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EX PARTE

April 20, 2012

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

RE: *In the In the Matter of Special Access Rates for Price Cap Local Exchange Carriers* – WC Docket No. 05-25

On April 20, 2011, Carolyn Hammack and Melissa Newman, in person, and Craig Brown, Candace Mowers, Glenda Weibel and Emily Binder, by telephone, all of CenturyLink, met with Deena Shetler, Nick Alexander, Pam Arluk, Daniel Shiman, Jack Erb and Jamie Susskind, in person, and Ben Childers, Steven Rosenberg and Eric Ralph, by telephone, to discuss the above-captioned proceeding.

The attached presentation was used as the basis for the discussion.

Sincerely,

/s/ Melissa Newman

Attachment

Copy via email to:
Deena Shetler
Nick Alexander
Pam Arluk
Daniel Shiman
Jack Erb
Jamie Susskind
Ben Childers
Steven Rosenberg
Eric Ralph

Special Access
WC Docket No. 05-25

FCC Meeting
April 20, 2012

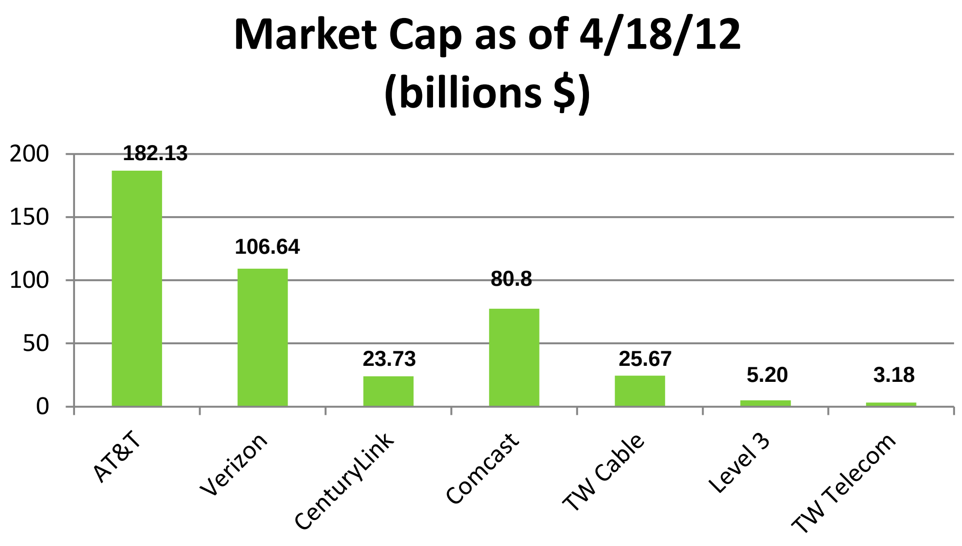
CenturyLink™

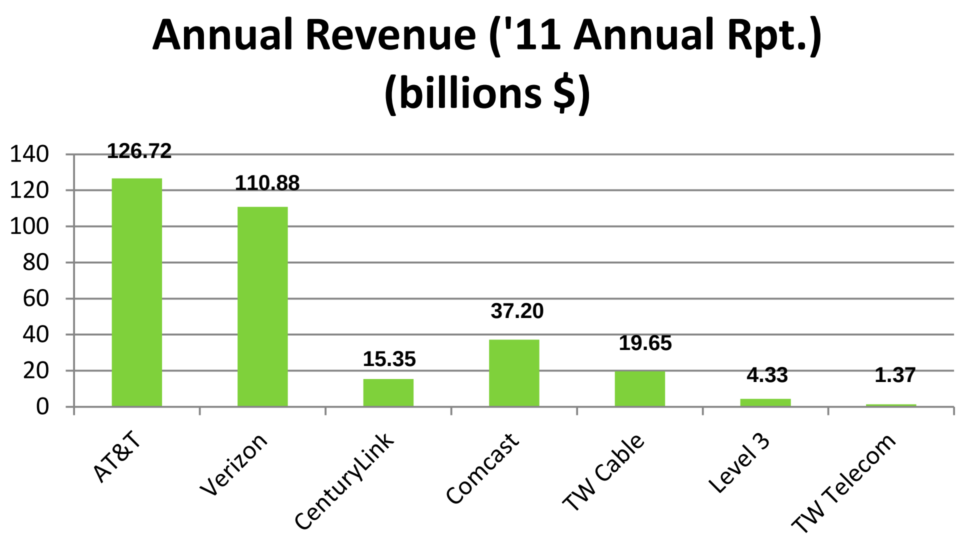
Overview

- Industry View – Size of Players
- Review of CenturyLink Discount Plans – Terms and Conditions
- Response to CLEC Ex Partes
- Mischaracterizations of Legacy Qwest’s RCP Discount Plan
- Response to Extreme “Remedies” Proposed
- New Proposed CenturyLink Discount Plan

A View of the Industry

CenturyLink





Sources: Market Cap – Yahoo Finance
Annual Revenue – Annual Reports

CenturyLink Provides Customers with Choices and Flexibility

- Contrary to CLEC allegations, CenturyLink offers multiple discount opportunities, with terms and conditions that are used industry-wide, to meet the varying needs of its special access customers. For example, Legacy Qwest's Regional Commitment Plan offers a 22% discount in exchange for a commitment to maintain a customer-specified volume of DS1s/DS3s during a four-year term.

- Contrary to CLEC assertions:
  - Customers set their own spend/volume threshold when they enter into an RCP
    - At the end of the term, the CLEC can groom their network and enter a new RCP with a lower/different commitment level
  - CenturyLink imposes no logistical constraints on a customer's ability to transition DS1 or DS3 services to:
    - Detariffed services offered by CenturyLink or;
    - Access services offered by a competitor

- Outside of its ILEC service territory, CenturyLink purchases DS1/DS3 services from both CLECs & ILECs.
  - Like any special access customer, CenturyLink considers the tradeoff between committing to volume and/or term discounts to obtain a more favorable rate or choosing not to make such a commitment to maintain flexibility, although at a higher rate.

Responses to CLEC Allegations

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- *Allegation: Price cap LECs force customers to accept so-called "lock-up" commitments in order to get discounts, even where the customers would prefer to use a facilities-based competitor*

➢ **FACT**: Multi-year contracts are common industry practice. CLECs offer multi-year agreements that cover 100% of the customer's existing base of purchases with the CLEC at the time the contract is entered. (See slide 8)

- *Allegation: Price cap LECs use portability to force customers to commit all or virtually all of their demand to them*

➢ **FACT**: CenturyLink included portability in the RCP in response to customer requests for location and technology portability
  - Location portability allows carrier customers flexibility to deal with unpredictable customer moves, adds and changes
  - Technology portability permits them to satisfy their customers' growing demands for higher-capacity services
  - Portability is optional; carrier customers alternatively choose term-only discount plans or month-to-month purchases, depending on their customer needs

- *Allegation: The BOCs have in excess of 90% market share of DS1s/DS3s*

➢ **FACT**: BOC market shares for these services are declining while, at the same time, the industry moves to Ethernet
  - This allegation is based on the outdated and flawed 2009 NRRI Special Access report, which used 2007/2008 data. The telecommunications industry has seen dramatic growth in competition, including from cable providers, since that time
  - As the market migrates to Ethernet, TDM purchases will continue to decline

Responses to CLEC Allegations, continued

- *Allegation: The ILECs impose "overage penalties," with a "ratchet up," when a customer's purchases exceed its predefined commitment level.*

➢ **FACT**: CLECs misrepresent this part of the RCP Plan.
  - o There is no penalty for exceeding the RCP commitment
  - o The customer can choose how to manage its "growth" volume
    - RCP
    - Term
    - Month- to-Month
    - Self Provision
    - Third Party competitive provider
  - o The customer is under no obligation to include its additional growth under RCP

- *Allegation: ILECs have onerous circuit migration charges and restrictions.*

➢ **FACT**: Charges for facility moves are common in the industry, given there are expenses involved with moving or migrating circuits
  - o CLEC contracts generally contain nonrecurring charges to cover this type of work

Responses to CLEC Allegations, continued

- *Allegation: When Customer A buys 1000 circuits representing 100% of its demand, then the same discount should apply when Customer B buys 1000 circuits even if that is only 50% of its total demand.*

➢ **FACT**: CLECs misconstrue how the plan works

  - The customer, not the ILEC determines the portion of its total high-capacity circuit demand that is purchased from CenturyLink and subsequently included in the RCP
  - The RCP plan is not geographically focused – the customer can "port" circuits at the same location or different locations
  - A circuit can traverse several wire centers in both high density as well as low density areas. The circuit still receives the 22% discount

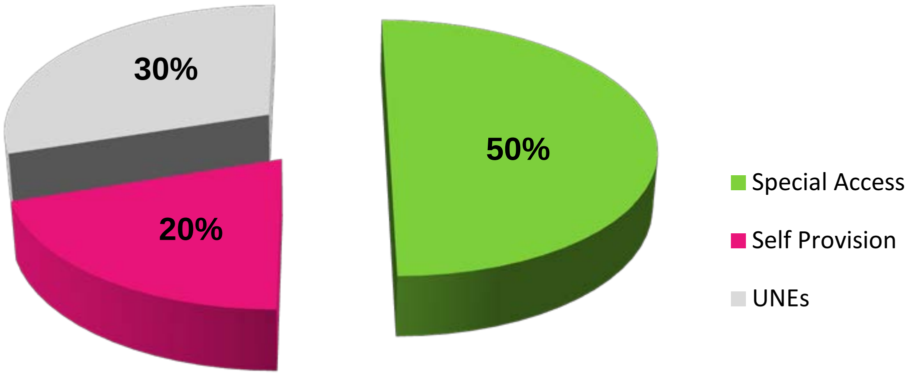
- *Allegation: For large, multiple-location customers, which purchase the largest share of services, discounts are not offered on a location-specific basis. They are only offered on a regional or nationwide basis; meaning the commitments/penalties are assessed on the same wide basis.*

➢ **FACT**: CenturyLink does offer discounts on a location-specific basis, in the form of our term plans. A customer can choose to purchase discounted service from CenturyLink at certain locations and buy services from another provider at other locations. Alternatively, they could channel their growth demand to other providers.

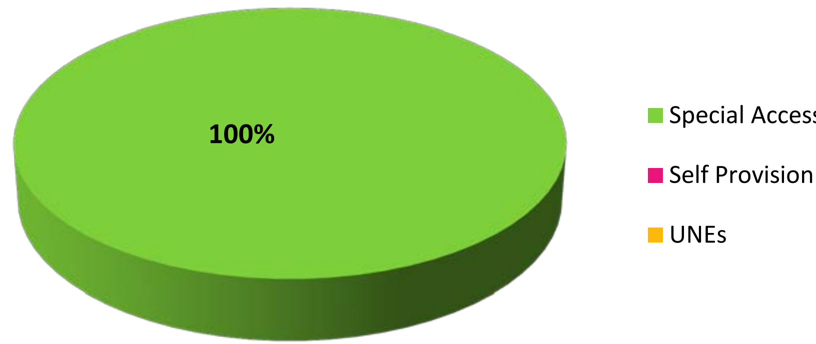
All Customers Receive the Same RCP Discount Regardless of Which Other Services They Purchase

CenturyLink

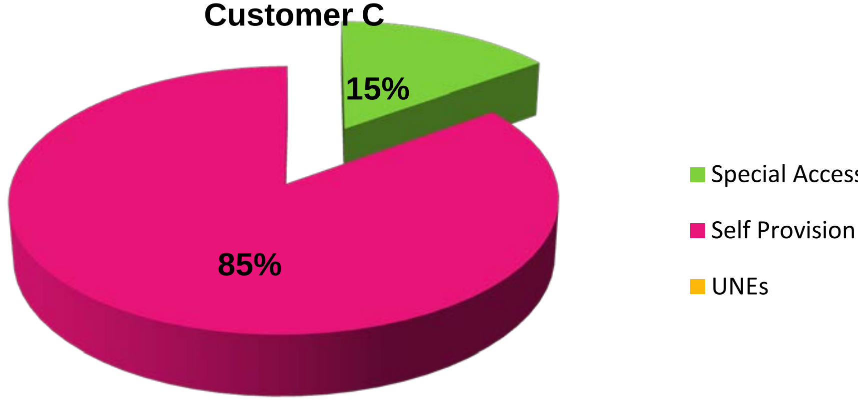
Customer A



Customer B



Customer C



Under RCP, each of these customers receives the 22% discount

Competitor and CenturyLink (LQ) Term Comparison

CenturyLink RCP vs. CLEC Special Access Discounts

	Contract Term	**Base**	**Termination Liability**	**Portability**
CenturyLink (LQ)	4 years	90% of circuits (grandfathered) or 95% of revenue	50% of remaining term	Yes. Location and technological portability.
CLEC 1	3 years	100% of existing base	100% - year 1 50% - year 2 25% - year 3 10% - year 4	Yes if value greater than old service
CLEC 2	3 years	100% of existing base	100% - year 1 50% Year 2 to end of term	Yes if term and value are greater than old service
CLEC 3	3 years	100% of existing base	50% of remaining term	Yes within 90 days of cancellation & if term and value meet or exceed those of the old service
CLEC 4	3 years	100% of existing base	ICB on constructed facilities	Yes if term and value are greater than old service
CLEC 5	3 years	100% of existing base	100% - year 1 25% Year 2 to end of term	Yes within 30 days of cancellation & if term and value meet or exceed those of the old service
CLEC 6	3 years	100% of existing base	100% - years 1 & 2 30% Year 3 to end of term	Yes if purchase is greater than quantity purchased in previous 12 months. New service must termination at same location as old circuit

Responses to CLEC Allegations, continued

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- *Allegation: There are significant barriers to entry in high-capacity service markets*
- **FACT**: There are multiple ways competition has been developing and growing:
  - Self-provisioned facilities
  - UNEs (particularly through Ethernet-over-copper offerings)
  - Competitive suppliers including Cable/CLECs
    - Telecommunications is a capital intensive industry with high sunk costs – when a customer is lost, any remaining investment cannot be recouped
    - Everyone has to consider that cost – particularly as the industry moves to an IP based network
  - Although the traditional TDM network is evolving towards IP, we are continually upgrading the TDM network
    - TDM suppliers often discontinue equipment so we are forced to upgrade
  - This change in technology requires massive amounts of capital investment from all players
  - Revenues from the TDM network contribute to this new investment
  - All companies must weigh their investment decisions carefully
  - The new CenturyLink Volume plan (slide 11) addresses the issues associated with technology migration

- *Allegation: BOC discounts are not tied to cost structure*
- **FACT**: Discount plans, like the RCP, are incentive based
    - Incentive-based discount plans are common in the industry.

- *Allegation: ILEC mileage rates are astronomical even with discount plans*
- **FACT**: Loop lengths in CenturyLink's territory are significantly greater than in other parts of the country. (e.g. Wyoming – DS3 average transport is 100+ miles vs. transport averages of 0-9 miles in typical metropolitan areas)

Level 3 Requests for Regulatory "Relief": Extreme and Unnecessary

- The Level 3 proposal would eliminate all customer commitment while maintaining all benefits – it will sharply deter investment
- Level 3's proposed "relief" would disrupt existing special access arrangements and dramatically reduce the flexibility currently available to special access customers
- Far from being "locked in," DS1/DS3 customers are steadily migrating to Ethernet services
- Level 3's proposal to eliminate all customer commitments while maintaining the same discounts and other benefits reveals the self-serving nature of Level 3's proposed "remedies"

CenturyLink's Innovative New Plan

- Century Link is developing a new discount plan as an option to the existing discount plans. Features of the new plan include:
  - One, simplified nationwide arrangement
  - 3 year agreement with 1-year extension
  - Monthly recurring revenue drives the discount level
  - Provides complete technological portability, giving customers freedom to shift from DS1s/DS3s to Ethernet and other services on their own timetable
  - Custom designed based on current customer spend
  - Adds portability where there previously was none such as a 12-month term plan circuit
  - No maximum or minimum spend required
  - No shortfall penalties

The market is driving solutions that address ever-changing customer needs

Advantages of the New Volume Discount Plan

- Next generation targeted to an evolving market
- Responds to the carriers' requests for a simplified plan throughout ***CenturyLink's*** region
- Eliminates a minimum volume requirement
- Custom-tailored to each customer based on their needs
- Provides both location and technological portability
- Eliminates shortfall penalties
- Technology neutral and includes no penalty or calculation of equivalent bandwidth for TDM to Ethernet migration