
**Before the
Federal Communications Commission
Washington, DC 20554**

CenturyLink Communications, LLC (“CenturyLink”) and Defendants Verizon Services Corp., et al. (“Verizon”) (collectively, the “parties”), in accordance with the Federal Communication Commission’s (the “Commission”) March 13, 2018, Notice of Formal Complaint (the “Notice”), the Commission’s April 23, 2018 Letter Order, and Sections 1.732(g),

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1.733(b)(1)(v), 1.733(b)(2) of the Commission's rules, 47 C.F.R. §§ 1.732(g), 1.733(b)(1)(v), and 1.733(b)(2), respectfully submit the following Joint Statement of Stipulated Facts, Disputed Facts, and Key Legal Issues. In addition, in Section IV below, the parties provide their Joint Statement on Discovery and Scheduling in accordance with the Notice and Section 1.733(b)(1)(i)-(iv) of the Commission's rules, 47 C.F.R. §§ 1.733(b)(1)(i)-(iv).

The parties have defined stipulated facts to be facts upon which both parties agree, and disputed facts to be facts upon which the parties do not agree, but the inclusion of any fact as a stipulated fact or disputed fact does not constitute an admission by either of the parties that the fact is relevant or material to the legal issues in dispute. The parties agree that if a document is quoted, it simply represents the parties' agreement that the quote is accurate. Moreover, the stipulated facts and disputed facts listed below are not meant to address comprehensively every fact that has been raised by the parties in this case, but rather are meant to identify certain central facts upon which the parties agree or disagree.¹ Where the parties agree, the stipulated facts are presented as organized below within sections that one or both parties claim are relevant to key issues in this case. By this submission the parties do not intend to alter any aspect of their respective Formal Complaint, Answer, Reply, Sur-Reply, or Rebuttal. Neither of the parties waive the right to rely on or assert a fact that is not included in this stipulation. Subject to these understandings, the parties stipulate to these facts for purposes of this proceeding only.

I. STIPULATED FACTS

A. The Parties

1. CenturyLink is a Delaware limited liability company with its principal place of

¹ The absence of a particular fact in the lists below should thus not be construed as an admission that any such fact is irrelevant or insignificant.

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business at 1801 California Street, Denver, Colorado 80202. In addition to information services, video services, and other offerings not relevant here, CenturyLink offers a variety of telecommunications services throughout the nation. CenturyLink's Formal Complaint relates to CenturyLink's purchase of DS1 and DS3 special access services from Verizon.

2. Verizon Services Corp. is a Delaware corporation with its principal place of business at 22001 Loudoun County Parkway, Ashburn, Virginia 20147.

3. Verizon Virginia LLC is a Virginia limited liability company with its principal place of business at 22001 Loudoun County Parkway, Ashburn, Virginia 20147.

4. Verizon Washington, D.C. Inc. is a New York corporation with its principal place of business at 1300 I Street, Suite 500 East, Washington, D.C. 20005.

5. Verizon Maryland LLC is a Delaware limited liability company with its principal place of business at 1 East Pratt Street, Baltimore, Maryland 21202.

6. Verizon Delaware LLC is a Delaware limited liability company with its principal place of business at 901 Tatnall Street, Wilmington, Delaware 19801.

7. Verizon Pennsylvania LLC is a Delaware limited liability company with its principal place of business at 900 Race Street, Philadelphia, PA 19107.

8. Verizon New Jersey, Inc. is a New Jersey Corporation with its principal place of business at One Verizon Way, Basking Ridge, New Jersey 07920.

9. Verizon New York Inc. is a New York corporation with its principal place of business at 140 West Street, 27th Floor, New York, New York 10007.

10. Verizon New England Inc. is a New York corporation with its principal place of business at 6 Bowdoin Square, 9th Floor, Boston, Massachusetts 02114.

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11. Verizon North LLC is a Delaware limited liability company with its principal place of business is 900 Race Street, Philadelphia, PA 19107. Its former name is “VZ North Retain LLC.”

12. Verizon South Inc. is a Virginia corporation with its principal place of business at 22001 Loudoun County Parkway, Ashburn, Virginia 20147.

B. Procedural History

13. CenturyLink submitted a formal dispute notice letter to Verizon dated March 21, 2016.² Verizon rejected CenturyLink’s dispute by letter dated May 31, 2016.³ CenturyLink filed its Informal Complaint with the Commission on June 17, 2016 in File No. EB-16-MDIC-0015.⁴ Verizon responded to the Informal Complaint on August 3, 2016.⁵ At the request of the Enforcement Bureau, CenturyLink replied to Verizon’s response on November 18, 2016.⁶

14. The parties engaged in voluntary mediation and information exchanges, which did not resolve the Informal Complaint. CenturyLink’s Informal Complaint was not satisfied.

15. The six-month relation back date under Section 1.718 of the Commission’s rules was originally February 3, 2017. In light of the mediation and related considerations, including settlement discussions, the parties submitted a series of consent petitions requesting that the Enforcement Bureau waive the six-month formal complaint filing deadline of Section 1.718, and

² See CTL Ex. 40.22, Dispute Notice Letter from Patrick Welch (CenturyLink) to Verizon, *Re: Dispute Notice and Request for Informal Dispute Resolution*, dated Mar. 21, 2016.

³ See CTL Ex. 40.23, Response to Dispute Notice Letter from David Szol (Verizon) to Patrick Welch (CenturyLink), dated May 31, 2016.

⁴ *Informal Complaint Filed by CenturyLink Communications, LLC, Against Verizon Services Corp. (Public)*, FCC File No. EB-16-MDIC-0015 (filed June 17, 2016) (“Informal Complaint”).

⁵ *Verizon Response to CenturyLink’s Informal Complaint (Public)*, FCC File No. EB-16-MDIC-0015 (filed August 3, 2016) (“Verizon Response”).

⁶ *CenturyLink Reply to Verizon Response to CenturyLink’s Informal Complaint (Public)*, FCC File No. EB-16-MDIC-0015 (filed November 18, 2016) (“CenturyLink Reply”).

extend the relation back date while tolling applicable statutes of limitation. Those consent petitions were granted, with the relation back date established as and including February 26, 2018.

16. CenturyLink filed its Formal Complaint in the above-captioned proceeding on February 26, 2018.

17. Verizon filed its Answer on April 12, 2018.

18. CenturyLink filed its Reply on April 23, 2018.

19. On May 9, 2018 Verizon filed a motion for leave to file a Sur-Reply.

CenturyLink opposed that motion on May 9, 2018.⁷

20. Following a joint submission by the parties, pursuant to the May 18, 2018 Letter order Verizon's Sur-Reply was filed, and CenturyLink filed its rebuttal to Verizon's Sur-Reply on June 1, 2018.

C. Jurisdiction

21. The Commission has jurisdiction over the Formal Complaint under Sections 201, 203 and 205-209 of the Act, 47 U.S.C. §§ 201, 203, 205, 206, 207, 208 and 209, and Section 1.720 *et seq.* of its Rules. The Commission has jurisdiction over the parties as set forth in Paragraph 22 of the Formal Complaint.

D. Relevant Agreements and Contract Tariffs

22. The parties entered into a Master Services Agreement ("MSA") in 2006. The MSA is comprised of its own terms, the terms of its Attachments, and the tariffs it incorporates.

⁷ Verizon originally filed its motion for leave to file a Sur-Reply on May 3, 2018, and CenturyLink originally opposed that motion on May 8, 2018. The parties subsequently refiled both submissions on May 9, 2018 at the request of the Bureau.

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The parties disagree whether the 2009 and 2014 Service Agreements at issue in this proceeding are governed by, incorporated by, or interrelated with the MSA and its attachments.

23. The parties executed two service agreements to govern Verizon's provision of discounted special access services to CenturyLink: the 2009 Service Agreement and the 2014 Service Agreement (collectively, the "Service Agreements").⁸

24. Exhibit B of each of the Service Agreements was filed with the Commission as a contract tariff.

25. The parties also executed attachments to the MSA, including Attachments 11 and 13, which provided additional terms and services.

26. The Service Agreements provided aggregate discounts and quarterly billing credits related to qualifying special access services (including DS1 qualifying services, DS3 CLF qualifying services, and DS3 CLS qualifying services, defined below).

27. DS3 CLF Units and DS3 CLS Units both are individual Special Access DS3 Services circuits.

28. The arrangement by which Verizon provided discounted DS1 and DS3 special access services to CenturyLink pursuant to the Service Agreements and contract tariffs was called the "Flat Rate Price Flex Deal" or "Price Flex Deal."

E. Verizon's Flat Rate Tariffed Pricing

29. The Service Agreements and related contract tariffs provided CenturyLink a discount off of Verizon's standard rates for DS1 and DS3 special access services.

30. CenturyLink was to be charged a flat (discounted) rate for each circuit.

⁸ See Complaint, CTL Ex. 3 (2009 Service Agreement); CTL Ex. 5 (2014 Service Agreement).

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31. The discounted rates were achieved through the quarterly billing credits. They consisted of the billed amounts for the three categories of service revenue (DS1, DS3 CLF, DS3 CLS), minus the product of the total applicable qualifying units multiplied by the applicable flat rates for particular plan years. The flat rates are specified in the Service Agreements.⁹

32. The Service Agreements and contract tariffs worked as follows: (1) Verizon was required to accurately bill CenturyLink on a monthly basis at standard rates available under Verizon's base tariff for the special access circuits that CenturyLink used; (2) CenturyLink would initially pay Verizon the standard rates for the special access circuits; and then (3) Verizon would issue quarterly credits to CenturyLink that were equal to the difference between the standard rates and the plan's discounted rates.

33. The quarterly billing credits were an important feature of the Flat Rate Price Flex Deal.

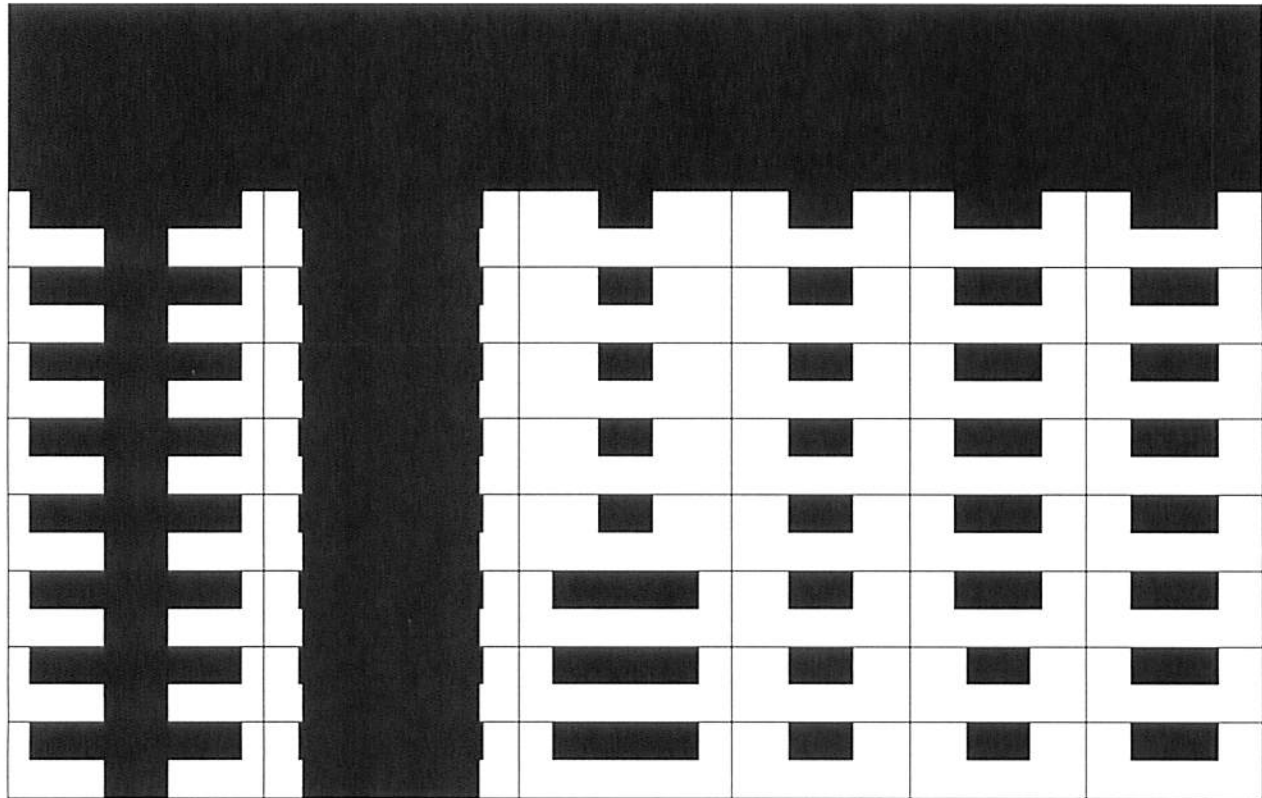
34. The discounted pricing that CenturyLink received for special access services was delivered by the billing credits it received from Verizon.

35. The flat rates and associated formulas are specified in the Service Agreements.

36. The flat rates were fixed by "Plan Year" – running each year from March 1 through February 28 – for each service type covered by the Service Agreements.

⁹ As used here, the term "unit" is a term of art and is pertinent to the quarterly credit calculations.

37. The table below states the specific flat rates applicable to each service type for each Plan Year. **[[BEGIN CONFIDENTIAL]]**



[[END CONFIDENTIAL]]

38. Under the Price Flex deal, CenturyLink could receive billing credits on certain access services when it satisfied certain eligibility requirements and other conditions as described in Verizon's tariff."¹⁰

39. Verizon agreed to provide certain aggregate discounts and billing credits on certain services it offered pursuant to its Tariffs. In consideration for such aggregate discounts

¹⁰ CTL Ex. 29, Verizon Telephone Companies, Transmittal No. 1261 (February 12, 2014), at 2; *see also* CTL Ex. 28, Transmittal No. 1016 (May 15, 2009) ("With this Option, the customer can receive Quarterly Billing Credits and other benefits when the customer maintains certain billed volumes of Special Access Qualifying Services that are included in this new Option, and meets other criteria as specified in the attached tariff pages.").

and billing credits, CenturyLink agreed to abide by the requirements set forth in further detail in Exhibit B.¹¹

40. The Service Agreements required Verizon to pay quarterly billing credits calculated in part based on the number of “units” in each service class.

41. Holding all else constant, an increase in the number of “units” would lead to a decrease in the credit amount.

42. Verizon made certain errors with respect to unit calculations and quarterly credits.

43. Verizon sent CenturyLink monthly and quarterly tracking reports.

44. Beginning with 2013 PY5Q2, the quarterly credits generally were not paid to CenturyLink within 60 days of the end of the quarter.

45. Three Verizon operating companies were sold to Frontier in April 2016. Frontier continued to provide special-access services to CenturyLink under the same contract tariffs.

46. The Formal Complaint sets forth six categories of claims.¹² There is some duplication across certain of those categories.

1. Dispute Category 1 (“Verizon Overcounted Equivalents of DS3 CLS Units in FMS LATAs”)

47. Until July 2014, CenturyLink subscribed to Verizon’s Facilities Management Service (“FMS”), under which Verizon arranged special-access circuits dedicated to CenturyLink across Verizon’s network at its own discretion and billed CenturyLink on a DS0-equivalent basis.

¹¹ CTL Ex. 5, 2014 Service Agreement, Ex. B, Section 1 (emphasis added); *see also* CTL Ex. 3, 2009 Service Agreement, Exhibit B, Section 1 (same).

¹² *See, e.g.*, Complaint, ¶¶ 35-36.

48. If CenturyLink used only a portion of a DS3 circuit under FMS, Verizon's monthly bills charged CenturyLink only for the portion of the circuit it actually used. Verizon counted CenturyLink's DS3 CLF circuits in FMS territories as full "DS3 CLF Units," regardless of whether the DS3 circuits were fully subscribed.

49. The 2009 Service Agreement and tariffs allowed Verizon to charge for DS3 CLF "units" only if: the circuit was associated with a qualifying Monthly Recurring Charge ("MRC") and it had rate elements billing under a qualifying USOC specifically identified in the agreements and tariffs.¹³ Thus, for example, a DS3 CLF qualifying service was required to have a specific class of service (*e.g.*, XDH3X) and must have billed at least one of a specific list of USOCs (*e.g.*, 1A5LX).¹⁴

50. The 2014 Service Agreement and tariffs allowed Verizon to charge for DS3 CLF units only if the circuits billed qualifying MRCs.

51. Verizon's monthly invoices charged CenturyLink for DS3 CLF circuits in FMS territories on a DS0-equivalent basis. Verizon counted those circuits as "DS3 CLF Units" in calculating the quarterly billing credits.

52. A DS1 is comprised of 24 DS0 equivalents.

53. There are 672 DS0s equivalent channels in a DS3 circuit.

2. Dispute Category 2 ("Verizon Counted Units Without Qualifying USOCs or MRCs in the Quarterly Credit Calculation in Non-FMS LATAs")

54. Circuits qualified as "units" under the 2009 Service Agreement only if the circuits were associated with a qualifying monthly recurring charge ("MRC") and a qualifying USOC.

¹³ See, *e.g.*, Ex. 14, Verizon FCC Tariff No. 1 § 21, Option 57(E).

¹⁴ Brown Decl. ¶ 17-18.

Under the 2014 Service Agreement, circuits qualified as “units” only if the circuits were associated with a qualifying MRC.

55. Verizon counted some circuits that did not have a qualifying USOC or MRC associated with them.

56. CenturyLink submitted certain claims to Verizon purporting to challenge Verizon’s calculation of the billing credits.

3. Dispute Category 3 (“Double-Counting of “Meet-Point” Circuits”)

57. In the context of this case, “meet-point circuits” are circuits for which two or more Verizon operating companies bill under separate Billing Account Numbers (“BANs”).

58. Verizon counted meet-point circuits as multiple “units,” based on its position that the circuits billed charges distributed across multiple CenturyLink BANs.

4. Dispute Category 4 (“Misdesignating DS3 CLF Units as DS3 CLS Units”)

59. Verizon erroneously classified certain DS3 CLF circuits as more-expensive DS3 CLS circuits to the detriment of CenturyLink. The erroneous misclassifications resulted from a formula error that also led to several converse erroneous misclassifications that benefited CenturyLink: other DS3 CLS circuits were inadvertently classified as less-expensive DS3 CLF circuits.

60. Had the formula errors been identified and corrected at the time, the net result (including fixing all of the errors CenturyLink identifies in its Formal Complaint) would have been an **[[BEGIN CONFIDENTIAL]]** [REDACTED] **[[END CONFIDENTIAL]]** reduction in the total billing credits due to CenturyLink for the three quarters at issue.

5. Dispute Category 5 (“Misdesignating DS0 Circuits as DS1 Units”)

61. In its Formal Complaint, CenturyLink alleged that Verizon incorrectly designated DS0 circuits as more expensive DS1 circuits. Verizon denies CenturyLink’s allegations.

6. Dispute Category 6 (“Failing to Optimize FMS for CenturyLink”)

62. CenturyLink subscribed to Verizon’s Facilities Management Service (“FMS”) throughout the 2009 Agreement’s 5-year term, and then converted off FMS in July 2014, as Verizon was no longer offering the service.

63. Under the FMS arrangement, Verizon retained the responsibility to deploy special access circuits to maximize network efficiencies and optimize economic efficiencies.

64. Under FMS, CenturyLink did not determine how to assign DS0s and DS1s it ordered to particular Verizon DS3s. Verizon determined how to distribute CenturyLink’s DS0 and DS1 circuits throughout Verizon’s network.

65. Under FMS, Verizon calibrated those circuits to optimize circuit-deployment efficiency, but it did so from Verizon’s perspective rather than CenturyLink’s.

66. Under FMS, customers paid only for the portions of DS1 and DS3 circuits they actually used and therefore were unaffected by how Verizon arranged the circuits across its network.

67. After CenturyLink converted off FMS, it began paying full price for underutilized DS3s.

7. CenturyLink’s Dispute Submissions

68. CenturyLink submitted disputes to Verizon through Verizon’s electronic dispute-submission system.

69. Verizon at various times withheld billing credits until it obtained CenturyLink’s concurrence in the credit amounts.

70. Verizon informed CenturyLink that Verizon would pay the undisputed Plan Year 3 credits before CenturyLink filed its formal complaint, and Verizon notified CenturyLink by email on February 22, 2018, that the credits had been processed. On March 7, 2018, CenturyLink informed the Commission that Verizon had issued the Plan Year 3 credits.

II. DISPUTED FACTS

A. CenturyLink's Disputed Facts

1. Introduction

1. As stated in the stipulated facts, the parties agree on significant portions of the record, including the status of most of the governing agreements and the fact that Verizon committed errors in counting units. However, despite extensive dialogue and exchange of draft proposals, the parties have not been able to agree on certain facts. This section describes key facts necessary to the Commission's resolution of the dispute.

2. CenturyLink Is Entitled a Refund of Verizon's Overcharges.

2. The amounts in dispute are charges greater than the rates contained in the filed contract tariffs, which are one part of several interrelated agreements between the parties.

3. The filed rate doctrine requires that the filed rates be upheld.

4. The tariff rate that CenturyLink received for the Verizon services was intended by the parties to be guaranteed through Verizon's distribution of billing credits.

5. Violations of the tariffs and related agreements regarding the circuit and unit counts underlying those credits therefore resulted in CenturyLink being improperly charged a rate higher than the filed tariff rate.

6. Accordingly, Verizon has violated the filed rate doctrine through its admitted errors, which improperly reduced credits owed to CenturyLink under the tariffs.

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7. Those errors were not inadvertent or immaterial, and the filed rate doctrine does not excuse a failure to provide the tariffed rates on such grounds or based on the alleged intent of the party violating the doctrine.

8. Due to those errors, CenturyLink has not received the filed tariff rate, and instead has been charged a rate higher than the filed tariff rate.

9. All of CenturyLink's claims are therefore for "overcharges" as defined in 47 U.S.C. § 415(g).

10. Because CenturyLink's claims are for overcharges, its claims were timely filed with the Commission within the limitations period provided by § 415(c).

11. In requesting that Verizon refund its overcharges, CenturyLink is not disputing the validity or lawfulness of those contract tariffs or the related agreements.

12. Requiring Verizon to charge the tariff rates (and remit charges in excess of that rate) is consistent with and required by the applicable filed rate doctrine, as well as the tariffs and related agreements.

13. Under the filed rate doctrine, Verizon therefore must refund its overcharges.

3. Verizon Made Substantial Circuit Count Errors.

14. Verizon committed extensive circuit unit count and credit errors throughout the course of the parties' contractual relationship, and under the related contract tariffs.

15. Verizon's errors, documented by CenturyLink across six categories of related dispute submissions, were material, extensive and systemic.

16. Despite repeated contemporaneous notice regarding these ongoing errors, Verizon never undertook a genuine review of CenturyLink's disputes prior to rejecting them, and never

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took any steps to correct its billing for subsequent time periods to ensure that it did not compound its overcharges.

17. After filing CenturyLink's Formal Complaint, Verizon finally undertook a review of its errors, but incorrectly describes its error rates as "nominal" or "inadvertent."

18. An error rate in the range of 2-3% is not "nominal," nor is it allowed under the tariffs. There is no exemption to the filed rate doctrine permitting public utilities to be "generally correct" or "close enough" to the rate.

19. Moreover, Verizon had an unjust and unreasonable practice of denying CenturyLink's disputes without considering them and giving CenturyLink essentially no viable option to ever dispute the errors.

20. Verizon maintained that even where it made errors in its calculations, it was entitled to deny, on the basis of a purported interest in "finality," all credits unless the erroneous calculation is agreed to by CenturyLink.

21. The agreements do not evidence any bargained-for exchange related to "finality," nor that CenturyLink was required to forfeit its right to receive the tariff rate in order for Verizon to enjoy "finality."

22. In the agreements, CenturyLink did not agree to trade its right to dispute Verizon's admitted billing errors in return for discounted flat rates.

23. Rather, CenturyLink agreed to volume commitments and dollar value watermarks in exchange for discounted flat rates.

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24. In denying CenturyLink's disputes, Verizon repeatedly claimed that CenturyLink was required to submit disputes within 30 days of the end of the quarter, both contemporaneously and in response to CenturyLink's Informal Complaint.¹⁵

25. Verizon personnel told CenturyLink that CenturyLink "must submit such disputes to Verizon no later than the thirtieth day following the end of the quarter."¹⁶

26. Verizon denied CenturyLink's request for contractual dispute resolution because
[[BEGIN CONFIDENTIAL]] [REDACTED]

[REDACTED]¹⁷ [[END
CONFIDENTIAL]]

27. CenturyLink undertook a significant effort to submit disputes prior to 30 days after the end of the quarter, which were invariably frustrated by Verizon's interpretation of the dispute procedure.¹⁸

28. Contrary to Verizon's interpretation, the language of the agreements and tariffs contemplate the possibility that CenturyLink could receive amounts for prevailing disputes after 30 days from the end of the quarter and even Billing Credits had been determined.

29. The language of the 2009 tariffs states, "Upon resolution of any ... disputes raised after the determination of the Billing Credits, amounts may be credited to the customer if the

¹⁵ Complaint ¶ 73.

¹⁶ See CTL Ex. 46.04, CLINKFAC0421, File: Correspondence from Patricia Mason (Verizon) dated November 13, 2015.

¹⁷ See CTL Ex. 40.23, Response to Dispute Notice Letter from David Szol (Verizon) to Patrick Welch (CenturyLink), dated May 31, 2016.

¹⁸ Complaint ¶¶ 89-93, Brown Decl. ¶¶ 79-100.

customer prevails” even though such amounts would not result in an adjustment to the Billing Credits themselves.¹⁹

30. The 2014 tariffs provide for “situation[s] where Verizon applies a Billing Credit that does not match the mutually agreed upon credit amount.”²⁰

31. Verizon could have corrected its errors and upheld the filed rate doctrine at any time, including by issuing refunds that simply were not termed “Billing Credits” as permitted under the 2009 and 2014 Service Agreements.

4. The Parties’ Specific Interrelated Contractual Agreements and Related Tariffs That Govern This Dispute.

32. Verizon cannot rely on certain of the parties’ agreements while ignoring others, such as the 2006 Master Services Agreement (“MSA”), as there is an interrelationship between the Service Agreements and the MSA along with its attachments. This is evidenced both by the parties’ conduct and by the text of the agreements.

33. The 2009 and 2013 Service Agreements were always intended to be interrelated with the larger pre-existing master agreement between the parties—the 2006 MSA and its attachments.

34. The MSA and its attachments provide an overall framework for Verizon’s provision of services including forbearance services such as Ethernet and also the special access services at issue in this dispute. The MSA incorporated its attachments (including Attachments 2, 11 and 13) and Verizon’s FCC tariffs, including tariffs 1, 11, 14 which contained the terms of

¹⁹ See Complaint ¶ 109; CTL Ex. 3, 2009 Service Agreement Ex. B, Section 7(e)(v); *see also* CTL Ex. 14, Verizon Tariff No. 1 Section 21, Option 57(H)(5)(e).

²⁰ CTL Ex. 5, 2014 Service Agreement, Ex. B, Section 8(f); *see also* CTL Ex. 17, Verizon Tariff No. 1 § 21, Option 65(H)(6).

the Flat Rate Price Flex Deal.²¹ The effective date of three attachments to the MSA (Attachments 2, 11 and 13), which provided additional terms and services, was contemporaneous with the execution of the 2009 and 2014 Service Agreements, and combined to create the “Flat Rate Price Flex Deal.”

35. The plain text of the attachments specifically incorporates the disputes at issue here. The dispute resolution processes in Attachments 11 and 13 were intended to include issues under the 2009 and 2014 Service Agreements.²² Specifically, the dispute resolution sections of Attachments 11 and 13 stated that they governed **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]²³

[[END CONFIDENTIAL]] The plain language of Attachment 13 mandated that **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED]

[REDACTED]²⁴ **[[END CONFIDENTIAL]]** Thus, the MSA and its attachments’ dispute resolution processes and claim submission procedure govern Verizon’s calculations of the Billing Credits at issue in this proceeding.²⁵

²¹ CTL Ex. 1, MSA § 1 **[[BEGIN CONFIDENTIAL]]** [REDACTED]
[REDACTED] **[[END CONFIDENTIAL]]**. See CTL Ex. 6, Amended and Restated Attachment 2 at 1.

²² CTL Ex. 2, Attachment 11 to the MSA § 15; CTL Ex. 4, Attachment 13 to the MSA § 9.4.

²³ *Id.*

²⁴ *Id.*

²⁵ CTL Ex. 1, MSA § 1.

36. Finally, because the ultimate rates for the special access services were calculated quarterly based on the credits, the parties' agreements consequently required Verizon to correctly designate circuits as qualifying "units" in order to properly calculate and provide the credits to CenturyLink.

a. Category 1: Erroneously Counting DS3 CLF Units in FMS LATAs

37. Verizon's practice of counting DS3 CLF Units in FMS LATAs was inconsistent with the Service Agreements and the tariffs, and resulted in overcharges to CenturyLink. Verizon does not dispute that it counted these DS3 CLF circuits as units.²⁶ Nor does Verizon address the fact that its monthly invoices billed the DS3 CLF units at zero dollars; Verizon instead states only that it "charged for those circuits in proportion to the number of DS0 channels that CenturyLink used."²⁷

38. As CenturyLink has shown, however, these proportional charges were counted as DS1 units, not as DS3 CLF units. Verizon counted the underlying DS0s that it did bill for (aggregated to DS1s in the monthly invoices) as DS1 Units.²⁸ CenturyLink acknowledges these DS1 Units were valid under the tariffs as reflecting CenturyLink usage in FMS LATAs.

39. The parties appear to agree that CenturyLink's initial DS3 equivalency calculation is not required by the 2009 and 2014 Service Agreements. In its Reply, CenturyLink offered an alternative calculation of Dispute Category 1 without the DS3 equivalents included as billable units based on Verizon's own position, while reserving its rights and disputes regarding this

²⁶ Verizon Answer ¶¶ 40, 42.

²⁷ *Id.*

²⁸ Brown Reply Decl. ¶¶ 45-52.

category should Verizon alter that position.²⁹ CenturyLink's alternative calculations for Dispute Category 1 are found at the Reply Declaration of Tiffany Brown ¶ 57, CenturyLink Exhibit 71.

b. Category 2: Counting Units Without Qualifying USOCs or MRCs in the Quarterly Credit Calculation in Non-FMS LATAs

40. Verizon's practice of counting units without qualifying USOCs or MRCs was inconsistent with the Service Agreements and the tariffs, and resulted in overcharges to CenturyLink. Verizon admits that it counted certain circuits without qualifying USOCs or MRCs in error.³⁰ CenturyLink denies that Verizon's Exhibit 60 represents an accurate accounting of the unit count errors in this category. The correct unit count and overcharge amount is reflected in CenturyLink Exhibit 72.³¹

c. Category 3: Double-Counting of "Meet-Point" Circuits

41. Verizon's practice of double-counting meet-point circuits was inconsistent with the Service Agreements and the tariffs, and resulted in overcharges to CenturyLink. It was inappropriate for Verizon to count both segments of the meet-point circuits as separate billing units for purposes of the quarterly credits.

42. For example, the 2009 Service Agreement states that "For the avoidance of any doubt, fractions of a 'DS1 Unit' are not counted as a 'DS1 Unit.'"³² Similarly, the 2014 Service Agreement states that a DL3 CLF Unit is "an individual Special Access DS3 Services circuit ..." and a DS3 CLS Unit is "an individual Special Access DS3 Services circuit . . ."³³

²⁹ This is further discussed in CenturyLink's Rebuttal to Verizon's Sur-Reply.

³⁰ Verizon Answer ¶¶ 49-50.

³¹ Brown Reply Decl. ¶ 75.

³² CTL Ex. 3, 2009 Service Agreement, Ex. B § 2.

³³ CTL Ex. 5, 2014 Service Agreement, Ex. B § 2.

43. Verizon's argument that CenturyLink's reading of the tariffs would result in higher rates is specious. The parties first negotiated flat rates for the services at issue, then Verizon created a formula to lend backward-facing legitimacy to the rates.³⁴ Verizon admits it made a counting error of \$22,580.00 for Dispute Category 3, and CenturyLink's calculations for Dispute Category 3 are found in the Declaration of Tiffany Brown ¶ 25 and CenturyLink Exhibit 33.

d. Category 4: Misdesignating DS3 CLF Units as DS3 CLS Units

44. Verizon's practice of erroneously misdesignating DS3 CLF Units as DS3 CLS Units was inconsistent with the Service Agreements and the tariffs, and resulted in overcharges to CenturyLink.

45. Verizon admits these overcharges, but argues that they were irrelevant because Verizon made some other errors that supposedly inured to CenturyLink's benefit. However, CenturyLink's dispute packages, which matched the details contained in Verizon's Exhibits 65 and 66, accounted for net undercharges.

e. Category 5: Misdesignating DS0 Circuits as DS1 Units

46. Verizon's practice of erroneously misdesignating DS0 circuits as DS1 Units was inconsistent with the Service Agreements and the tariffs, and resulted in overcharges to CenturyLink.

47. Although Verizon attempts to hide behind its billing system as the reason it improperly used DS1 USOCs for these circuits, Verizon does not contest that these circuits were in fact DS0 circuits that it designated as DS1 Units.

³⁴ See Reply, Montenegro Decl. ¶¶ 2-15.

48. It does not matter that Verizon listed a DS1 USOC—Verizon was responsible for correctly counting DS1 Units which, under the tariffs must be based on DS1 circuits. The circuits at issue in this category were DS0 circuits, not DS1 circuits.³⁵ Thus, Verizon overcharged CenturyLink by counting these as DS1 Units. CenturyLink's calculations for Dispute Category 5 are found at the Declaration of Tiffany Brown ¶ 27 and CenturyLink Exhibit 35.

f. Category 6: Failing to Optimize FMS for CenturyLink

49. Verizon overcharged CenturyLink by failing to optimize its network in FMS LATAs.

50. Verizon admits that it had an obligation to optimize network efficiencies.

51. Verizon's FMS allowed customers to pay for special-access transport capacity at rates as if a customer had used the equivalent number of DS0s irrespective of how many separate DS1 or DS3 circuits these DS0s were provided over.³⁶

52. If an FMS customer used only a portion of a DS1 or DS3 circuit, it would therefore only pay for the portion of the circuit it actually used instead of for the full circuit.³⁷ FMS customers, including CenturyLink, paid a higher per-DS0 rate than customers not subscribing to FMS.³⁸

53. **[[BEGIN CONFIDENTIAL]]** [REDACTED]

[REDACTED]

³⁵ Brown Reply Decl. ¶¶ 83-84.

³⁶ CTL Ex. 22, Verizon FCC Tariff No. 1 Section 7.2.13(#)(a)-(c).

³⁷ A DS1 is comprised of 24 DS0 equivalents and a DS3 is comprised of 672 DS0 equivalents. CTL Ex. 22, Verizon FCC Tariff No. 1, Section 7.2.13(D)(11).

³⁸ CenturyLink Rebuttal at 18-19; CTL Ex. 74, Verizon FCC Tariff No. 11 Section 30.7.18(b)(3).

54. Accordingly, CenturyLink paid for the entire cost of each deployed DS1 and DS3 circuit, and not the utilized portions of the circuits. These unutilized portions of DS1 and DS3 circuits show Verizon's lack of optimization, which resulted in overcharges to CenturyLink.

56. Further, Verizon mischaracterized the impact of the transition off of FMS and failed to inform CenturyLink that it was transitioning off of FMS as of July 2014 until early 2014. On April 23, 2014, Anna McDermott of Verizon informed Anne Grimm of CenturyLink that there would be “little to no impact on CenturyLink’s special access billing from the FMS conversion.”³⁹

58. CenturyLink then began the significant process of grooming circuits to eliminate the overcharges; that process continued until November 2015.

³⁹ CTL Ex. 53.05.

g. Overcharges

60. CenturyLink seeks recovery for Verizon's overcharges, as described in CenturyLink's Formal Complaint, Reply, and Rebuttal to Verizon's Sur-Reply.

61. As CenturyLink has previously noted, the sum of each category of unit count errors exceeds the total overcharges for which CenturyLink seeks refunds. This is because certain units were counted units erroneously by Verizon for multiple reasons and because certain Verizon errors inured to CenturyLink's benefit, which CenturyLink accounted for in its dispute submissions to Verizon.

62. CenturyLink, however, was obliged to describe all errors committed by Verizon, shown in Table 2 of the Complaint, in order for the Commission to appreciate the full scope of the dispute, and to ensure that CenturyLink received recovery for Verizon's errors in one category of errors if the Commission determined that another category of errors was actually consistent with the tariffs.⁴⁰

63. To allay confusion, CenturyLink describes the following two overcharge calculations, each with different purposes, below. Table 1 shows the total overcharges in each category after incorporating Verizon's analysis from its Answer but without accounting for certain amounts that inured to CenturyLink's benefit.

⁴⁰ See Complaint ¶ 36.

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66. Although Verizon denies that it has a record of receiving dispute CLINKFAC0396TU1, CenturyLink maintains it submitted the dispute in accordance with the parties' agreements and Verizon's instructions.

[[BEGIN CONFIDENTIAL]]

Table 3⁴¹[illegible]

⁴¹ **[[BEGIN CONFIDENTIAL]]**

[[END CONFIDENTIAL]]

67. CenturyLink submitted the above disputes to Verizon between June 2014 and May 2017.

68. Verizon at various times withheld undisputed quarterly credits, totaling tens of millions of dollars. Verizon's act of withholding large sums of undisputed credits constituted coercion, as it forced CenturyLink to concur with certain amounts.

69. CenturyLink concurred with Verizon's calculation of certain specific credit amounts while disputing others. The concurrences are reflected in emails from Anne Grimm to Patricia Mason, and the disputes are evidenced by the submissions of Joseph Romero.

70. Under Verizon's practices, when CenturyLink disagreed with some aspect or portion of Verizon's calculations, no matter how small, CenturyLink was faced with receiving no credits at all—resulting in the potential loss of **[[BEGIN CONFIDENTIAL]]** [REDACTED]

71.

[[END CONFIDENTIAL]]

in additional credits CenturyLink pointed out were also due.

72. While holding tens of millions of dollars, Verizon had no incentive to cooperate in a timely and good faith manner to resolve CenturyLink's billing disputes. If CenturyLink had followed the Verizon's advice and withheld concurrence from all credit calculations, then Verizon would be currently holding over **[[BEGIN CONFIDENTIAL]]** [REDACTED] **[[END CONFIDENTIAL]]** of undisputed credits.⁴²

6. Affirmative Defenses

a. Release & Waiver

73. Verizon has not provided any evidence that CenturyLink affirmatively released Verizon in writing from any previously existing claims, or that CenturyLink received adequate compensation in exchange for any alleged release.

74. The language of the tariffs as well as the interrelated agreements allows CenturyLink to raise disputes, including "after the determination of Billing Credits."⁴³

75. CenturyLink is not challenging the language of the tariffs or Service Agreements. CenturyLink is challenging Verizon's violations and unreasonable practices regarding them.⁴⁴ CenturyLink's position supports and gives effect to the full scope of the agreements and tariffs, and thus supports the filed rate doctrine.

76. Verizon cannot rely on the doctrines of release and waiver as an affirmative defense.

b. Statute of Limitations and Overcharges

77. CenturyLink asserts claims to recover sums it paid in excess of the filed rate, *i.e.*, overcharges as defined in 47 U.S.C. § 415(g).

⁴² Answer ¶¶ 5, 14.

⁴³ See Reply Legal Analysis, *supra*, § II.B.1.

⁴⁴ See Reply Legal Analysis, *supra*, § II.B.2.f.

78. The dispute packages sent to Verizon constitute requisite presentment under 47 U.S.C. § 415(c), which extended the limitations period to two years from the time Verizon denied CenturyLink's claims in writing.⁴⁵ At the earliest, Verizon did so on June 19, 2014, although it continued to state that the dispute remained "open" until May 2015.⁴⁶

79. CenturyLink filed its Informal Complaint on June 17, 2016.

c. Setoff and Recoupment

80. The doctrines of setoff or recoupment do not apply to or bar CenturyLink's claims. Verizon has not produced facts evidencing an independent claim it has against CenturyLink that would allow a setoff in this case.

81. Errors that Verizon identified in its own calculations were already accounted for in CenturyLink's dispute submissions.

82. Admissions in Verizon's Answer increase the overall amount CenturyLink is owed under the same calculations.⁴⁷

83. Verizon's affirmative defenses of setoff and recoupment are unavailable to reduce CenturyLink's claim.

B. Verizon's Disputed Facts

1. The Contracts

1. The 2006 MSA did not govern the Price Flex Deal—the arrangement by which Verizon provided CenturyLink discounted DS1 and DS3 special access services pursuant to the 2009 and 2014 Service Agreements.⁴⁸

⁴⁵ Brown Decl. ¶¶ 33-129.

⁴⁶ Complaint, ¶¶ 84-87; Legal Analysis at 8-11.

⁴⁷ Brown Reply Decl. ¶¶ 43-57.

⁴⁸ See Declaration of Christopher A. Alston ¶¶ 5-7 ("Alston Decl.").

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2. The MSA provided a general framework through which Verizon provided certain services such as Ethernet that the Commission has forborne from regulating.⁴⁹

3. The MSA did not govern Verizon's provision of tariffed DS1 and DS3 services.⁵⁰

4. The Service Agreements were not governed by, incorporated by, or interrelated with the MSA.⁵¹

5. The MSA's dispute process and claims submission process do not apply to Verizon's calculation of quarterly Billing Credits under the Service Agreements.⁵²

6. The Service Agreements include dispute-resolution requirements that govern Verizon's determination of the quarterly Billing Credits.⁵³

7. Under the Service Agreements, Verizon agreed to provide CenturyLink discounted special access pricing, and CenturyLink agreed to meet certain revenue commitments and to a streamlined dispute-resolution process that barred CenturyLink from disputing Billing Credits once they had been paid.⁵⁴

⁴⁹ *See id.*

⁵⁰ *See id.*

⁵¹ *See id.*

⁵² Compare MSA § 11.3 with 2009 Service Agreement Ex. B § 7(e)(vii) and 2014 Service Agreement Ex. B § 8(f); *see also* Answer ¶ 27.

⁵³ *See* 2009 Service Agreement, Ex. B § 1; 2014 Service Agreement, Ex. B § 1; 2009 Service Agreement, Ex. B § 7(e) (setting forth dispute-resolution requirements); 2014 Service Agreement, Ex. B § 8 (similar).

⁵⁴ *See* Alston Decl. ¶¶ 8-14 (describing the parties' intent in negotiating the Service Agreements).

8. Under the Service Agreements, CenturyLink had 30 days to submit business-as-usual disputes of monthly charges; that 30-day deadline did not apply to the Billing Credits.⁵⁵

9. Under the Service Agreements, the Billing Credits were not subject to dispute once paid.⁵⁶

10. Verizon and CenturyLink negotiated the methodology by which the flat rates in the Service Agreements were derived.⁵⁷

11. The flat rates in the Service Agreements were predicated on the agreed-upon circuit-counting methodology.⁵⁸

2. Verizon's Administration of the Contracts

12. CenturyLink now disputes that agreed-upon methodology for calculating the quarterly Billing Credits, but if CenturyLink were correct about the way Verizon should have counted the circuits, the mathematical formulas enumerated in the Service Agreements would

⁵⁵ See 2009 Service Agreement, Ex. B § 7(e)(ii); 2014 Service Agreement, Ex. B § 8(c); Declaration of Patricia A. Mason ¶¶ 9-23 ("Mason Decl.") (explaining mechanics of dispute-concurrence process).

⁵⁶ See 2009 Service Agreement, Ex. B § 7(e)(vii); 2014 Service Agreement, Ex. B § 8(f).

⁵⁷ See Alston Decl. ¶¶ 15, 20, 25.

⁵⁸ See 2009 Service Agreement, Ex. B § 7 (explaining that flat rates are calculated based on "benchmark average revenues per unit," which in turn are "established at the time of subscription" based on the number of units CenturyLink bought in January-March 2009); *id.* Ex. B Att. 1 (detailing flat-rate calculation based on the number of "units" that CenturyLink actually bought during those three months); 2014 Service Agreement, Ex. B § 7(c) (explaining that flat rates are calculated based on "benchmark average revenues per unit," which in turn are "established at the time of subscription" based on the number of units CenturyLink bought in October-December 2013); *id.* Ex. B Att. 1 (detailing flat-rate calculation based on the number of "units" that CenturyLink actually bought during those three months); *see also* Mason Decl. ¶¶ 96-101 (showing that only Verizon's counting methodology yields the same number of "units" specified in the contractual formula for January-March 2009); Alston Decl. ¶¶ 26-31 & VZ Ex. 73 (analyzing effect that CenturyLink's methodology would have on the 2014 flat rates).

have generated flat rates that were higher and less favorable to CenturyLink than the ones to which the parties agreed.⁵⁹

13. Once CenturyLink concurred in a Billing Credit and received the credits, the Service Agreements dispute-resolution provisions state that the Billing Credits are not subject to dispute.⁶⁰

14. Verizon consistently provided CenturyLink with accurate and timely reports that so that at all relevant times, CenturyLink had all the information it needed to evaluate Verizon's credit calculations, notify Verizon of any disagreements, and make an informed decision about whether to concur in the Billing Credits.⁶¹

15. Verizon made a reasonable effort to pay the Billing Credits within 60 days of the end of each quarter.⁶²

16. To the extent the Billing Credits were delayed beyond 60 days, the delays were attributable either to CenturyLink's delays in agreeing to the amount of open disputes (because Verizon was required to exclude from the credit calculations monthly charges subject to open disputes as of the 30th day after the end of the quarter) or to CenturyLink's delays in concurring with the amount of the credit.⁶³

⁵⁹ See Mason Decl. ¶¶ 96-101; Alston Decl. ¶ 29 & VZ Ex. 73.

⁶⁰ See 2009 Service Agreement, Ex. B § 7(e)(vii); 2014 Service Agreement, Ex. B § 8(f).

⁶¹ See Mason Decl. ¶ 34.

⁶² See *id.* ¶¶ 52-55.

⁶³ See 2009 Service Agreement, Ex. B § 7(e)(i) ("Verizon shall not include in the calculation of the Billing Credits any amounts which are unpaid and/or disputed by Customer as of the thirtieth (30th) day following the end of each Quarter."); 2014 Service Agreement, Ex. B § 8(a) (same); 2014 Service Agreement, Ex. B § 8(f) ("For the avoidance of any doubt, Verizon will not issue any Billing Credits until the applicable credit amount is agreed to by Customer"); Mason Decl. ¶¶ 13-14 (describing dispute-calculation process), ¶¶ 42-51 (explaining that CenturyLink regularly delayed in providing the necessary concurrences), and ¶ 53 (explaining that

3. CenturyLink's Concurrences

17. CenturyLink concurred in Verizon's credit calculations for each of the quarterly Billing Credits.⁶⁴

18. For each of the first 25 quarters of the Price Flex Deal, CenturyLink affirmatively concurred without reservation.⁶⁵

19. For the final seven quarters, CenturyLink initially withheld its concurrence before eventually agreeing with Verizon's calculations.⁶⁶

20. CenturyLink has received the Billing Credits with the agreed-upon amounts for each quarter under the Service Agreements.⁶⁷

4. CenturyLink's Dispute Categories

a. Dispute Category 1: DS3 CLS Units in FMS LATAs

21. The DS3 CLF circuits in FMS territories for which Verizon charged Century Link (on a DS0 equivalent basis) were associated with Qualifying Monthly Recurring Charges for DS3 service.⁶⁸

22. Verizon charged for those DS3 CLF circuits in proportion to the number of DS0 channels that CenturyLink used; it did not charge \$0 for those circuits.⁶⁹

CenturyLink's delays prevented Verizon from performing final credit calculations within 60 days).

⁶⁴ See Mason Decl. ¶¶ 24-32, 42-51; VZ Ex. 1 ("Credit History Chart").

⁶⁵ See Mason Decl. ¶¶ 24-32; Credit History Chart.

⁶⁶ See Mason Decl. ¶¶ 42-51; Credit History Chart at PY2Q2 – PY3Q4.

⁶⁷ See Mason Decl. ¶¶ 52-55.

⁶⁸ See *id.* ¶¶ 62-65 (detailing examples of DS3 CLF circuit billed on a DS0-equivalent basis that was also associated with a DS3 CLF Class of Service (XDH1X) and USOCs (MXNM5 and TMW5X)); *see generally* Verizon's Legal Analysis at 53.

⁶⁹ See Mason Decl. ¶¶ 60-68.

23. The FMS circuits that CenturyLink now disputes billed Qualifying Monthly Recurring Charges (on a DS0 equivalent basis)⁷⁰ and therefore under the Agreements were DS3 CLF Units.⁷¹

24. The 2009 Service Agreement—the only one that imposes a Class-of-Service and USOC requirement—expressly identifies XDH3X as a qualifying Class of Service for DS3 CLF Units.⁷²

b. Dispute Category 2: Circuits Allegedly Lacking Qualifying MRCs or USOCs

25. Although Verizon inadvertently counted some circuits that did not bill a qualifying USOC under the 2009 Service Agreement, most of CenturyLink’s alleged disputes do not demonstrate that error.⁷³

26. Although the 2009 Service Agreement was for specified DS1 and DS3 services purchased under the Price Flex Deal,⁷⁴ the 2014 Service Agreement encompassed charges for all special access DS1, DS3 CLF, and DS3 CLS services, and were not limited to particular USOCs.⁷⁵

⁷⁰ See *id.* ¶¶ 58-68.

⁷¹ See Verizon’s Legal Analysis at 51-54.

⁷² See 2009 Service Agreement, Ex. B § 5(a)(ii).

⁷³ See Mason Decl. ¶¶ 69-78.

⁷⁴ See 2009 Service Agreement, Ex. B § 5(a)(i)-(iii); see also *id.* § 5(b) (defining MRCs as charges under the “[Class-of-Service] and USOC combinations” specified in the contract).

⁷⁵ See 2014 Service Agreement, Ex. B § 6 (defining Qualifying MRCs in terms of charges for “a particular service for a particular time frame”); *id.* § 2(z)-(bb) (defining services without reference to USOC or Class of Service).

c. Dispute Category 3: Meet-Point Circuits

27. Verizon's practice of counting meet-point circuits as two units for purposes of calculating the Billing Credits is consistent with the Service Agreements and the counting methodology by which the flat rates were derived.⁷⁶

d. Dispute Category 4: DS3 CLF Units vs. DS3 CLS Units

28. Verizon's inadvertent misclassification of certain DS3 CLF circuits as DS3 CLS circuits did not result in overcharges to CenturyLink.⁷⁷

e. Dispute Category 5: DS0 vs. DS1 Units

29. The two circuits at issue corresponded to a Class of Service (XDH1X) that refers to DS1 Service.⁷⁸

30. The channel-termination USOC Verizon billed for both circuits matched a USOC specifically identified as a DS1 Qualifying Service in the 2009 Service Agreement.⁷⁹

31. Verizon billed CenturyLink for both of these circuits as DS1 revenue.⁸⁰

32. Verizon's systems do not indicate circuit 11.XHGS.131582.PA was an individual DS0 channel; instead, Verizon billed CenturyLink on a DS0-equivalent basis for DS1 service because that circuit was an FMS circuit.⁸¹

⁷⁶ See Mason Decl. ¶¶ 79-86, 96-101 & VZ Ex. 68; Alston Decl. ¶¶ 15-31 & VZ Ex. 73.

⁷⁷ See Mason Decl. ¶¶ 88-89

⁷⁸ See VZ Ex. 67 Tab "Ckt Pivot," Cells C5, C6; *see also* 2009 Service Agreement, Ex. B § 5(a)(i) (listing XDH1X as a "DS1 Qualifying Service[]").

⁷⁹ Compare VZ Ex. 67 Tab "DS1 Review," Cells G6, G19 (identifying TNT8X as the channel-termination USOC), *with* 2009 Service Agreement, Ex. B § 5(a)(i) (listing TNT8X as being associated with "DS1 Qualifying Service[]").

⁸⁰ 2014 Service Agreement, Ex. B § 2(j); *see* 2009 Service Agreement, Ex. B § 2 (similar); *see also* Mason Decl. ¶ 91 & VZ Ex. 67 Tab "DS1 Review" (showing DS1 revenue associated with both Circuit IDs).

⁸¹ See VZ Ex. 67 Tab "DS1 Review," Cells E20-E25 (showing FMS revenue).

f. Dispute Category 6: Network Optimization

33. FMS's purpose was to enable Verizon to engineer and design its network in light of its own needs and assessment of network and economic efficiencies.⁸²

34. CenturyLink's bills were not affected by Verizon's network engineering and design decisions until after it converted off FMS.⁸³

35. Verizon provided CenturyLink with many years' notice of CenturyLink's need to transition off FMS; CenturyLink knew since 2008 that its FMS plan was expiring and that it was incumbent upon CenturyLink to rearrange its own network to facilitate the transition.⁸⁴

36. There were regular communications between Verizon and CenturyLink about the conversion off FMS, including well before the conversion.⁸⁵

37. CenturyLink at all times had access to how Verizon provisioned FMS circuits for CenturyLink.⁸⁶

5. CenturyLink's Disputes and Verizon's Responses

38. Verizon's Receivables Management System auto-resolved the claims in CenturyLink's Table 9 because (among other reasons) CenturyLink did not include appropriate Circuit IDs in the dispute submissions.⁸⁷

⁸² See Declaration of Susan Fox and Marian Howell ¶¶ 4-6 ("Fox-Howell Decl.").

⁸³ See *id.* ¶ 3 (explaining that Verizon billed on a DS0-equivalent basis under FMS).

⁸⁴ See *FMS Public Notice*, 23 FCC Rcd at 18108-09; CTL Ex. 22, Verizon FCC Tariff No. 1 § 7.2(a)-(c).

⁸⁵ See Fox-Howell Decl. ¶ 7; Sur-Reply Declaration of Anna McDermott ¶¶ 2-4.

⁸⁶ See *id.*

⁸⁷ See Declaration of David Szol ¶¶ 16, 19-20, 22, 24, 37, 39-45 ("Szol Decl.").

39. CenturyLink had the Circuit IDs associated with the charges underlying the Billing Credits with more than enough time to submit timely disputes.⁸⁸

40. Verizon routinely sent CenturyLink two different monthly documents: the monthly invoices, which provided circuit-level detail about every circuit Verizon was billing and provided CenturyLink with sufficient information to perform its own circuit count,⁸⁹ and the Monthly Tracking Reports, which disclosed Verizon's unit count and showed CenturyLink how Verizon had counted the same circuits.⁹⁰

41. CenturyLink could have asked Verizon for and received circuit-level detail at any time, including in connection with any Monthly Tracking Report.⁹¹

42. Verizon rejected CenturyLink's disputes of the Billing Credits not because they came more than 30 days after the quarter ended but because they attempted to dispute a Billing Credit calculation that was not subject to dispute under the Service Agreements.⁹²

43. Business-as-usual disputes of the underlying services covered by the Billing Credits—but *not disputes of the Billing Credits themselves*—were due within 30 days of each quarter's end.⁹³

44. The parties agreed in the Service Agreements to exclude disputed monthly charges from the calculation of the Billing Credits.⁹⁴

⁸⁸ See *id.* ¶¶ 9-13.

⁸⁹ See Mason Decl. ¶¶ 11-12, 25-26.

⁹⁰ See *id.* ¶¶ 24-26

⁹¹ See *id.* ¶ 27

⁹² See 2009 Service Agreement, Ex. B § 7(e)(vii); 2014 Service Agreement, Ex. B § 8(f); Szol Decl. ¶¶ 29-35 (describing Verizon's rejection of Verizon's improper dispute submissions).

⁹³ See *id.*

⁹⁴ See *id.*

45. Ultimately, CenturyLink's claims were denied because they conflicted with the Service Agreements and contract tariffs.⁹⁵

46. Consistent with the Service Agreements, Verizon counted DS1 units by channel termination (not by Circuit ID).⁹⁶

47. CenturyLink never asked Verizon for reporting including DS1 circuit-level information by Circuit ID and never indicated it believed it needed that information; Verizon would have provided that information if CenturyLink had asked.⁹⁷

48. Verizon participated in a July 30, 2014 conference call to understand more fully CenturyLink's positions, not because the Service Agreements provided for a flexible dispute resolution (as CenturyLink asserts).⁹⁸

49. Verizon denied the PY5Q1-PY5Q3 disputes—which were not subject to dispute after concurrence—but nevertheless continued to review additional information CenturyLink provided in a good-faith effort to understand the position of CenturyLink, a valued client.⁹⁹

50. Although Verizon reviewed CenturyLink's additional submissions concerning the PY5Q1 – PY5Q3 disputes, Verizon never agreed to waive the procedural bar to CenturyLink's disputes and reminded CenturyLink (including on a March 12, 2015 call) that the Billing Credits were not subject to dispute under the Service Agreements.¹⁰⁰

⁹⁵ See Szol Decl. ¶ 10.

⁹⁶ See Mason Decl. ¶ 17; 2009 Service Agreement, Ex. B § 2 (defining "DS1 Unit"); 2014 Service Agreement, Ex. B § 2(r) (same).

⁹⁷ See Mason Decl. ¶¶ 17-18.

⁹⁸ See Szol Decl. ¶¶ 26-37.

⁹⁹ See *id.* ¶¶ 28-30.

¹⁰⁰ See VZ Ex. 40 (3/12/15 email from J. Aguilar quoting 2009 Service Agreement, Ex. B § 7(e)(vii); 2014 Service Agreement, Ex. B § 8(f)).

51. Verizon considered CenturyLink's Claim No. CLINKFAC0421,¹⁰¹ but CenturyLink abandoned that dispute when it concurred fully in the associated Billing Credit.¹⁰²

52. The Service Agreements contemplated the payment of a single Billing Credit per quarter that was not subject to dispute.¹⁰³

53. The so-called "undisputed credits"—which CenturyLink wanted Verizon to pay immediately—and the so-called "amounts in dispute"—which CenturyLink wanted to resolve later—were functionally intertwined and practically unworkable to separate into discrete payments.¹⁰⁴

54. Verizon rejected CenturyLink's requests, beginning in PY2Q2, for partial payment of Billing Credits in which CenturyLink had not concurred because those requests were inconsistent with the Service Agreements.¹⁰⁵

55. Verizon paid the PY2Q2 Billing Credit after CenturyLink agreed to the Billing Credit amount.¹⁰⁶

56. Verizon paid the PY2Q3 and PY2Q4 Billing Credits in the amounts Verizon had proposed because Verizon interpreted CenturyLink's communications as full concurrences in accordance with the Service Agreements.¹⁰⁷

¹⁰¹ See CTL Ex. 46.04, at 3.

¹⁰² See *id.* at 1-2.

¹⁰³ 2014 Service Agreement, Ex. B § 8(f).

¹⁰⁴ See Mason Decl. ¶¶ 50-51.

¹⁰⁵ See 2014 Service Agreement, Ex. B § 8(f).

¹⁰⁶ See CTL Ex. 46.04, at 1; Mason Decl. ¶ 43; Credit History Chart at PY2Q2.

¹⁰⁷ See VZ Ex. 69; Mason Decl. ¶ 44.

57. In accordance with the 2014 Service Agreement, Verizon waited to issue Billing Credits for Plan Year 3 until it obtained CenturyLink's concurrence in the applicable credit amount.¹⁰⁸

58. On February 16, 2018, Verizon issued the Plan Year 3 Billing Credit, which it confirmed by email to CenturyLink on February 22, 2018.¹⁰⁹

III. KEY LEGAL ISSUES

A. CenturyLink's Key Legal Issues

1. Whether application of the tariff doctrine requires Verizon to provide the tariffed rates.
2. Whether Verizon violated the tariff doctrine and 47 U.S.C. §§ 203(a) & (c) by charging CenturyLink in excess of the rates in Verizon's applicable tariffs.
3. If Verizon did charge CenturyLink in excess of the filed tariff rates, whether Verizon is obligated to refund overcharges in excess of the applicable tariff rates, plus interest.
4. Whether the governing agreements permit Verizon to withhold undisputed credits and commit errors in violation of the tariff rates.
5. Whether Verizon's withholding of undisputed credits in excess of the applicable tariff rates was also an unjust and unreasonable practice in violation of 47 U.S.C. § 201(b).
6. Whether Verizon's refusal to consider and correct its errors, including known and admitted errors, was an unjust and unreasonable practice in violation of 47 U.S.C. § 201(b).

¹⁰⁸ See Mason Decl. ¶¶ 45-47.

¹⁰⁹ See VZ Ex. 71.

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7. Whether Verizon's practice of not reviewing and repeatedly denying valid disputes including admitted errors was unjust and unreasonable in violation of 47 U.S.C. § 201(b).

8. Whether Verizon's practice of not optimizing circuits under FMS and failing to charge tariff rates was an unjust and unreasonable practice in violation of 47 U.S.C. § 201(b).

9. Whether Verizon's billing and credit practices, including a significant error rate, were unjust and unreasonable practices in violation of 47 U.S.C. § 201(b).

10. Whether Verizon's practice of withholding undisputed credit amounts and refusing to allow CenturyLink to dispute additional overcharges was unjust and unreasonable in violation of 47 U.S.C. § 201(b).

11. If Verizon's practices are unjust and unreasonable in violation of 47 U.S.C. § 201(b), whether CenturyLink is entitled to compensation for all amounts it failed to receive and for which Verizon overcharged it, plus interest.

B. Verizon's Key Legal Issues

1. Do the Service Agreements bar CenturyLink from disputing the Billing Credits?

2. Do the Service Agreements' dispute-resolution provisions—which state “Billing Credits as determined by Verizon are not subject to dispute”—apply to the dispute?

3. Are the dispute-resolution provisions in Attachments 11 and 13 to the MSA, which concern packet-based services not at issue here, relevant to the dispute?

4. Is CenturyLink's Section 201 claim barred by the contractual prohibition against challenges to the Agreements?

5. Did CenturyLink, in the parties February 5, 2018 joint letter, waive any right to challenge the contractual provisions?

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6. Do CenturyLink's concurrences in each of the Billing Credits before Verizon issued them bar CenturyLink from disputing them?
7. Are CenturyLink's arguments in favor of setting aside the contract tariffs barred by the *Mobile-Sierra* doctrine?
8. Are CenturyLink's equitable arguments barred by the filed-rate doctrine?
9. Did Verizon's calculations of the Billing Credits comply with the Service Agreements?
10. Did Verizon's practice of issuing the Billing Credits after CenturyLink concurred with them comply with the Service Agreements?
11. Were the inadvertent counting errors Verizon made nominal, reasonable, and within the level of error the Commission has concluded is acceptable?
12. Did Verizon have a duty under FMS to maximize CenturyLink's network efficiency
13. Are CenturyLink's claims concerning Plan Year 5 time-barred under Section 415(b)?
14. Are CenturyLink's claims that Verizon failed to pay Billing Credits within 60 days of the end of the quarter time-barred under Section 415(b) and Rule 1.718?

IV. JOINT STATEMENT PURSUANT TO 47 C.F.R. §§ 1.733(B)(1)(I)-(IV)

A. Settlement Prospects

After CenturyLink filed its Informal Complaint, the parties engaged in staff-supervised mediation. The parties also have attempted to resolve this dispute in conjunction with negotiations related to business issues that are not the subject of this proceeding. To date, however, the parties' lengthy efforts at settlement have been unsuccessful. Since CenturyLink filed its Formal Complaint, the parties periodically have continued a dialogue, including regular

discussions aimed at resolving numerous pending matters. CenturyLink remains willing to participate in in-person mediation facilitated by the Commission Staff. While Verizon remains open to resolving this dispute amicably, Verizon does not believe that further Staff-supervised mediation would be productive at this time.

B. Issues in Dispute

1. CenturyLink's Issues in Dispute

CenturyLink's position is that the issues in dispute are set forth in Counts I and II of its Formal Complaint, and discussed in CenturyLink's Legal Analyses in support of its Formal Complaint, Reply, and Rebuttal.

As to Count I, CenturyLink is not asking the Commission to alter the agreements or tariffs between the parties, but rather to enforce the contract tariffs and hold Verizon to the tariff rates under the tariff doctrine in light of Verizon's errors, many of which Verizon now acknowledges. Verizon has no valid defense for its failure to provide the filed tariff rates, and should be required to refund those overcharges.

As to Count II, CenturyLink contends that Verizon also engaged in various unjust and unreasonable practices affecting the proper tariff rates, including failing to issue credits—a component of the filed tariff rates—to CenturyLink. Verizon also engaged in unjust and unreasonable billing practices to its own benefit and in violation of the agreements and contract tariffs, failed to optimize circuits as required, failed to correct known and ongoing errors, and unjustly and unreasonably prevented CenturyLink from disputing various overcharges resulting from Verizon's practices and errors. Those practices resulted in Verizon unjustly and unreasonably receiving compensation in excess of that allow under the agreements and tariffs. Verizon has no valid defense for its unjust and unreasonable practices.

2. Verizon's Issues in Dispute

The principal issues in dispute are set forth in Verizon's Answer and its Sur-Reply. Verizon discusses those issues in detail in its Legal Analysis, which it filed with its Answer, and in its Sur-Reply Legal Analysis.

On Count I, Verizon has acted consistent with the Service Agreements and contract tariffs and has charged for service and provided Billing Credits in accordance with them. Verizon has not charged, demanded, collected, or received greater or less compensation from CenturyLink than what those Service Agreements and contract tariffs require.

Those Service Agreements and contract tariffs reflect a business deal that was complicated in details but simple in concept: Verizon agreed to provide CenturyLink with steeply discounted flat-rate pricing on special-access services, and in return CenturyLink agreed (among other things) to revenue commitments and restrictions on its ability to file disputes. Verizon kept its end of the bargain. Verizon billed CenturyLink each month for special-access services at discounted rates available under Verizon's base tariffs. Then, at the end of each quarter, Verizon calculated a Billing Credit that, once remitted to CenturyLink, would reduce CenturyLink's effective rate to the even lower flat rates specified in the contracts. Before Verizon issued any Billing Credit, however, it first disclosed its calculations to CenturyLink and obtained CenturyLink's concurrence. CenturyLink was free to agree or disagree with Verizon's calculation, and only after the parties agreed in writing to the credit amount for a quarter could Verizon issue the Billing Credit. But under the contracts and contract tariffs, once CenturyLink concurred in the credit amount and received payment, the Billing Credits as determined by Verizon were not subject to dispute.

And on both Count I and Count II, Verizon has not acted unjustly or unreasonably in its administration of the Service Agreements and contracts—neither with respect to the dispute-

resolution provisions or Verizon's calculations of the Billing Credits. By contrast, Verizon has acted in accordance with the Service Agreement and contract tariffs.

With respect to the dispute-resolution provisions, CenturyLink tries to evade them by arguing that Verizon's administration of them was unjust and reasonable. But not only are those arguments wrong on the merits and inconsistent with basic contract-tariff principles, they are procedurally barred several times over. Among other things, CenturyLink has waived its right to challenge the terms of the Service Agreements, both in the Service Agreements¹¹⁰ and in its representation to the Enforcement Bureau before it filed its Formal Complaint.¹¹¹ While CenturyLink now asserts its claims are attacks on Verizon's conduct, in truth CenturyLink's attack on Verizon's compliance with the dispute-resolution processes is a challenge to the contractual provisions themselves.

With respect to Verizon's calculation of the Billing Credits, Verizon properly counted and classified most of the circuits that are the subject of CenturyLink's disputes. In most cases, CenturyLink's allegations about those circuits rest on misreadings of the relevant contract language, misunderstandings of the way Verizon billed the circuits in question, or both. And while there were a few inadvertent and isolated errors, the roughly 1-2% error rate CenturyLink's claims actually reveal is well within the range the Commission has held is acceptable—even to be expected—in complex wholesale relationships.

In addition, CenturyLink's common-law arguments must fail. In addition to being wrong on the merits, CenturyLink's waiver and estoppel arguments fail because they are barred under

¹¹⁰ 2009 Service Agreement § 3(d)(ii); 2014 Service Agreement § 3(d)(ii).

¹¹¹ Letter from Marc S. Martin & Brendon P. Fowler, Counsel for CenturyLink, and Curtis L. Groves, Counsel for Verizon, to Ms. Sandra Gray-Fields, Market Disputes Resolution Division, FCC, at 2 (Feb. 5, 2018).

the filed-rate doctrine. The dispute-resolution provisions that Verizon followed and that CenturyLink now challenges indirectly are in filed contract tariffs, and the filed-rate doctrine precludes customers from using equitable defenses or common-law claims to escape compliance with a valid tariff.

Finally, CenturyLink's claims are barred in part by the applicable statute of limitations. Its claims concerning Plan Year 5 are time-barred under 47 U.S.C. § 415(b). And any claims based on Verizon's alleged failure to pay Billing credits within 60 days of the end of the quarter are independently barred. Any such claims concerning quarters up through and before PY2Q3 are barred by Section 415(b). And because CenturyLink's Informal Complaint contained no allegation about any supposed breach of a 60-day deadline, these claims, to the extent CenturyLink even alleges them (which Verizon does not concede or otherwise imply) do not relate back to the Informal Complaint and are therefore time-barred because they arose more than two years before the Formal Complaint.

C. Discovery

1. Depositions

In light of the lengthy pleadings and documentary record in this proceeding, including extensive exhibits and declarations, the parties do not believe that discovery in the form of depositions is necessary in this case.

2. Interrogatories and Document Requests

During the parties' meet and confer process, counsel for the parties came to the following agreement regarding certain responses to the Interrogatories, and objections thereto, that each party served in this proceeding.

Category A. For the following Interrogatory requests, the parties agree that Staff resolution is not required in light of the agreements between the parties regarding either 1)

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responses or information already provided to date; or 2) because the Interrogatory no longer requires a response:

CenturyLink Interrogatory Nos. 1-6, 9.

Verizon Interrogatory Nos. 6, 13.

Category B. For the following requests, the parties agree that Staff resolution is not required because the parties have agreed to certain responses as summarized below:

CenturyLink Interrogatory No. 11: Verizon has agreed to respond with respect to a specific list of Verizon affiliated individuals: David Szol, Patricia Mason, Christopher Alston, Susan Fox, Joseph Aguilar, and Marian Howell. Verizon's response is also conditioned on CenturyLink's agreement to respond to Verizon Interrogatory Nos. 8-9 per below. Consistent with CenturyLink's position on Verizon Interrogatory No. 8 below, Verizon will not provide any specific dollar values or percentages relating to any employee's compensation.

CenturyLink Interrogatory No. 12: Verizon has agreed to respond in the context of Ethernet, switched access, and special access services only. Verizon's response is also conditioned on CenturyLink's agreement to respond to Verizon Interrogatory Nos. 8-9 per below.

Verizon Interrogatory No. 1: CenturyLink has agreed to provide a response.

Verizon Interrogatory No. 2: CenturyLink has agreed to provide a response.

Verizon Interrogatory No. 7: CenturyLink has agreed to provide a response.

Verizon Interrogatory No. 8: CenturyLink has agreed to respond with the understanding that CenturyLink cannot provide the specific amount or percentage of any financial interest that the named entities may have in the outcome of this case. CenturyLink's response is also conditioned on Verizon's agreement to respond to CenturyLink Interrogatory Nos. 11-12.

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Verizon Interrogatory No. 9: CenturyLink has agreed to respond with respect to information in its custody or control. CenturyLink's response is also conditioned on Verizon's agreement to respond to CenturyLink Interrogatory Nos. 11-12.

Verizon Interrogatory No. 10: CenturyLink has agreed to respond by providing representative contract tariff options for third party Verizon customers in the industry.

Verizon Interrogatory No. 11: CenturyLink has agreed to provide a response.

Verizon Interrogatory No. 12: As stated in CenturyLink's June 1, 2018 Objections, CenturyLink has agreed to provide a response.

Category C. Finally, for the following requests, the parties have not been able to reach an agreement. Accordingly, the parties request that the Staff consider these Interrogatories and the related Objections at the status conference pursuant to Section 1.729(d), and establish a subsequent response schedule with respect to those Interrogatories, if any, to which the parties shall be directed to respond:

CenturyLink Interrogatory Nos. 7, 8, 10, 13, 14, 15.

Verizon Interrogatory Nos. 3, 4, 5.

D. Schedule for Pleadings and Discovery

The parties anticipate that Staff will schedule an initial status conference after reviewing this joint statement. At this time the parties do not believe that additional briefing will be necessary, but will make a good faith effort to agree on a proposed schedule should Staff request additional briefing.

Respectfully submitted,



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Dated: June 29, 2018

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CERTIFICATE OF SERVICE

I hereby certify that on June 29, 2018, pursuant to the Protective Order and the May 18, 2018 Letter Order, I caused a copy of the foregoing Joint Statement, as well as all accompanying materials, to be served as indicated below to the following:

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Date: June 29, 2018

Respectfully submitted,


Sheri Pais