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February 5, 2010

James J. McNulty, Secretary PA Public Utility Commission Commonwealth Keystone Building 400 North Street, 2nd Floor Harrisburg, PA 17120

Re: AT&T Communications of Pennsylvania, LLC et al v.

Armstrong Telephone Company – Pennsylvania, et al

Docket Nos. C-2009 - 2098380 et al

and

Investigation Regarding Intrastate Access Charges and IntraLATA Toll Rates of Rural Carriers, and the Pennsylvania Universal Service Fund

Docket No. I-00040105

Dear Secretary McNulty:

Enclosed please find the Motion of Sprint Communications Company, L.P., Sprint Spectrum, L.P., Nextel Communications of the Mid-Atlantic, Inc., and NPCR, Inc. (collectively "Sprint") to Compel Answers to Interrogatories directed to CenturyLink in the above-captioned matter. This Motion was electronically filed today. Copies have been served in accordance with the attached certificate of service. If you have any questions, please feel free to contact me.

Sincerely,

STEVENS & LEA

Michael A Gruin

Enclosure

cc: Certificate of Service

ALJ Melillo

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# BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation Regarding Intrastate Access

Charges and IntraLATA Toll Rates of

Rural Carriers, and the Pennsylvania

Universal Service Fund

AT&T Communications of

v.

Pennsylvania, LLC

Complainant

Armstrong Telephone Company - Pennsylvania, et al.

Respondents

Docket No. I-00040105

Docket No. C-2009-2098380, et al.

SPRINT'S MOTION TO COMPEL RESPONSES TO SET II DISCOVERY PROPOUNDED UPON CENTURYLINK

Sprint Communications Company, L.P., Sprint Spectrum, L.P., Nextel

Communications of the Mid-Atlantic, Inc., and NPCR, Inc. (collectively "Sprint" or

"Sprint Nextel") hereby moves, pursuant to 52 Pa. Code § 5.342(g), to compel United

Telephone Company of Pennsylvania LLC d/b/a CenturyLink (f/d/b/a Embarq)

(hereinafter "Centurylink") to provide complete responses to certain interrogatories and requests for the production of documents propounded by Sprint.

# I. Introduction

On January 19, 2010, Sprint propounded its second set of interrogatories and requests for the production of documents ("Discovery Set II") upon Centurylink.

Discovery Set II consisted of ten (10) questions. Counsel for CenturyLink and Sprint met via teleconference and discussed CenturyLink's various objections to Sprint's Discovery Set II. On January 29, 2010, CenturyLink served its objections and responses to Sprint's Discovery Set II. Several of CenturyLink's responses to Sprint's Discovery Set II are inadequate and/or incomplete. Accordingly, Sprint files this Motion seeking to require CenturyLink to provide fully responsive answers to Sprint-CTL 2-4, 2-7, 2-8, and 2-9.

# II. Discussion

Section 5.361 of the Commission's regulations sets forth the limits of the scope of discovery in Commission proceedings. 52 Pa. Code 5.361 states that

- (a) Discovery or deposition is not permitted which:
  - (1) Is sought in bad faith.
  - (2) Would cause unreasonable annoyance, embarrassment, oppression, burden or expense to the deponent, a person or party.
  - (3) Relates to matter which is privileged.
  - (4) Would require the making of an unreasonable investigation by the deponent, a party or witness.

Furthermore, under Section 5.321 of the Commission's regulations, discovery requests must be relevant to the subject matter of the proceeding and reasonably calculated to lead to the discovery of admissible evidence. Administrative Law Judge Melillo ("ALJ Melillo") described the scope of discovery as follows: "... parties may obtain discovery of any unprivileged matter which is relevant to the subject matter involved in the pending action, whether it relates to the claim or defense of the party seeking discovery or to the claim or defense of another party." *See* Order Granting, in Part, Centurylink's Motions to Compel Responses to Set II Interrogatories Propounded Upon Sprint and AT&T, Docket I-00040105, at 4 (Jan. 22, 2010)("January 22 Discovery Order"). As described below,

the discovery requested in Sprint's Discovery Set II is well within the bounds of the discovery process and no objection raised by CenturyLink provides any valid basis for its refusal to produce full responses.

# a. Sprint-CTL 2-4

Sprint-CTL 2-4 Is CenturyLink's Carrier Charge cost-based, or does the Carrier Charge collect revenue in excess of the cost of the services for which it is assessed?

In response to Sprint-CTL 2-3, CenturyLink provided the following objection and incomplete response:

# Objection:

To the extent the question seeks an interpretation of Commission orders, regulations, and statutes, CenturyLink objects on the grounds that the question is not within the scope of allowable discovery by seeking legal conclusions and that the information sought is protected by the attorney client privilege.

#### Response:

Subject to and without waiver of CenturyLink's general and specific objections, CenturyLink did not unilaterally implement a Carrier Charge for itself. Rather, CenturyLink's existing Carrier Charge was made effective by the Commission as a result of the Commission's Global Order. See, PA PUC Global Order. The Global Order speaks for itself. As a result of the Global Order, CenturyLink implemented a Carrier Charge tariff rate element. See, CenturyLink Pa P.U.C. Tariff No. 29 for information regarding CenturyLink's Carrier Charge.

CenturyLink objected that the question seeks a legal conclusion and thus the information sought is protected by the attorney client privilege. The objection is obviously unrelated to the question. The question inquires specifically whether CenturyLink's Carrier Charge is a cost-based charge or if the Carrier Charge exceeds the cost of the services for which it is assessed. This question seeks no legal conclusion, but rather a plain answer regarding the cost of certain services and the rates charged for such services. An answer to this question requires financial, not legal, analysis. The objection

regarding attorney-client privilege is, therefore, entirely unfounded.

The "answer" provided by CenturyLink is non-responsive. Rather than provide an answer to the question, CenturyLink provides an irrelevant narrative regarding the regulatory origins of its Carrier Charge. It is not relevant to the question whether CenturyLink "unilaterally implement[ed] a Carrier Charge for itself." Neither is it relevant whether "CenturyLink's existing Carrier Charge was made effective by the Commission as a result of the *Global Order*." The question seeks an answer to whether the Carrier Charge is cost-based or whether the Carrier Charge collects revenues in excess of the cost of the services on which it is assessed. Even if CenturyLink's discussion of the origin of its Carrier Charge was relevant to the question – and it is not – any discussion of how the charge was created some eleven (11) years ago is not relevant to the question as posed. The question inquires whether the Carrier Charge is cost-based, not whether it was cost based some eleven years ago. Accordingly, the answer provided by CenturyLink is entirely non-responsive.

While not severable from its above described objection, CenturyLink also objected that the discovery sought is outside the scope of the proceeding (albeit via allegedly seeking a legal conclusion). In an abundance of caution, Sprint notes that CenturyLink's Carrier Charge is squarely within the subject matter of the instant proceeding as it is an intrastate access charge. Accordingly, as parties are permitted to obtain discovery of any unprivileged matter which is relevant to the subject matter involved in the pending action, information regarding CenturyLink's Carrier Charge is subject to discovery with few limitations. Sprint contends that knowledge of whether CenturyLink's Carrier Charge is cost-based or collects revenues in excess of the cost of

providing service is probative or even determinative on a number of levels in a case specifically focused on making a determination regarding the appropriate level of RLEC intrastate switched access charges. Any argument to the contrary is mere sophistry.

# b. Sprint-CTL 2-7

# Sprint-CTL 2-7

Please describe and/or list all competitive and noncompetitive services for which revenue is included in CenturyLink's Annual Report, on the Income Statement page under line no. 1-6. For each line, list the services for which revenues or losses were included in the calculation of the figure listed in column b ("Current Year") and column c ("Prior Year").

CenturyLink provided the following objection and incomplete response to Sprint-CTL 2-7:

# Objection:

The question is vague (e.g., fails to state the applicable year) and over broad, causing unreasonable investigation as well as annoyance, burden, or expense. 52 Pa. Code §5.361(a). Moreover, CenturyLink objects on the ground that responding to the question would require a special study which cannot be reasonably conducted. 52 Pa. Code §§5.361(a) and (b). Finally, CenturyLink objects on the ground that the question broadly seeks information regarding all noncompetitive services (whereas intrastate switched access rates are protected services under Act 183) and thereby seeks information not relevant to intrastate switched access rates and not reasonably calculated to lead to the discovery of admissible evidence. 52 Pa. Code §5.321.

# Response:

Subject to and without waiver of CenturyLink's general or specific objections, the following information is being provided.

See, response to Sprint-CTL 2-3, above. Moreover, CenturyLink's latest Annual Report, on file with the Commission covers the twelve months ending December 31, 2008. In that Report, the Income Statement and the data contained in Lines 1 through 6 thereof, present the total operating Pennsylvania revenues reportable for that period for CenturyLink. CenturyLink maintains its records in accordance with FCC Part 32 Uniform System of Accounts rules and procedures. Part 32 Accounting does not develop – nor require – disaggregation of revenues by "service" or by "competitive" versus "non-competitive" classification, as posed in the question.

CenturyLink's non-response to Sprint's question is inexcusable and not supported by its objections. Sprint's question is intended to assist in Sprint's analysis of certain data provided by CenturyLink in discovery. The question seeks to have CenturyLink explain the manner in which it reports revenues and losses in its Annual Report.

CenturyLink first objects that the question is vague as it fails to state a year. Counsel for Sprint and CenturyLink discussed and resolved the lack of a reference to a specific year during their above referenced discovery teleconference, and Sprint agreed that it would be sufficient for CenturyLink to provide a response specific to the last Annual Report it produced in discovery (in response to Sprint-Embarq-18 CenturyLink produced its 2007 and 2008 Annual Reports). If this was not sufficiently clearly conveyed during the discovery teleconference, Sprint reiterates it here. Nevertheless, as CenturyLink's response focused on the 2008 Annual Report, there does not any longer appear to be any validity to the objection on the grounds of vagueness.

CenturyLink next objects that the question is overbroad and would cause an undue burden or require a special study. None of these grounds for objection is even remotely credible. CenturyLink files Annual Reports with the Commission every year. Quite obviously, CenturyLink has personnel that are intimately familiar with the reporting obligations, and the revenues and losses reported in the section of the Annual Report identified and queried by Sprint. It should be a matter of no great consequence for CenturyLink to look to those persons that yearly prepare CenturyLink's Annual Reports to determine the answer to Sprint's straight-forward question: identification of the services for which revenues and losses are reported in the identified section of the Annual Report. CenturyLink's attempt to avoid an answer by stating that it keeps its

books in accord with Part 32 of the FCC's rules, and that those rules do not require reporting of "competitive" versus "non-competitive" classifications, is mere pettifoggery.

It also noteworthy that ALJ Melillo has indicated that "in rate proceedings, such as the instant case, the requirement of a special study is insufficient, in itself, to justify a limitation on discovery where the requesting party cannot reasonably conduct the requested study. 52 Pa. Code §5.361(b)." January 22 Discovery Order at 21. It goes without saying that Sprint cannot conduct a special study to determine what CenturyLink includes in particular sections of CenturyLink's Annual Reports. Even if Sprint could conduct such a study, which it cannot, it would have no way of verifying whether such a study was accurate.

It is also beyond obvious that CenturyLink's personnel that prepare its Annual Reports are aware of the lines of business for which revenue and loss data is collected and reported in particular sections of the Annual Report. If such personnel were not so aware, the reports themselves would not be auditable for accuracy by CenturyLink and CenturyLink would have a complete and total inability to certify the accuracy of the reports. Sprint is quite certain when the report is signed by CenturyLink's Vice-President for Regualtory Analysis, verifying that "I am familiar with the preparation of the foregoing report and know generally the content thereof," such signature carries with it CenturyLink's assurance to the Commission that the information contained in the report is accurate and has been verified. Sprint's question does no more than seek to have CenturyLink list the lines of business for which revenues and losses are reported. This is no extraordinary request and will create no burden at all.

CenturyLink's final objection is that Sprint's question impermissibly seeks data

on noncompetitive services whereas access charges are protected services under Act 183. This objection, too, is off-target. The issues included in this case include those specified by AT&T in its complaint. Among those was whether the RLECs are in violation of 66 Pa. C.S. § 3011(4), which indicates that it is the policy of Pennsylvania to "[e]nsure that rates for protected services do not subsidize the competitive ventures of telecommunications carriers." As the question of cross-subsidization is squarely within the scope of the instant docket, revenues from **ALL** sources are within the scope of this docket. CenturyLink's arguments to the contrary are unfounded.

Even without reference to the foregoing issue, the question would still be within the scope of this case as other issues identified for investigation include: whether intrastate switched access rates and rate structures should be modified, the potential effects of access reform on rates for basic local exchange services, whether PA USF should be reduced or eliminated as a matter of policy and/or law, etc. Under each of the identified issues (and under others not identified for the sake of brevity) Sprint is free to argue that revenues from other sources need to be considered in order to determine whether access rates are currently set too high, whether revenues from competitive services are sufficiently high so as to dissuade RLEC's from raising local rates in reaction to an access rate reduction, whether revenues from competitive services are such that subsidy from the PA USF is unnecessary and that any increase to offset access reductions is uncalled for, etc.

In short, while CenturyLink is clearly attempting to project an unrealistically limited picture of its operations so as to portray a picture that belies reality, CenturyLink's intentions in this regard are not controlling for the purposes of discovery.

Sprint's discovery request is comfortably within the ambit of permissible discovery under the Commission's rules and CenturyLink's efforts to avoid production should not be tolerated.

# c. Sprint-CTL 2-8

Sprint-CTL 2-8 Please provide the 2009 Biannual Network Modernization Plan Report as filed by your Company.

In response to Sprint-CTL 2-3, CenturyLink provided the following objection and incomplete response:

# Objection:

First, CenturyLink's 2009 report is not relevant and is not likely to lead to admissible evidence. 52 Pa. Code §5.321. Moreover, an RLEC's compliance and reporting with network modernization plans is not an identified issue in this proceeding and not likely to lead to admissible evidence. Second, CenturyLink's 2009 report contains both public information and confidential information. The confidential information is competitively sensitive – e.g., competitive network deployment information by exchange. See, Sprint/Blue Ridge proceeding. Sprint is clearly on a fishing expedition.

### Response:

Subject to and without waiver of CenturyLink's general or specific objections, see attached redacted CenturyLink 2009 Biennial Network Modernization Plan Report.

CenturyLink objected that the requested discovery is not likely to lead to the discovery of admissible evidence, is outside the scope of the proceeding, and is competitively sensitive. Turning to the last objection first, Sprint notes that it has been forced to produce responses to a number of discovery questions over its objections that the information sought is competitively sensitive. Despite Sprint's objection, the requested information was ordered to be produced. This is particularly relevant as Sprint's rates are <u>not</u> at issue in the instant docket. CenturyLink's rates, on the other hand, <u>are</u> under examination, and parties must have access to any and all information that

they deem necessary to support their arguments. Furthermore, Sprint is bound by the Protective Order in the instant docket, so any information produced will be given all due protection. Finally, nothing in the Commission's rules indicates that discovery requests can be disqualified due to the sensitivity of the information requested.

Regarding the first two objections, Sprint notes that the issue of cross subsidization has been identified for investigation in the instant docket (see discussion above regarding Sprint-CTL 2-7). Accordingly, CenturyLink's estimate of the amount of money it spent on average over the past five (5) years on network modernization related to broadband deployment is highly relevant. To be sensitive to CenturyLink's concerns regarding production of its unredacted Network Modernization Plan Report, Sprint is willing to limit the scope of its Motion in this regard to production of the non-redacted version of the Network Modernization Investment Status (Attachment 5) to the Network Modernization Plan Report.

# d. Sprint-CTL 2-9

Please provide the 2008 revenue CenturyLink collected from Pennsylvania customers derived from any and all services, other than local exchange service, which services use or rely on the facilities owned or controlled by CenturyLink and used to provision regulated telephone services. (For the purposes of reference, the data requested is the same category of data that ALJ Colwell ordered to be produced in her September 30, 2008 Order).

In response to Sprint-CTL 2-9, CenturyLink provided the following objection and refused to provide any response.

# Objection:

First, the question is vague as it fails to indentify the question it seeks to have updated for 2008 revenue information for "any and all services," causing unreasonable investigation as well as annoyance, burden, or expense. 52 Pa. Code §5.361(a). CenturyLink does not maintain the information in the manner posed by the question (which is why the question was subject to a motion to compel at Docket No. I-00040105). Moreover, CenturyLink objects on the basis that the information is not relevant to any Commission-identified issue in this proceeding and not likely to lead to admissible evidence in this proceeding. Sprint now opens the door to re-litigation of issues (in this instance joint use of facilities and the revenues related thereto) at issue in the PA USF proceeding Docket No. I-00040105. Thus, CenturyLink objects to the undertaking of a burdensome study to determine what components were used to derive a response to a data request submitted in another proceeding when this Commission has expressly stated, subject to caveat, the issues from Docket No. I-00040105 should not be re-litigated in this proceeding. Sprint is clearly on a fishing expedition.

CenturyLink first objects that the question is vague insofar as it fails to identify the specific question which it seeks to have updated for 2008 revenues. This issue was clarified between counsel (the question should have specifically referenced Comcast Discovery Request 1-5 from ALJ Colwell's docket) shortly after the question was propounded, and should no longer be the basis for an objection. CenturyLink also objects that the question is burdensome, is barred by the prohibition against re-litigating matters litigated before ALJ Colwell, and that the requested discovery is outside the scope of this instant docket, and that Sprint is on a fishing expedition.

CenturyLink's argument that the request is burdensome because it does not maintain information in the manner posed by the question is easily defeated. Sprint addressed the question so as to align with an earlier posed question in order to accomplish two goals. First, by repeating the question and seeking information updated for 2008, Sprint can be sure that the data produced reflects the same methodology undertaken to respond to the earlier question, and thus the data will be consistent for analytical purposes. Similarly, as ALJ Colwell provided specific instructions in an Order

regarding the information to be produced, there is certainty regarding what information Sprint is requesting. Second, while CenturyLink alleges that it is burdensome for it to produce a response, such objection was over-ruled by ALJ Colwell and CenturyLink was able to timely produce its discovery response to the earlier posed question. There can be no doubt that if ordered to produce a response, CenturyLink will not be unduly burdened, and will be able to produce a timely response as it did previously. The current interrogatory requires CenturyLink to do no more than replicate the research that was conducted to produce its earlier data response, but for the year 2008.

CenturyLink attempts to claim that Sprint's discovery request runs afoul of the prohibition against re-litigation of matters litigated by ALJ Colwell. This is a canard. The fact that the sub-docket presided over by ALJ Colwell and the instant sub-docket are both contained within the Commission's RLEC access rate reform docket (I-00040105) is some indication that there may, and likely will, be commonality between the evidence used to support parties' cases before ALJ Colwell and ALJ Melillo. Such commonality of evidence does not equate in any way to re-litigation. To the contrary, similar evidence can quite obviously be applied to any number of separate and distinct issues within related dockets.

The instant docket – as discussed above – involves the statutory prohibition against cross-subsidization, so evidence of revenues generated for competitive services is obviously relevant. Such revenues are perhaps even more relevant when they are generated over common facilities. Additionally, as the overarching goal for the instant docket is to determine the appropriate level of switched access, litigants cannot and should not be limited in arguing the factors that are relevant to the determination of the

appropriate level of switched access. Indeed, as stated by ALJ Melillo, "parties may obtain discovery of any unprivileged matter which is relevant to the subject matter involved in the pending action, whether it relates to the claim or defense of the party seeking discovery or to the claim or defense of another party." January 22 Discovery Order at 4. Should a carrier seek to argue that the determination of the appropriate level of switched access – the overarching purpose of the instant matter – must involve a look at total company revenues or any other subset of revenues, such argument is valid and discovery in support of such argument must be allowed.

# III. Conclusion

Sprint trusts that the presiding officer will agree that the *very* wide range of issues indicated for inclusion in the instant docket provide ample basis for the discovery sought by Sprint. The discovery sought by Sprint is critical to developing arguments addressed to issues that are specifically identified for inclusion in the instant docket. Sprint requests that, consistent with past Orders on Motions to Compel, Sprint's Motion be granted and CenturyTel be compelled to produce responses to Sprint's discovery requests.

Respectfully Submitted,

FOR: Sprint Communications Company, L.P., Sprint Spectrum, L.P., Nextel Communications of the Mid-Atlantic, Inc., and NPCR, Inc.

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Respondents

# **CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of the foregoing Motion to Compel upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 and 1.55, via electronic mail and first class US Mail.

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