Qwest Corporation d/b/a CenturyLink QC
Response to SD PUC Data Request 1

Docket No. TC14-018

1. Do the rules give guidance on using revenues to arrive at the 2011 composite rate?

On November 18, 2011, the Federal Communications Commission (FCC) released its Universal Service Fund-Intercarrier Compensation Order (USF-ICC Order; FCC 11 - 161). That Order required switched access service providers to reduce intrastate access charges in stages over a period of several years.

On March 31, 2014, the FCC modified its Rules dictating the method for calculating new rates for price cap and rate-of-return carriers (DA 14-434). The FCC amended its Rules, 47 CFR Part 51, to read as follows:

For price cap carriers, 47 CFR § 51.907 is amended to read, in part:
(d)(2)(i) Each Price Cap Carrier shall calculate the 2011 Baseline Composite Terminating End Office Access Rate. The 2011 Baseline Composite Terminating End Office Access Rate means the Composite Terminating End Office Access Rate calculated using Fiscal Year 2011 interstate demand multiplied by the interstate End Office Access Service rates at the levels in effect on December 29, 2011, and then dividing the result by 2011 Fiscal Year interstate local switching demand.

So what they are saying here is you take the 2011 interstate end office demand times the interstate end office rates in effect on December 29, 2011 to come up with the revenue amount. Then you divide the interstate end office revenue by the interstate minutes of use to come up with the 2011 composite rate.

It should also be noted that CenturyLink – Qwest has always calculated its Interstate rates at the rollup company level, meaning Interstate rates were developed using total Interstate company demand. The same is occurring here for developing the 2011 composite rate we are using total company interstate end office demand times the interstate end office rates, shared by all Q states, to determine the total end office revenue used for calculating the 2011 and 2014 composite rates. This methodology is supported in the March 31st commission order in footnote 27:

27 We also clarify that, for both price cap and rate-of-return carriers that file interstate tariffs assessing a single rate applicable in different states, the interstate demand used shall be the sum of the demand for all of the states included in the tariff, rather than making separate state-by-state calculations.

The Composite rate along with the new interstate rates were calculated at the FCC rollup level and then the new rates were mirrored in the individual state tariffs in order to maintain the rate parity across all states we have today.

2. Could you explain which elements are included in the 2014 composite rate, arriving at a total of 0.004340?

The elements being used in the 2014 composite rate are the End Office Category elements found on the FCC-2014 spreadsheet. These are the same group of elements being used for determining the 2011 composite rate. Step 3 of the FCC order beginning in 2014 deals with rate / revenue reductions and continued rate parity associated with only the End Office elements, where before, over the last 2 years, we were working on bringing all Intrastate rates into parity with their Interstate counterparts. These End Office elements can be found on the FCC spreadsheet rows 17 through 98. The 2014 Interstate target Composite Terminating end office access rate is a formula which roughly takes the 2011 composite rate of .006160 subtracts .0007 = .00546 and then divide by 3 = .00182 and then take that result and subtract from the composite rate of .006160 to get the 2014 target rate of .004340. The 2014 filed composite terminating end office rate is the sum of the revenues for Column M rows 17 to 98 divided by the Local switching minutes which now after the revision in rates comes also to .004340.