Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)
	)
Petition of CenturyLink for a Waiver	)
of Sections 51.907 and 51.915 of the	)
Commission's Rules, as Applicable	)

PETITION FOR WAIVER OF
47 C.F.R. §§ 51.907 AND 51.915

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CenturyLink, Inc. on behalf of itself and its subsidiary entities that are incumbent local exchange carriers ("ILECs") (hereafter collectively "CenturyLink") -- by counsel, and pursuant to section 1.3 of the Commission's rules[1] -- hereby requests a waiver as discussed more fully below:

I. INTRODUCTION AND SUMMARY

CenturyLink requests a waiver, to the extent required, of sections 51.907 and 51.915 of the Commission's rules to facilitate a *pro forma* internal restructuring plan whereby CenturyLink will undertake to merge some or all of its ILECs in states in which it has multiple ILECs to reduce the number of Study Areas in the state. As part of this restructuring, the CenturyLink ILECs in each surviving Study Area may first operate under a single tariff with uniform Transitional Intrastate Access Service, Tandem and End Office Access Service, and Dedicated Access rates ("Transitional Access Rates"), participate in a single statewide Federal access tariff filing, and consolidate their eligible recovery before merging. As described more fully below, CenturyLink anticipates that the first of these consolidations and restructurings will occur in connection with the nine ILECs it operates in the State of Louisiana (the "CenturyLink Louisiana ILECs").

[1] 47 C.F.R. § 1.3.

The need for a waiver of the Commission's rules in these circumstances is not entirely clear because neither the Commission's rules nor its orders addresses whether existing Transitional Access Rates and recovery mechanisms must remain unchanged when a consolidation or *pro forma* restructuring of affiliated Price Cap ILECs into a single Study Area occurs. This waiver request therefore is being sought out of an abundance of caution. More specifically, to the extent necessary, CenturyLink is seeking a waiver of section 51.907 to enable the affected CenturyLink ILECs and the surviving corporate entities in each state to assess uniform Transitional Access Rates that may differ from the Transitional Access Rates currently in place for each ILEC in the state. CenturyLink similarly is seeking a waiver of section 51.915 because the restructuring in some jurisdictions may result in the consolidation of CALLS Study Areas and non-CALLS Study Areas. Because the recovery mechanism for Price Cap companies provides for a different factor for these types of Study Areas, a methodology for determining a single factor may be needed in some cases.

As noted, CenturyLink anticipates that the first of these consolidations and restructurings will occur in connection with the CenturyLink Louisiana ILECs.[2] In Louisiana, all nine of the CenturyLink Louisiana ILECs first will consolidate their rate structures in a single tariff by March 2016 and participate in a single Federal access tariff filing on July 1, 2016. They subsequently will be merged with and into a single corporate entity that will assume all

[2] The CenturyLink Louisiana ILECs consist of the nine ILECs that operate under the trade name "CenturyLink" in the State of Louisiana: CenturyTel of Central Louisiana, LLC; CenturyTel of Chatham, LLC; CenturyTel of East Louisiana, LLC; CenturyTel of Evangeline, LLC; CenturyTel of North Louisiana, LLC; CenturyTel of Northwest Louisiana, Inc.; CenturyTel of Ringgold, LLC; CenturyTel of Southeast Louisiana, LLC; and CenturyTel of Southwest Louisiana, LLC.

regulatory duties pertaining to CenturyLink's provision of ILEC service in the state.[3] This waiver request seeks relief from the requirements of sections 51.907 and 51.915 of the Commission's rules, as needed, to effectuate the consolidation and restructuring of the CenturyLink Louisiana ILECs into a single entity and to take similar action in other jurisdictions where, as here, a proposed consolidation and restructuring will have no material adverse effect on carrier or retail customers ("customers"), be revenue neutral to CenturyLink, and result in no material change to CenturyLink's eligible recovery in each affected area.[4]

Good cause exists to grant this waiver request. As explained more fully below, the proposed *pro forma* internal restructuring will enable CenturyLink to merge ILECs within a given state to reduce the number of Study Areas in the state. This will simplify purchasing decisions by customers and generate efficiencies and cost savings that ultimately will inure to the benefit of consumers. It also will conserve Commission resources by reducing the number of Transitional Access Rates sets that Commission staff must review each year. Because of these benefits and others, and because any changes to the Transitional Access Rates of the CenturyLink ILECs that result from the proposed consolidations and restructuring is expected to be immaterial to other carriers, grant of this waiver request is in the public interest.[5]

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[3] Because the CenturyLink Louisiana LECs operate in a Non-CALLS Study Area, as defined by section 51.915(b)(8) of the Commission's rules, they are not subject to the recovery mechanism reduction set forth in the *USF/ICC Transformation Order* for Price Cap Carriers that participated in the CALLS plan at its inception. *See In re Connect America Fund*, 26 FCC Rcd 17663, 17973-74 (¶¶ 883-884) (FCC 11-161) (2011), (subsequent regulatory history omitted), *aff'd sub nom.*, *In re: FCC 11-161*, Nos. 11-9900, *et al.*, 753 F.3d 1015 (10th Cir. 2014), *petitions for rehearing en banc denied*, Orders, Aug. 27, 2014, *cert. denied*, 83 U.S.L.W. 3835, May 4, 2015 (Nos. 14-610, *et al*.).

[4] While CenturyLink plans to undertake to reduce the number of ILECs in multiple states, and to reduce the number to a single ILEC in many, the extent of the consolidation in each state may vary.

[5] Because the entities affected by the proposed restructuring are ILECs that provide only local exchange service, they do not hold international section 214 authorizations. As a result, the *pro*

II. BACKGROUND

Today, CenturyLink's ILEC operations are provided through distinct ILEC entities in each state. In an effort to simplify and streamline the company's operations, CenturyLink is considering consolidating ILECs in states where it has multiple ILECs into one or more entities, which will assume responsibility for all of CenturyLink's ILEC operations in the state. In Louisiana, for example, CenturyLink intends to consolidate and merge its ILECs into a single ILEC, CenturyTel of Evangeline, LLC ("CenturyTel of Evangeline").[6]

The Commission's access rates and recovery rules do not appear to address this scenario. Nevertheless, because sections 51.907 and 51.915 of the Commission's rules impose certain regulatory obligations on CenturyLink ILECs (which operate as Price Cap companies) based in part on their Study Areas, CenturyLink is seeking this waiver out of an abundance of caution to ensure that the Transitional Access Rates and eligible recovery of its ILECs can be consolidated in each jurisdiction and calculated on the basis of each surviving Study Area in a state. Absent a waiver, it is theoretically possible that CenturyLink's ability to charge Transitional Access Rates that comply with section 51.907 and calculate an aggregate eligible recovery under section 51.915 could be called into question. CenturyLink therefore is seeking this waiver to ensure regulatory certainty.

This waiver also is important because, if it is needed, it is a gating item for the restructuring. If the consolidated and surviving CenturyLink ILECs cannot calculate and charge Transitional Access Rates based on a reduced number of Study Areas in each state and recover in

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forma internal restructuring referred to herein will not be subject to the notification requirement applicable to international section 214 licensees set forth in 47 C.F.R. § 63.24(f)(2).

[6] CenturyLink anticipates that the name of this surviving corporate entity will be changed to "CenturyLink of Louisiana" following the consummation of the *pro forma* restructuring. For now, however, this petition refers to the surviving corporate entity by the name of its ILEC predecessor.

the aggregate amounts to which they are entitled under the Commission's existing recovery mechanism, then the value proposition of the restructuring for both customers and the company would be greatly diminished. CenturyLink therefore respectfully requests that this petition be granted expeditiously.

III. GRANT OF THIS LIMITED WAIVER IS IN THE PUBLIC INTEREST

Section 1.3 of the Commission's rules provides that the Commission may waive its regulations "for good cause shown."[7] Good cause, in turn, may be found and a waiver granted "where particular facts would make strict compliance inconsistent with the public interest."[8] To make this public interest determination, the waiver cannot undermine the purposes of the rule, and there must be a stronger public interest benefit in granting the waiver than in applying the rule.[9] Good cause exists and the public interest would be served by waiving the application of sections 51.907 and 51.915 of the Commission's rules, to the extent needed, under the circumstances described herein. This is because the waiver would benefit customers, streamline company operations, and reduce the burden on scarce Commission resources -- all of which would inure to the benefit of consumers without any commensurate downside to consumer welfare or competition.

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[7] 47 C.F.R. § 1.3 (2015).

[8] *Ne. Cellular Tel. Co. v. Fed. Commc'ns Comm'n*, 897 F.2d 1164, 1166 (D.C. Cir. 1990); *see also ICO Global Commc'ns (Holdings) Ltd. v. Fed. Commc'ns Comm'n*, 428 F.3d 264, 269 (D.C. Cir. 2005) (quoting *Ne. Cellular*); *WAIT Radio v. Fed. Commc'ns Comm'n*, 418 F.2d 1153, 1157-59 (D.C. Cir. 1969).

[9] *See, e.g.*, *Ne. Cellular*, 897 F.2d at 1166 (stating that in granting a waiver, an agency must explain why deviation from the general rule better serves the public interest than would strict adherence to the rule); *WAIT Radio*, 418 F.2d at 1157 (stating that even though the overall objectives of a general rule have been adjudged to be in the public interest, it is possible that application of the rule to a specific case may not serve the public interest if an applicant's proposal does not undermine the public interest policy served by the rule).

As an initial matter, the waiver sought herein is narrowly drawn. CenturyLink is seeking a waiver of only two rules that prescribe the manner in which the Transitional Access Rates and eligible recovery of its ILECs must be calculated. Importantly, grant of this waiver will not materially affect the Transitional Access Rates paid by each carrier customer in the aggregate. Furthermore, all other regulatory obligations applicable today to the CenturyLink Louisiana ILECs under Part 51 and other portions of the Commission's rules would remain intact. In short, CenturyLink is seeking no more relief from the Commission than is needed to provide a smaller set of Transitional Access Rates, aggregate the eligible recovery to which it already is entitled, and effectuate a *pro forma* restructuring.

At the same time, grant of this waiver request will bring benefits to a range of affected parties without any material downside to consumers or competition. The facts and circumstances of Louisiana are instructive. Customers of the CenturyLink Louisiana ILECs will unquestionably benefit from the waiver because it will enable the CenturyLink Louisiana ILECs to consolidate into a single entity. This, in turn, will enable customers to evaluate the consolidated company's service offerings more quickly and easily. Rather than examine nine different tariffed rate sets, customers will need to evaluate only one. This will reduce complexity and speed purchasing decisions. Customers also will no longer have to calculate and coordinate the volume of the services they seek to purchase from nine different local exchange carriers and instead will be able to base their purchasing decisions on their aggregate statewide needs in Louisiana. This will save customers time and free up resources that they can redirect to other pressing matters, including improving their ability to compete.

The waiver also will improve the ability of the CenturyLink Louisiana ILECs to serve customers and compete by facilitating a consolidation and conservation of company resources.

For instance, the waiver will enable CenturyTel of Evangeline to maintain a single Federal access tariff with a single set of Transitional Access Rates in Louisiana rather than the nine separate rate sets that exist today. It also will enable the company to update only a single set, rather than nine sets, of Transitional Access Rates in its billing system. This streamlining alone will save CenturyLink's personnel considerable resources and time that can be redirected to other company operations to smooth operations for the benefit of consumers. By reducing complexity and injecting greater efficiency into CenturyLink's operations, the waiver will improve CenturyLink's ability to compete. Furthermore, these same benefits can be expected to accrue in other states in which CenturyLink consolidates its ILEC operations. Thus, the benefits of this waiver will be exponential when applied further across CenturyLink's ILEC operations.

The Commission also will benefit from the waiver. Currently, Commission staff must evaluate nine separate Federal access rate sets submitted by the CenturyLink Louisiana ILECs each year, as well as undertake other entity-specific pricing assessments when the need arises. The waiver will enable Commission staff to reduce this workload by consolidating these nine Federal access tariff rate sets into one, thereby freeing up resources that can be devoted to other pressing Commission matters.

At the same time, and again using Louisiana as an example, any differences between the pre- and post-consolidation Transitional Access Rates of the CenturyLink Louisiana ILECs will be immaterial to their carrier customers. This is because the carrier customers that purchase access services from the CenturyLink Louisiana ILECs generally purchase these services from each of them, not from any one of them in particular. Because these carrier customers already effectively purchase service from the CenturyLink Louisiana ILECs on a statewide basis, a marginal increase in Transitional Access Rates in one particular portion of the state will be offset by a similar marginal decrease in access rates in another. This can be expected in other jurisdictions, too.

CenturyLink will consolidate Transitional Access Rates by using a revenue-neutral weighted approach. Under this approach, CenturyLink will (1) take the current Transitional Access Rates for each affected ILEC and the most recent demand data filed with the Commission, (2) sum the revenue by element associated with those ILECs and sum the demand by element for all of them, and then (3) divide the summed revenue amount by the summed demand to determine a single Transitional Access Rate by element. Using this methodology will increase some individual rates within one legacy Study Area while lowering the rates within other legacy Study Areas, allowing the consolidated rates to be set at revenue-neutral average rates.

This sort of outcome is familiar to the Commission. In its *2012 Price Cap Conversion Order*,[10] the Commission took a similar approach to addressing a somewhat related challenge in which numerous average schedule Rate-of-Return carriers sought to convert to Price Cap carriers. In that context, the Commission had to develop a methodology for the carriers to establish initial interstate switched access rates as Price Cap carriers. To accomplish that, the Commission allowed "each carrier to develop the amount of its net contribution to the NECA traffic-sensitive pool for both switched and special access services[]" and then use that "net contribution amount" to "establish reduced switched and special access rates reflecting that contribution."[11] Using that approach, initial Price Cap rates were determined by each holding company on a combined Study Area level and special access Price Cap Indices (PCIs) were

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[10] *Joint Petition of Price Cap Holding Companies for Conversion of Average Schedule Affiliates to Price Cap Regulation and for Limited Waiver Relief,* WC Docket No. 12-63, 27 FCC Rcd 15753 (2012).

[11] *Id.* at 15760-61 (¶ 17).

established using the annualized demand times the initial Price Cap special access rates.[12] The Commission subsequently permitted CenturyLink to take the same approach when it converted its remaining average schedule Rate-of-Return carriers to Price Cap carriers in 2014.[13]

Similarly, in June 2012, the Wireline Competition Bureau permitted ILECs to use a similar revenue neutral approach to adjust their intrastate rates to mirror their interstate rates:

> Thus, we now clarify that a carrier required to make intrastate rate reductions in 2012 may increase individual intrastate switched access rate element levels to levels above comparable interstate rate element levels in 2012 without violating the prohibition on raising intrastate switched access rates as long as the overall reduction principle is satisfied. For example, a carrier could adopt the interstate rate structure for its intrastate switched access and price out each rate element so that the intrastate revenues will reflect the reductions required in 2012. A carrier could also partially adopt the interstate rate structure in the first year and move to the interstate rate structure completely in 2013. Furthermore, we clarify that, for carriers required to make intrastate switched access rate reductions in 2012, any intrastate switched access rate element that is below the functionally equivalent interstate switched access rate must be increased to the interstate level no later than July 1, 2013 to be consistent with the use of aggregate revenue relations reflected in our transition rules. Such increase will not be considered to violate the prohibition on raising intrastate switched access rates.[14]

In 2012, this decision permitted carriers to increase the rate of one rate element as long as other rates were lowered to stay revenue neutral with the Study Area. The waiver requested herein would employ this same principal by permitting CenturyLink to raise the rate of a rate element in

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[12] *Id.* at 15757 (¶ 9). Unlike the average schedule rate-of-return carriers, CenturyLink will establish a single PCI by starting with the current PCI and weighting on the current revenue.

[13] *See CenturyLink Petition for Conversion of Average Schedule Affiliates to Price Cap Regulation and for Limited Waiver Relief*, WC Docket No. 14-23, 29 FCC Rcd 5140 (DA 14-654) (2014).

[14] *In re Connect America Fund*, WC Docket No. 10-90, 27 FCC Rcd 5986, 5989 (¶ 8) (DA 12-870) (2012) (footnote omitted); *see also In re Material to be Filed in Support of 2013 Annual Access Tariff Filings*, WC Docket No. 13-76, 28 FCC Rcd 5224, 5228-29 (DA 13-789) (¶¶ 12-13) (2013).

one legacy Study Area as long as the rate for the same rate element in another legacy Study Area is lowered to stay revenue neutral in the new consolidated Study Area.

Where necessary (not in Louisiana), CenturyLink will determine the going-forward CALLS/non-CALLS blended factor using a revenue-neutral approach of weighting the eligible revenue with the then-current CALLS or non-CALLS factor to determine a blended CALLS/non-CALLS factor for each new consolidated ILEC. Using this approach, no interexchange carrier or other customer will be adversely affected.

In short, there can be no question that the public interest will be served by grant of this waiver petition. It will streamline operations for both CenturyLink and its carrier customers, ease workloads for Commission staff, and do so without any adverse consequences to consumers or competition.[15]

IV. CONCLUSION

For the foregoing reasons, CenturyLink respectfully submits that grant of this waiver is in the public interest. The proposed consolidations and restructurings will have no material effect on carriers, be revenue neutral to CenturyLink, and result in no material change to CenturyLink's eligible recovery in the state. This waiver request therefore should be granted with respect to the

[15] Consistent with the requirements of the Universal Service Administrative Company ("USAC"), the CenturyLink Louisiana ILECs intend to submit to USAC, at the appropriate time, a "USAC Filer ID Deactivation Request Form," which will enable them to deactivate their individual FCC Filer IDs and consolidate their financial reporting through one or more entities. The CenturyLink Louisiana ILECs also will take steps to update their FCC Filer ID information at the appropriate time.

CenturyLink Louisiana ILECs and any other CenturyLink ILEC operations in other states for which the same is true.

Respectfully submitted,

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