

Description of Methodology

The following narrative describes the methodology and supporting calculations utilized by CenturyLink to implement the process of reducing terminating switched end office rates by two-thirds of the differential between end office rates and \$0.0007 as required by 47 C.F.R. §51.907(e) which addresses changes beginning July 2015. CenturyLink's supporting calculations utilize the "Access Reduction Spreadsheet" template released by the Federal Communications Commission ("FCC") on April 15, 2015, for calculating the July 1, 2015 intrastate access rate changes.

The FCC spreadsheet template also provides the methodology for calculating the rate changes and identifies in detail the interstate access rates that are required to be changed consistent with the rules. Step 4 of the USF ICC Transformation Order adjusts Interstate Terminating End Office Access rates down by two-thirds of the difference between the 2011 baseline composite rate and the target composite rate of \$0.0007. The interstate rates will then be mirrored on the intrastate side so that rates will remain in parity.

Section 51.907(e) of the FCC Rules required the Access Reduction Spreadsheet to be modified to reflect rate reductions for July 1, 2015. For Price Cap carriers that file interstate tariffs assessing a single rate applicable in different states, the interstate demand used shall be the sum of the demand for all of the states included in the tariff, rather than making separate state-by-state calculations. For companies with a single rate in multiple states, the calculations are done at the regional level and the regional rates are mirrored in each study area¹. For individual study areas, the calculations are done at the study area level. An overview of the methodologies necessary for reducing terminating end office access rates is as follows:

1. Establish the 2011 Baseline Composite Terminating End Office Access Rates, which reflects interstate rates and demand.
2. Calculate the 2015 Target Composite Terminating End Office Access Rate by reducing the 2011 Baseline Composite Terminating End Office Access Rate by two-thirds of the difference between the 2011 Baseline Composite Terminating End Office Access Rate and \$0.0007.
3. Calculate the individual Interstate Terminating End Office Access rate levels so that the reduced rates and demand will equal to the 2015 Target Composite Terminating End Office Access Rate.
4. Set Intrastate Terminating End Office Access rates equal to their functionally equivalent interstate rates.
5. Prepare intrastate and interstate tariff filing documents as required by each tariff jurisdiction.

¹ See footnote No. 27 in clarification order: Connect America Fund, et al., DA 14-434, WC Docket No. 10-90 et al.