



# PUBLIC NOTICE

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DA 14-409

Released: March 26, 2014

## WIRELINE COMPETITION BUREAU APPROVES CENTURYLINK COMPLIANCE PLAN

WC Docket Nos. 12-61, 07-204, 07-21

On May 17, 2013, the Commission conditionally granted forbearance to price cap carriers from the “Cost Assignment Rules” that generally require carriers to assign costs to build and maintain the network and revenues from services provided to specific categories.<sup>1</sup> The grant of forbearance from these rules was conditioned on the Wireline Competition Bureau’s approval of a compliance plan to be filed by each price cap carrier electing to take advantage of the forbearance and the approval of the related information collection under the Paperwork Reduction Act.<sup>2</sup> In the same Order, the Commission conditioned the grant of forbearance from the filing requirement of ARMIS Report 43-01, the “Annual Summary Report,” on Bureau approval of the compliance plan.<sup>3</sup>

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<sup>1</sup> *Petition of USTelecom for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain Legacy Telecommunications Regulations*, WC Docket No. 12-61, Memorandum Opinion and Order, 28 FCC Rcd 7627, 7646-54, paras. 31-51 (2013) (*USTelecom Forbearance Long Order*), *pet. for rev. pending sub nom. Verizon v. FCC*, No. 13-1220 (D.C. Cir. filed July 15, 2013).

<sup>2</sup> *USTelecom Forbearance Long Order*, 28 FCC Rcd at 7651-52, paras. 42-46. These conditions require Bureau approval of a compliance plan describing how the carrier will continue to fulfill statutory and regulatory obligations and meet the forbearance conditions, the maintenance of Part 32 Uniform System of Accounts (USOA) rules and data, annual certification of compliance with section 254(k) of the Act, and the filing of access imputation plans if the price cap carrier plans to provide in-region long distance service without a section 64.1903 separate affiliate. *Id.* The Commission is in the process of obtaining PRA approval from the Office of Management and Budget (OMB) for the information collection associated with the conditions of forbearance from the Cost Assignment Rules to enable the forbearance to take effect. *See id.* at 7652, para. 46. Consistent with our delegated authority “to prescribe the administrative requirements for the filing of the compliance plans and to approve the plans when the Bureau is satisfied that the plans fulfill the requirements set forth in this Order,” we find that the Bureau has the authority (but not the obligation) to proceed to approve compliance plans in advance of OMB approval of the relevant information collection. *See id.* at 7652-53, para. 47.

<sup>3</sup> *Id.* at 7676, para. 108. Forbearance from this ARMIS report is also conditioned on each price cap carrier’s continued annual public filing with the Commission of pole attachment data currently submitted in ARMIS Report 43-01. *Id.* We remind CenturyLink that we have not granted forbearance to any carrier with respect to ARMIS Report 43-08, Table III, Columns FC, FD, and FE (line count information) and Column FI (growth in access line information).

On December 5, 2013, CenturyLink filed its Compliance Plan with respect to three of the four conditions.<sup>4</sup> CenturyLink explained that it was not at this time subject to the fourth condition requiring the submission of an access imputation plan because it had not yet decided to avail itself of the forbearance grant to which the condition applied.<sup>5</sup> No comments were filed by any party regarding CenturyLink's Compliance Plan.<sup>6</sup>

After review of CenturyLink's Compliance Plan, the Bureau finds that CenturyLink appropriately addresses the conditions in its Compliance Plan that are required for the requested forbearance, as discussed below, and approves the plan. First, CenturyLink's plan describes in detail how it will continue to fulfill its statutory and regulatory obligations and the conditions of forbearance through a new framework in the absence of the Cost Assignment Rules.<sup>7</sup> In addressing the second forbearance condition, which requires CenturyLink to continue complying with Part 32 Uniform System of Accounts rules, CenturyLink's plan provides a five-part explanation of how the carrier intends to satisfy this requirement.<sup>8</sup> CenturyLink explains that it "will continue to maintain USOA books of account for all of its regulated operating telephone companies that include account-specific investment, expense and revenue data for Part 32 accounts," and that these data will remain available for inspection by the Commission.<sup>9</sup> Further, CenturyLink describes how it plans to provide cost allocation information if the Commission requests it in the future.<sup>10</sup>

Next, CenturyLink explains how it will fulfill a third condition of the forbearance, which requires that it certify, on an annual basis, that it complies with section 254(k) of the Act and will maintain and

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<sup>4</sup> Letter from John E. Benedict, Vice President, Federal Regulatory Affairs & Regulatory Counsel, CenturyLink, to Julie Veach, Chief, Wireline Competition Bureau, FCC, WC Docket Nos. 12-61, 07-204, 07-21 (filed Dec. 5, 2013) (Compliance Plan).

<sup>5</sup> Compliance Plan at n.10 (citing *USTelecom Forbearance Long Order*, 28 FCC Rcd at 7691, para. 142, which notes additional requirements that must be met to take advantage of forbearance from the separate affiliate requirement in rule 64.1903); *see also USTelecom Forbearance Long Order*, 28 FCC Rcd at 7651, para. 44.

<sup>6</sup> *See Comment Dates Set on CenturyLink Compliance Plan for Forbearance Relief from Cost Assignment Rules*, WC Docket Nos. 12-61, 07-204, 07-21, Public Notice, DA 14-4 (Jan. 2, 2014). Also, no comments were filed in response to the 60-day PRA notice that was issued regarding the information collection related to the conditions for forbearance. *See* 78 FR 66708 (Nov. 6, 2013).

<sup>7</sup> Compliance Plan at 2-3; *see also USTelecom Forbearance Long Order*, 28 FCC Rcd at 7651, para. 46.

<sup>8</sup> Compliance Plan at 3-5; *see also USTelecom Forbearance Long Order*, 28 FCC Rcd at 7651, para. 43.

<sup>9</sup> Compliance Plan at 4.

<sup>10</sup> *Id.* at 3-5 (also noting how CenturyLink will handle affiliate transactions in rule 32.27, which was included in the grant of forbearance from the Cost Assignment Rules).

provide any requested cost accounting information necessary to prove such compliance.<sup>11</sup> In support of this condition, CenturyLink includes its first annual certification with its Compliance Plan.<sup>12</sup>

Lastly, CenturyLink explains that its compliance plan does not contain commitments concerning the fourth condition because it is not seeking forbearance from section 64.1903 of the Commission's rules.<sup>13</sup> Rule 64.1903 requires that an independent incumbent LEC provide in-region long distance services through the use of a separate affiliate.<sup>14</sup> This rule reduces the need to allocate costs between long distance and other services, although it does not eliminate the need for cost allocation entirely. For example, section 64.1903 bars the joint ownership of facilities by the long distance affiliate and other operations, but permits sharing of personnel.<sup>15</sup> CenturyLink's Compliance Plan explains how it will handle cost allocation and affiliate transaction issues in the absence of the Cost Assignment Rules, and CenturyLink subsequently provided clarification of how its Compliance Plan addresses those issues with regard to the separate affiliate rule.<sup>16</sup> Should CenturyLink later decide it wishes to take advantage of forbearance from this rule, CenturyLink must, as it proposes, file a separate compliance plan then, subject to Bureau approval, "addressing the conditions to that relief, including the requirement that it describe the imputation methodology CenturyLink will use to satisfy the requirements described in section 272(e)(3) of the Act."<sup>17</sup>

Accordingly, the Bureau finds that CenturyLink's Compliance Plan satisfies the necessary conditions associated with forbearance from the Cost Assignment Rules, with the exception of the condition associated with the affiliate transaction rule, as discussed above. Thus, we approve this

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<sup>11</sup> *Id.* at 5-7; *USTelecom Forbearance Long Order*, 28 FCC Rcd at 7652, para. 45. This condition is necessary to ensure compliance with the language of the Act that prohibits a telecommunications provider from "us[ing] services that are not competitive to subsidize services that are subject to competition." *Id.* (citing 47 U.S.C. § 254(k)).

<sup>12</sup> Compliance Plan at 9.

<sup>13</sup> *Id.* at n.10. The condition required for forbearance from rule 64.1903 is that independent price cap carriers seeking to take advantage of forbearance from the Cost Assignment Rules "file access imputation plans similar to those previously filed by the BOCs [Bell Operating Companies] if the independent price cap carriers plan to provide in-region long distance service without a section 64.1903 separate affiliate." *USTelecom Forbearance Long Order*, 28 FCC Rcd at 7651, para. 44. The fourth condition is thus applicable only if an independent price cap carrier seeks to take advantage of forbearance from both the Cost Assignment Rules and section 64.1903. In order to be able to provide long distance service without a separate affiliate, CenturyLink would have to satisfy certain requirements established in the *USTelecom Forbearance Long Order* for forbearance from section 64.1903, including filing imputation access charge plans. *Id.* at 7651, 7691, paras. 44, 142. But since CenturyLink is not presently proposing to avail itself of this forbearance relief, we agree with CenturyLink that it need not at this time satisfy the fourth condition.

<sup>14</sup> 47 C.F.R. § 64.1903.

<sup>15</sup> 47 C.F.R. § 64.1903(a)(2).

<sup>16</sup> Compliance Plan at 3-5; Letter from John E. Benedict, Vice President, Federal Regulatory Affairs & Regulatory Counsel, CenturyLink, to Marlene Dortch, Secretary, FCC, WC Docket Nos. 12-61, 07-204, 07-21 (filed Mar. 7, 2014).

<sup>17</sup> See Compliance Plan at n.10 (citing *USTelecom Forbearance Long Order*, 28 FCC Rcd at 7691, para. 142).

Compliance Plan, and CenturyLink will have forbearance relief from all the Cost Assignment Rules as soon as Paperwork Reduction Act approval is obtained.<sup>18</sup> Should CenturyLink later wish to take advantage of forbearance relief from the affiliate transaction rule in section 64.1903, we note that CenturyLink must submit a compliance plan explaining compliance with that condition in accordance with the terms of the *USTelecom Forbearance Long Order*.<sup>19</sup>

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<sup>18</sup> See *USTelecom Forbearance Long Order*, 28 FCC Rcd at 7652, 7747, para. 46, App. B (listing all the Cost Assignment Rules for which conditional forbearance was granted).

<sup>19</sup> See *id.* at 7651, 7691, paras. 44, 142.