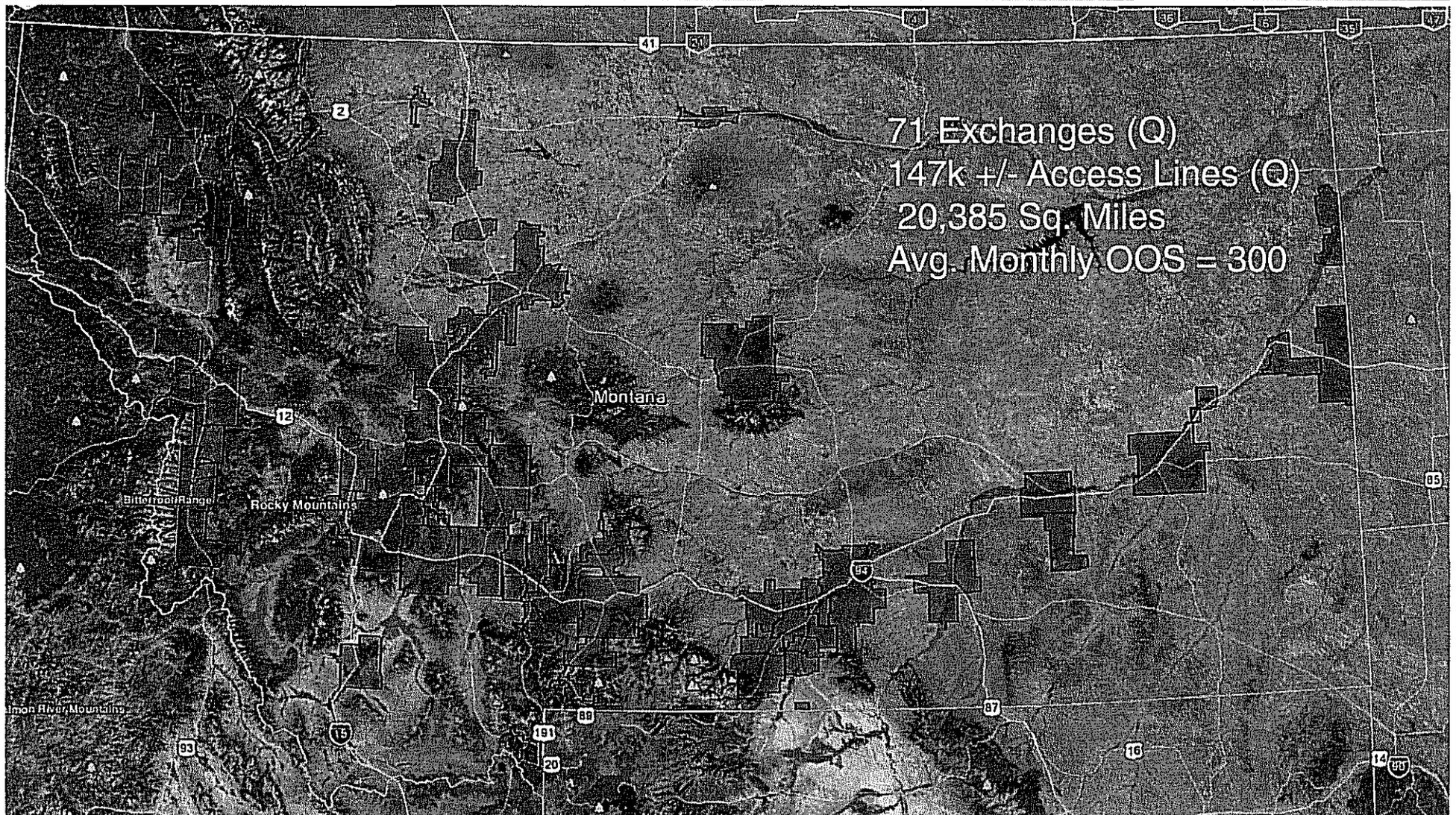
Since then:

- We have deployed 230 FTTN locations in Montana
  - 40 Meg- 21,504 Households
  - 20 Meg- 15,891 Households
  - 12 Meg- 12,294 Households
  - 7 Meg- 4,690 Households
- COIP- Deployed in all Exchanges
  - 953 X boxes across Montana
    - 20 Meg- 3,355 Households
    - 12 Meg- 45,685 Households
    - 7 Meg- 33,960 Households
- Bonded Solution by End of year
  - 40 Meg- 41,201 Households
  - 20 Meg- 105,933 Households
  - 12 Meg- 46,089 Households
  - 7 Meg- 58,875 Households
- ***193,223 Households with Fiber fed services (FTTN/COIP)***

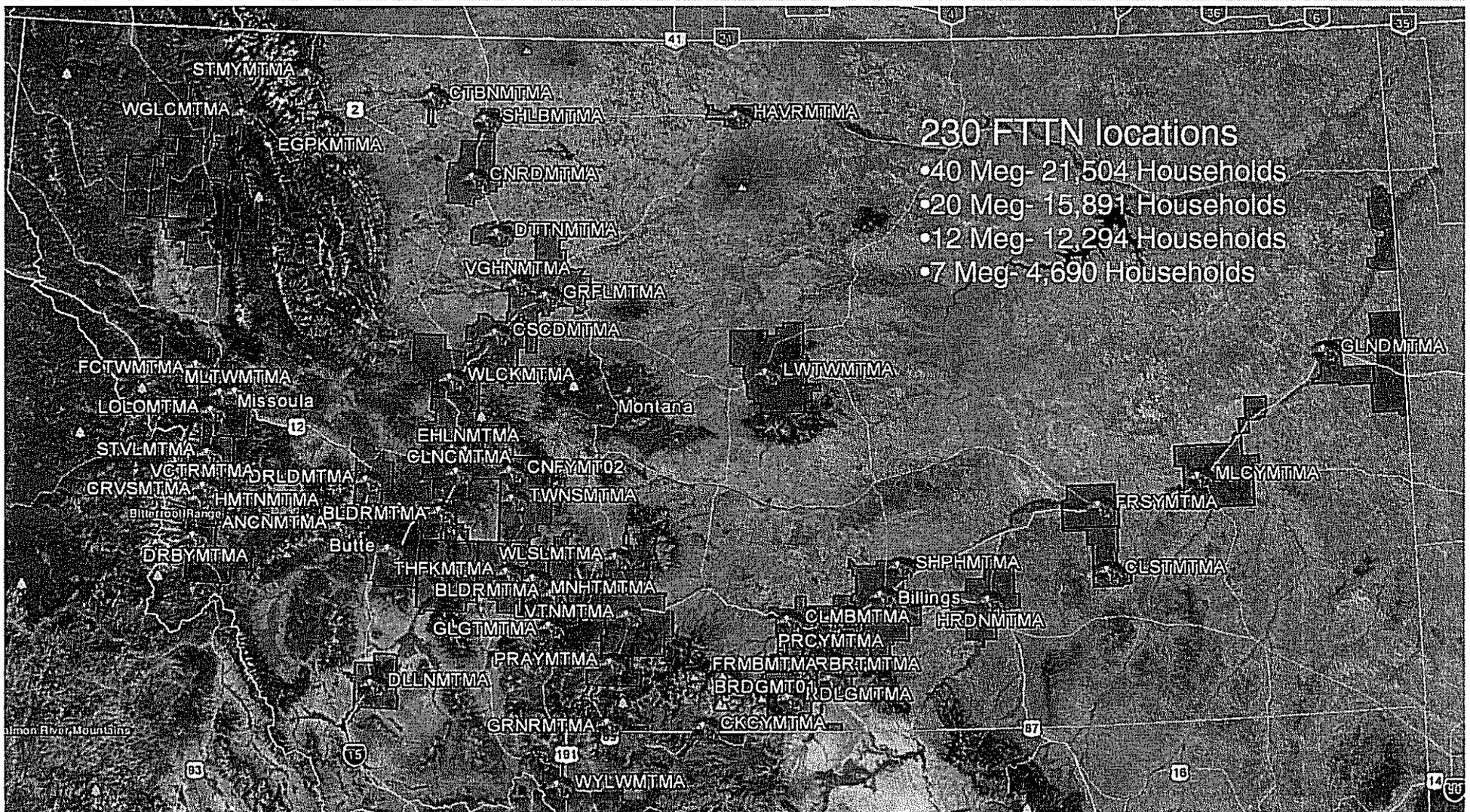
# Investment Since Qwest Transaction

- Fiber To The Home (FTTH)
  - 37 New developments in 2014
    - 3200+ Homes
    - Gigabit capable homes....Minimum speed is 20 Meg.
- Fiber to the Business
  - In process of deploying solutions for gigabit to the business in MTU type buildings across the state...
- Fiber To The Cell Tower
  - 144+ Locations across the state
    - This enables 4G....Impact= 90+% of Montanans

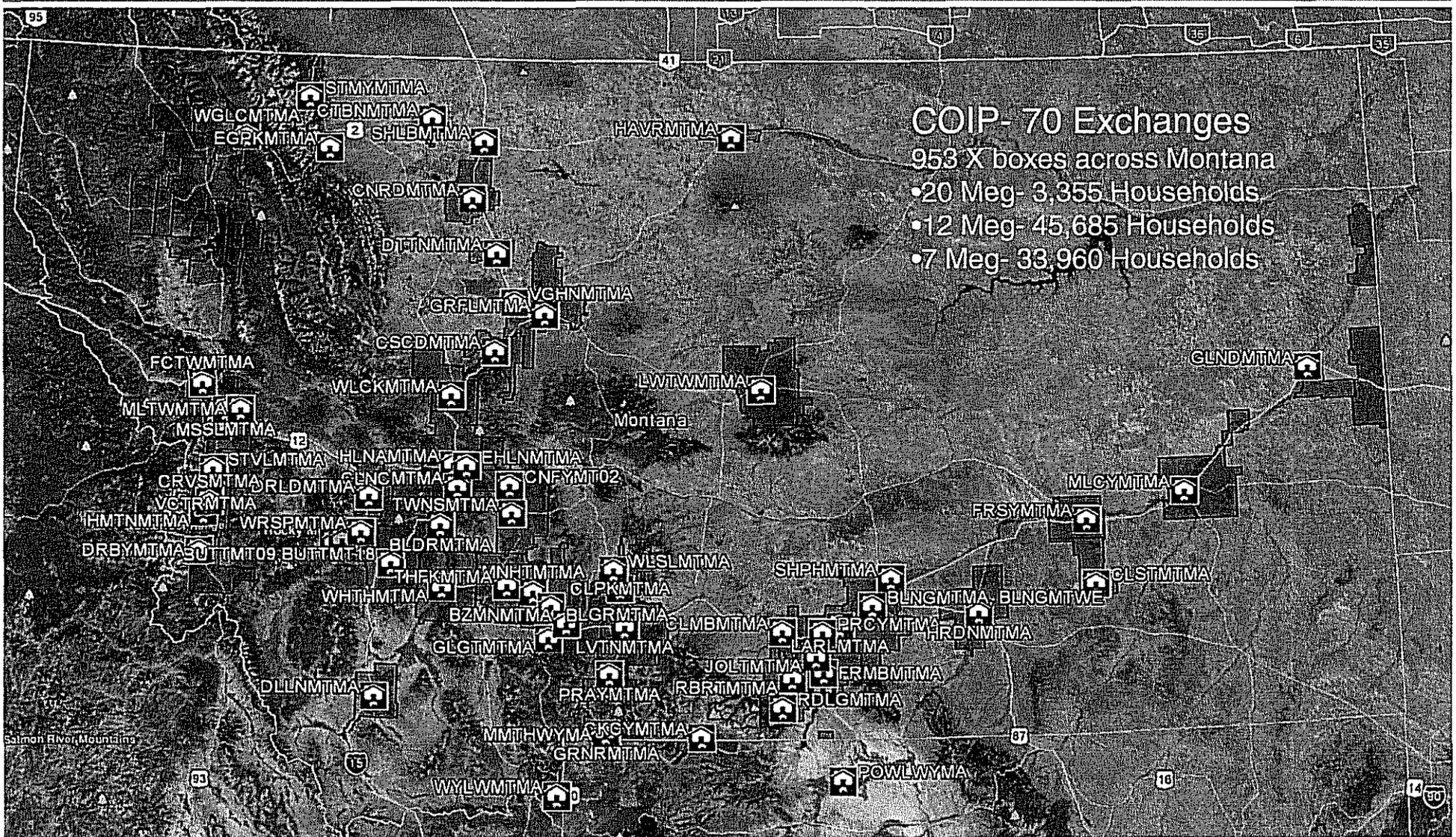
# CenturyLink has invested in the future throughout Montana



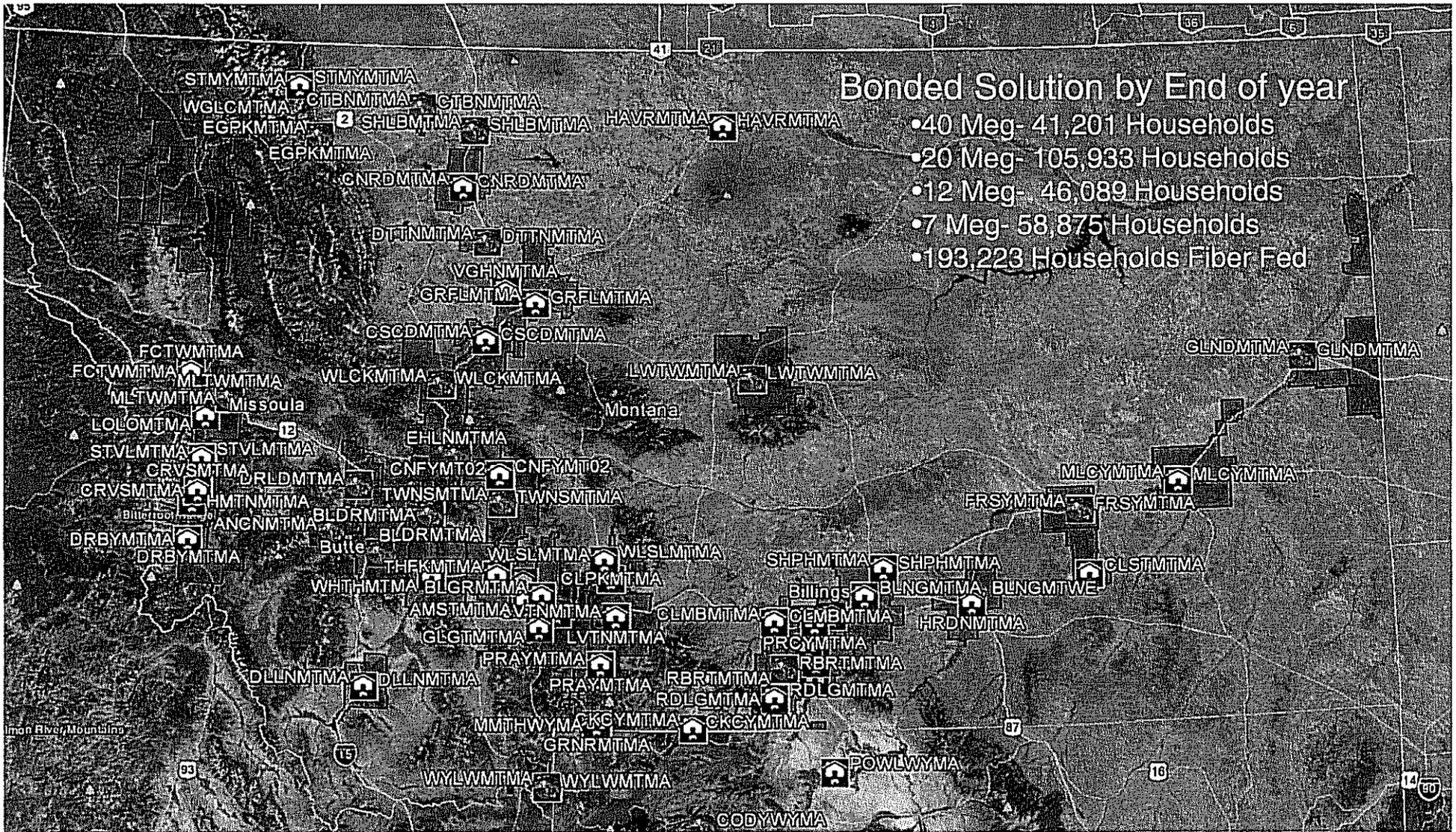
# CenturyLink has invested in the future throughout Montana



# CenturyLink has invested in the future throughout Montana

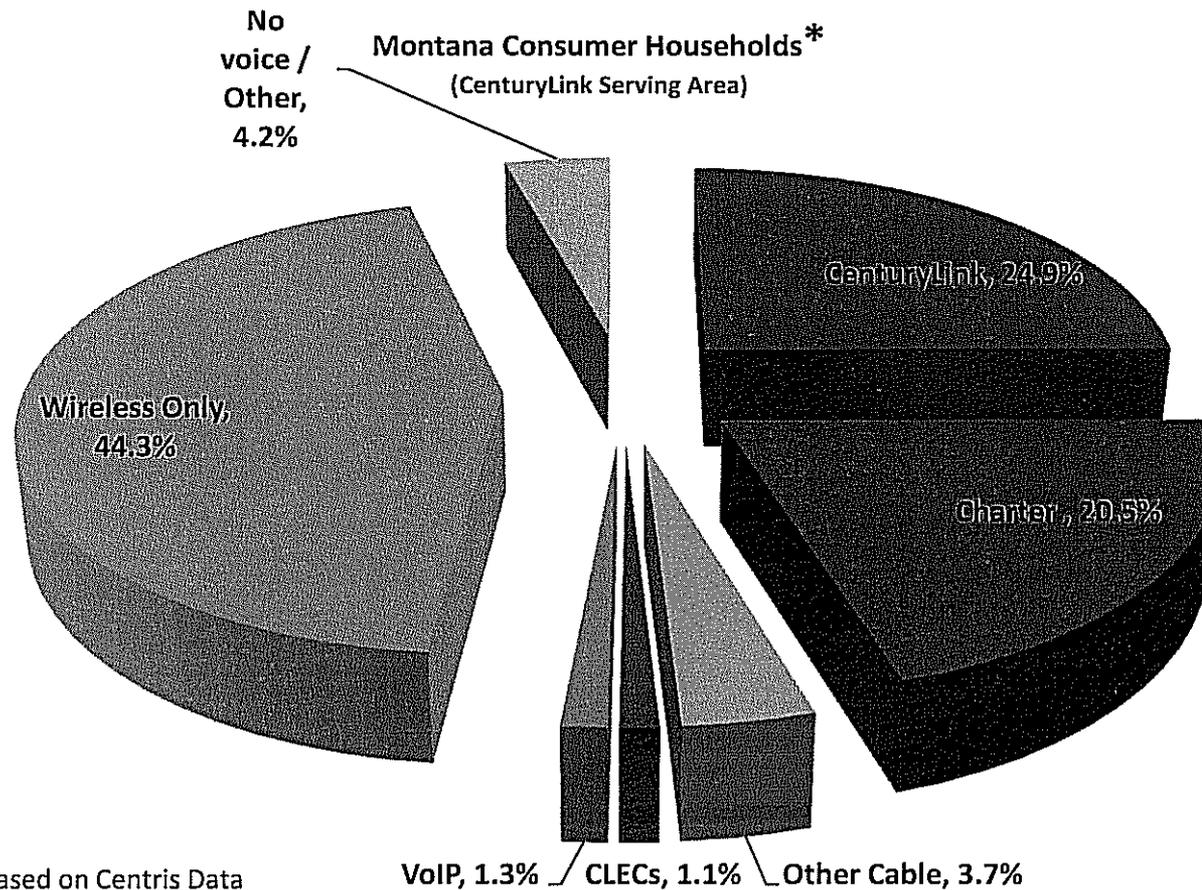


# CenturyLink has invested in the future throughout Montana



# Competition has reduced CenturyLink's scale

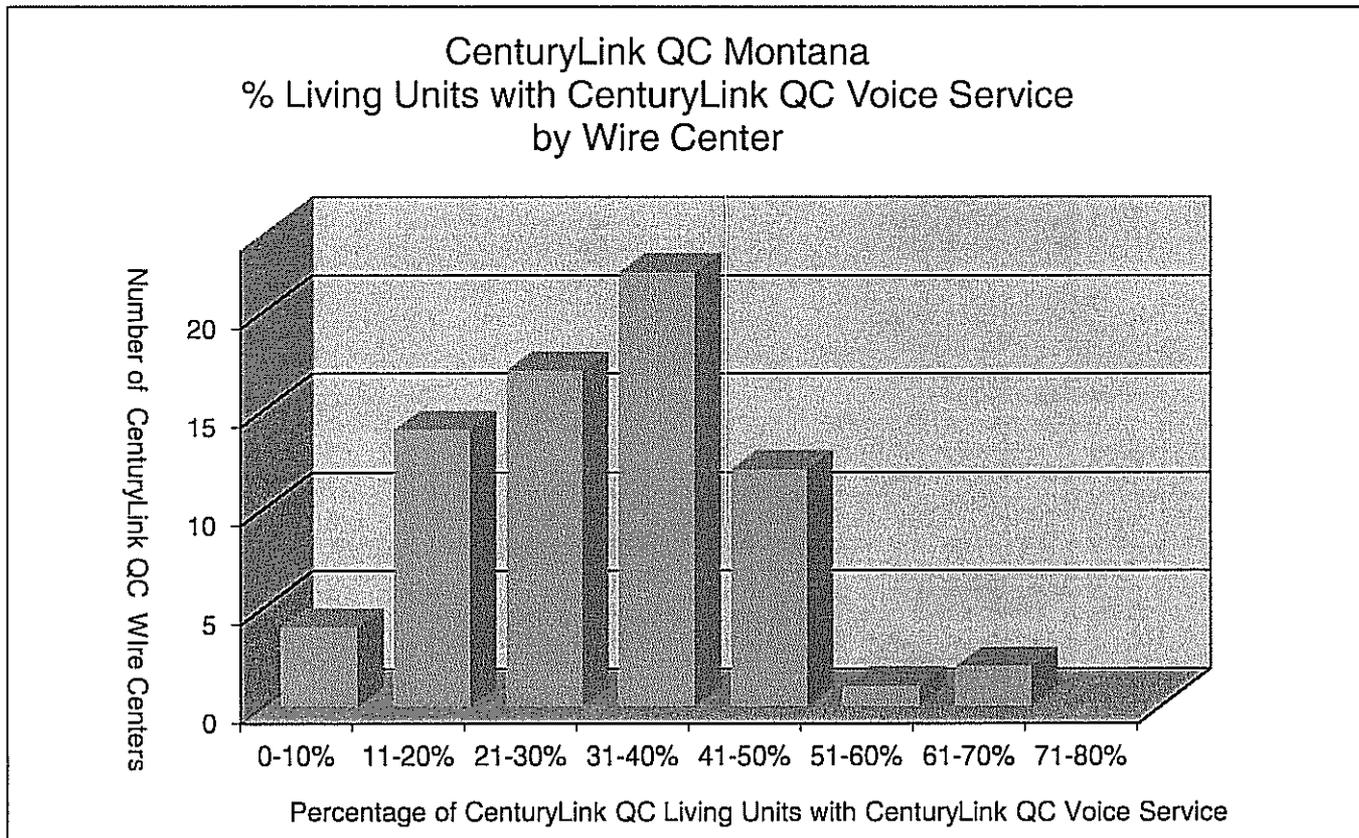
In the entire CenturyLink serving area, the company provides voice service to less than 25% of consumer households.



\*Based on Centris Data

# CenturyLink QC Living Unit Penetration is Low

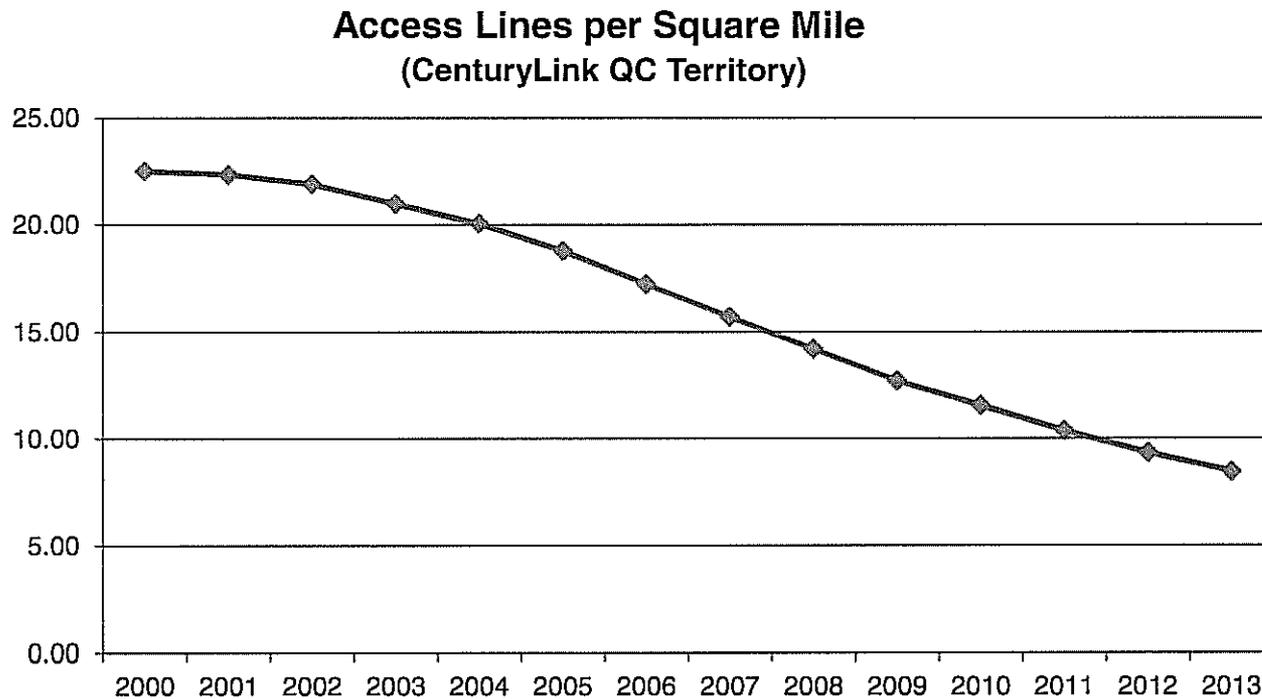
In aggregate, CenturyLink QC is now providing voice service to less than 22% of the Living Units to which it has facilities and is “ready to serve.” Thus, **more than three quarters of the Living Units that CenturyLink QC could serve in Montana purchase voice services from a competitive provider.**



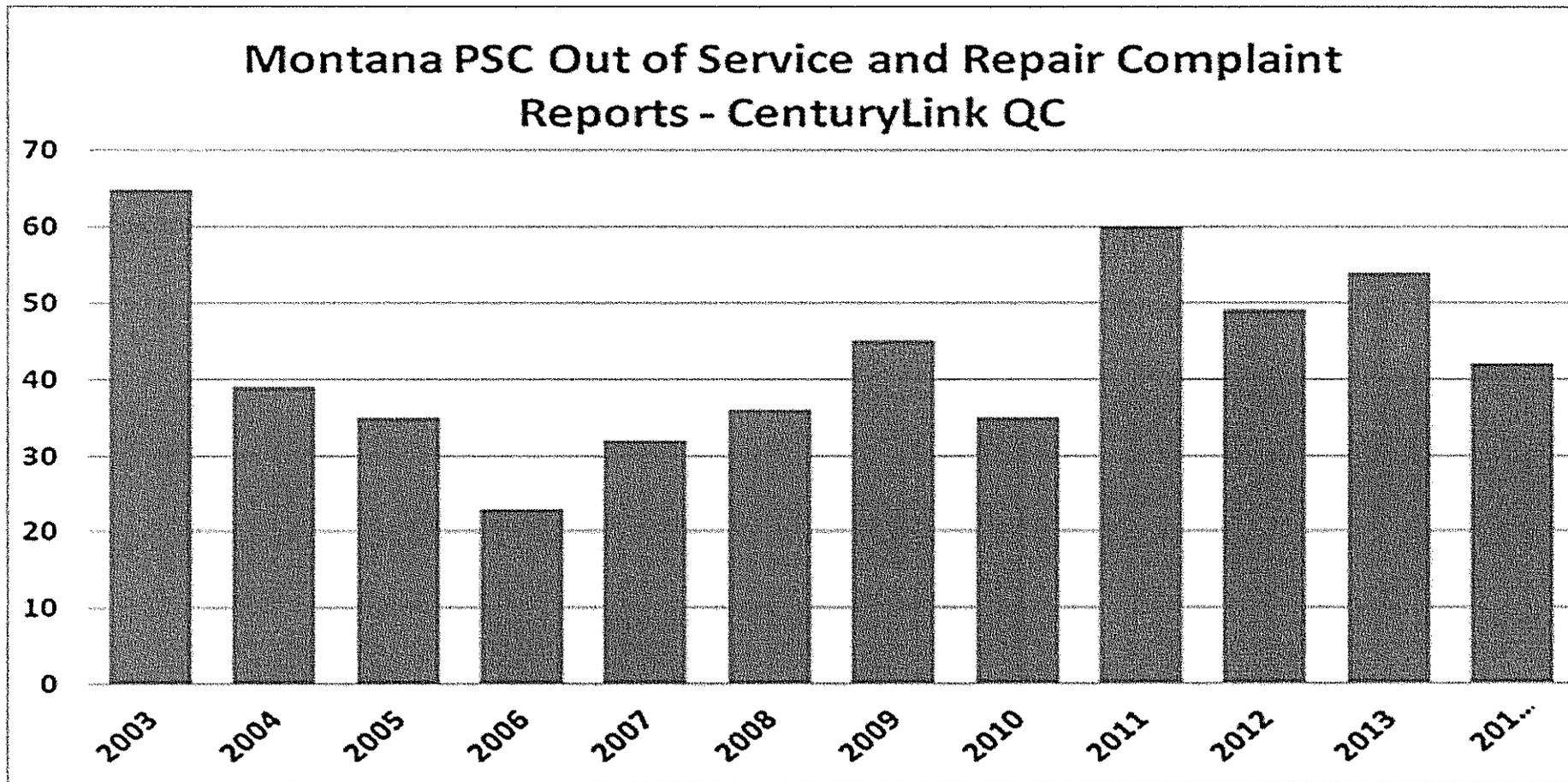
# Declining customer density is a significant challenge

When the OOS restoral benchmark was established in Montana (1989), CenturyLink served nearly every household (Living Unit) in its serving area.

Competition has led to a nearly 2/3 reduction in the number of customers served per square mile from 22.5 to 8.4 lines per square mile.



# Customer Complaints to the Commission



**\*Slides 13-42 are Confidential\***



## **Attachment 2**

Spreadsheet of confidential cost information that has been redacted pending a determination on Motion for Protective Order filed 10/23/14.