

---

---

**IOWA UTILITIES BOARD**  
**Telecommunications Section**

Docket No.: SPU-2010-0006  
Utility: Qwest Communications  
International, Inc., and  
CenturyTel, Inc.  
File Date: June 29, 2011  
Memo Date: August 16, 2011

**TO:** The Board

**FROM:** John Ridgway, Joni Nicoll, Mary Whitman

**SUBJECT:** Post-Merger Broadband Investment Reporting Proposal

**I. Background**

On May 25, 2010, Qwest Communications International, Inc. (Qwest), and CenturyTel, Inc. (CenturyLink) (collectively, Applicants) filed with the Iowa Utilities Board (Board) an "Application for Expedited Approval of Reorganization," requesting that the Board allow the indirect transfer of control of Qwest's operating subsidiaries to CenturyLink. On November 19, 2010, the Board issued its "Order Approving Settlement Agreements, Granting Motions to Withdraw, and Allowing Proposed Reorganization" (Order).

As part of the its Order, the Board stated that one issue relevant to the Board's evaluation of how the merger will affect the public interest is whether the merged company will be able and committed to furthering broadband deployment in Iowa by building facilities to serve unserved areas and by investing in existing facilities to increase the speed of service already available to Iowa consumers. Applicants committed to spend no less than \$25 million on broadband in Iowa in the five years following the closing of the transaction. Applicants also committed to meet annually with the Board to discuss and disclose the merged company's progress in deploying broadband and other advanced services in Iowa. The Board stated that it expected this commitment to last for the entire five-year life of the \$25 million broadband investment, and that the merged company will provide reasonably detailed reports about its progress for the Board's review in advance of the annual meetings. The Board directed its staff to work with the merged company and the Office of Consumer Advocate (Consumer Advocate) to develop a reporting format and schedule.

On April 21, 2011, Board staff met with Wayne Johnson of CenturyLink and Craig Graziano from Consumer Advocate to discuss a broadband reporting format and schedule. Mr. Johnson presented examples of what types of information

CenturyLink believed the Board would like to see. On May 5, 2011, Board staff sent Mr. Johnson a follow-up letter suggesting that CenturyLink should file a proposed reporting format and schedule, which would give staff something to evaluate and which could be the basis of a recommendation to the Board regarding the proposed format. Board staff, Mr. Graziano, and Mr. Johnson met again on June 14, 2011, to review the formats that CenturyLink intended to formally file with the Board by June 30, 2011.

On June 29, 2011, Applicants filed a "Broadband Report."<sup>1</sup> Applicants state they have developed this report in consultation with Board staff and the Consumer Advocate.

Attached to the report are Exhibits A and B. Exhibit A is intended to serve as the foundation for the annual meeting to be held between CenturyLink and the Board to discuss progress toward the commitment to invest \$25 million over five years to advance the deployment of broadband to Iowa consumers. Exhibit B provides a schedule for filing of the annual Broadband Report. Applicants also state that they will file a confidential baseline map showing its broadband availability in Iowa as of December 31, 2010, for the Board's review. Applicants request the Board set a time for that filing.

Consumer Advocate did not file a response to Applicants' June 29 Broadband Report.

## **II. Legal Standards**

There are presently no applicable Board rules requiring broadband deployment commitments. As described above, these commitments came about as a condition of the Board allowing the reorganization to take place.

## **III. Analysis**

Exhibit A filed with CenturyLink's report is a series of slides containing maps, tables and graphs. First, an "Iowa Broadband Service Availability" map shows the availability at the end of the previous calendar year indicating areas within CenturyLink's exchanges that are unserved and underserved at various speeds. A second map highlights only those areas where either broadband became available or speeds were increased in the previous year. The third map shows the total broadband availability at the time of the report (which becomes the baseline for the next annual report). Page 4 of Exhibit A details the progress in deploying broadband and other advanced services including identification of exchanges where improvements were made, and the amount spent in Iowa on broadband deployment for the most recent reporting period and to date. Page 5

---

<sup>1</sup> Attached to Applicants' broadband report is Exhibit A, identified as a confidential document. Applicants filed a separate motion for confidential treatment of Exhibit A. Staff will prepare a separate order responding to the motion for confidential treatment.

is a graph that shows the total living units and percentage of living units in each broadband capability category as of the end of the previous calendar year. Page 6 shows the total annual and cumulative broadband investment and the amount of broadband investment in unserved and underserved areas.

Exhibit B is the schedule for filing the report itself which, according to the Board's Order, is to be in advance of the annual meeting that will be set by the Board for discussion of CenturyLink's broadband investment.

When Board staff initially met with Mr. Johnson of CenturyLink in April, his report examples included both actual and forecasted broadband investments. The reports filed in June do not include forecasted investments. When questioned by staff, Mr. Johnson stated it is CenturyLink's intent to verbally explain what its future deployment plans are during the annual meetings with the Board. Mr. Johnson further explained that because of the dynamic nature of the merged company's regional operating model, adjustments to broadband investment decisions are made throughout the year in order to more quickly respond to local markets.

Further, the initial example reports contained spreadsheet-formatted investment and availability information at the wire center level, but some of the proposed reports (i.e., broadband service availability) are now in a map format. Staff questioned why the reports no longer included wire center information and was told by Mr. Johnson that the map format shows census block information. He stated that this format will show not only in which exchange the broadband has been deployed, but also where the deployment was made within the exchange. CenturyLink believes the census block reporting data is what most government entities will want, especially since the national broadband map is based upon census block information. Mr. Johnson stated that CenturyLink is attempting to make its reporting as transparent as possible and is willing to discuss any questions the Board may have about the reports in the scheduled meetings.

Staff was also informed that, for consistency, all affected states will be receiving information in a similar format. To verify this response, staff e-mailed the Qwest Regional Oversight Committee (ROC)<sup>2</sup> to find out what broadband reports have been received from CenturyLink by other states. Based on responses received, apparently no other states have seen any reports at this time so staff can neither verify nor deny that all states will receive similar broadband reports. It appears that Iowa is the first state to receive broadband reports from CenturyLink.

Regarding the proposed broadband service availability maps, staff believes they are difficult to read. Although they can be enlarged since they were filed electronically, staff believes it will be difficult to visually discern the differences in the maps from one reporting period to the next. One redeeming feature is that

---

<sup>2</sup> The Qwest Regional Oversight Committee is a group comprised of public utility regulators from the fourteen states in which Qwest served as an incumbent local exchange carrier.

more detail will be provided on page 4 of Exhibit A, as it will list exchanges where either broadband was deployed for the first time or was upgraded. However, the public version of the maps contains exchange names but the confidential version did not. Because it is unclear whether exchange names will be identified on the actual maps filed with the reports, staff recommends that the Board require CenturyLink to include all exchange names on both the public and confidential versions of the maps.

The merger transaction was closed on April 1, 2011, more than four months ago. Staff believes that it would be beneficial for the Board to meet with representatives from CenturyLink this fall in an informal meeting, in advance of the first required annual meeting (which staff proposes be scheduled in May 2012, see below), in order to get information on current broadband investment activities. This will give the Board the opportunity to hear what investment decisions have been made since the merger and how those decisions were reached, review the progress of deployment, and to give CenturyLink feedback on its investment decisions so as to jointly identify future deployment goals and targets.

In its June 29 filing, CenturyLink asks the Board to establish a due date for its Broadband Baseline Report, dated December 31, 2010. Staff suggests that the Board set a deadline of October 1 for the baseline report so that the Board will have information to consider in advance of a meeting with CenturyLink that could be scheduled in late October or early November.

In addition, CenturyLink proposes that the due date for the first annual Broadband Availability and Progress Report for the prior calendar year be set for March 31, 2012. In order for the Board to have adequate time to review the information contained in the March 31 annual report, staff suggests that the Board set the date for the first annual meeting to be in mid-May 2012.

Staff believes that CenturyLink's proposed reporting format is satisfactory based on the combination of the information that will be presented in the slides and the information the Board will receive verbally in its annual meetings with CenturyLink.

#### **IV. Recommendation**

Staff recommends that the Board issue an order that:

- Requires CenturyLink to identify all exchange names on the broadband service availability maps, both public and confidential versions;
- Requires the baseline report to be filed October 1, 2011;
- Schedules an informal meeting for late October or early November with appropriate CenturyLink staff and the Board to discuss broadband investment made since the merger;

- Requires CenturyLink to file its first annual broadband report on or before March 31, 2012, with subsequent annual filings through March 31, 2016; and
- Schedules the first annual meeting with the Board and CenturyLink staff for mid-May 2012.

**RECOMMENDATION APPROVED**

**IOWA UTILITIES BOARD**

/jln

/s/ Elizabeth S. Jacobs      8-22-11  
Date

/s/ Darrell Hanson      8-22-11  
Date

/s/ Robert B. Berntsen      8-23-11  
Date

cc: David Lynch  
Jane Whetstone