STATE OF MINNESOTA BEFORE THE PUBLIC UTILITIES COMMISSION

Nancy Lange Dan Lipschultz Matt Schuerger Katie Sieben John Tuma Chair Commissioner Commissioner Commissioner

In the Matter of the Petition of CenturyLink Docket No. P-421/AM-16-496 QC to be Regulated Pursuant to Minn. Stat. § 237.025: Competitive Market Regulation

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SECOND AFFIDAVIT OF AL LUBECK

February 23, 2017

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I. INTRODUCTION

1. My name is Al Lubeck. I previously provided an Affidavit on November 21, 2016 in connection with Qwest Corporation dba CenturyLink QC's ("CenturyLink") submission in this matter (hereinafter the "first Lubeck Affidavit").

 The purpose of this Affidavit is to provide reply comments to Ms. Joy Gullikson's February 9, 2017 Affidavit.

3. On June 30, 2016, CenturyLink submitted this Petition under the Competitive Market Regulation provisions in newly effective Minn. Stat. § 237.025.¹ CenturyLink asserts that it is entitled to such regulation in each of its 109 Minnesota exchange areas because it serves less than 50% of the households and competitors offer service to at least 60% of the households in each exchange area.

4. Subdivision 4 of the statute sets forth two alternate tests for declaring an exchange service area competitive and therefore eligible for competitive market regulation:

The commission shall approve a petition under this section if a petitioning local exchange carrier demonstrates to the commission's satisfaction that:

(1) it serves fewer than 50 percent of the households in an exchange service area, and at least 60 percent of households in the exchange service area can choose voice service from at least one additional unaffiliated competitive service provider; or

(2) it serves more than 50 percent of the households in an exchange service area, and:

(i) at least 60 percent of households in the exchange service area can choose voice service from at least one additional unaffiliated competitive service provider;

(ii) no significant economic, technological, or other barriers to market entry and exit exist;

¹ CenturyLink is not at this time filing a petition for its other operating companies in Minnesota.

(iii) no single provider has the ability to maintain prices above competitive levels for a significant period of time or otherwise deter competition; and

(iv) the petitioning local exchange carrier will continue to offer basic local service, as defined in subdivision 8, consistent with its tariffs in effect at the time of its petition.

CenturyLink's petition argues that it meets the criteria set forth in Minn. Stat. § 237.025, Subd. 4(1), in every Minnesota exchange it serves because CenturyLink:

- Serves less than 50 percent of the households in the exchange area; and
- At least 60 percent of the households can choose voice service from at least one unaffiliated competitive service provider.

5. I provided my analysis of the 50% standard in the first Lubeck Affidavit.² The Department of Commerce ("Department") appears to largely accept my analysis, although it suggests three adjustments. First, it suggests adding certain wholesale lines to CenturyLink's residential line counts. I disagree. CenturyLink should not be considered to be providing voice service when it provides facilities to a wholesale customer. It does not have the customer relationship that is critical for offering service. Second, the Department also suggests adding certain business lines to those counts. I do not believe that this is appropriate because I have seen no evidence to suggest there are a large number of business lines to residential locations where the customer has chosen to take only a business line. Third, the Department suggests that CenturyLink has improperly applied its customer data in areas where there are a large number of vacation homes. Here, the Department incorrectly describes the adjustment CenturyLink made, and this Affidavit will explain why the adjustment is appropriate. In short, I believe this record

² Lubeck Affidavit, ¶¶ 6-12, Ex. AL-2.

strongly supports a finding that CenturyLink serves less than 50% of the households in each exchange service area.

6. With respect to the 60% standard, I believe three independent sources of information support a Commission finding that the standard has been met in every exchange service area.

7. The most basic piece of information is that in most exchange service areas, CenturyLink serves less than 40% of the households. When CenturyLink's market share is less than 40%, this means that 60% of the households not only have an option for voice service, they have selected an option other than CenturyLink for their household's voice service. In addition, it would be reasonable to assume that some additional number of the remaining CenturyLink customers have service options available from a competitive service provider, but have chosen to maintain CenturyLink voice services.

8. Statewide, 97.2% of households purchase voice service.³ While some customers are receiving service from a source that is not a competitive service provider, the available evidence suggests that the percentage of such customers is relatively small. The porting data the Commission required be filed with CenturyLink's petition indicates that most customers that port numbers away from CenturyLink port those numbers to providers who qualify as competitive service providers. It appears that more than [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] of all ports were to

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³ Affidavit of Robert Brigham, n7, ¶ 9 (June 30, 2016). *See Universal Service Monitoring Report*, prepared by Federal and State Staff for the Federal-State Joint Board on Universal Service, 2015, Table 6.6. See <u>https://www.fcc.govigeneralifederal-state-joint-board-monitoring-reports</u>.

competitive service providers during the period from 2011 through 2016.⁵ That said, I recognize that porting data has some significant limitations since ports consist of a small percentage of the customers that discontinue service with CenturyLink. However, the large percentage of ports to competitive service providers is a strong indication that customers who leave CenturyLink are going to a competitive service provider.

9. Wireline data provides a second, independent basis for the Commission to conclude that the 60% standard has been met. In the first Lubeck Affidavit, I provided an analysis of households that are served by cable companies and other wireline providers.⁶ That analysis concludes that cable providers make service available to 60% of households in 130 of 154 CenturyLink wire centers.⁷ Ms. Gullikson offers some criticism of the FCC's methodology for calculating these figures; however, I believe this data is the best available data regarding wireline coverage and should provide a solid basis for the Commission to conclude the extent of wireline availability in Minnesota.

10. Wireless availability provides a third basis for the Commission to conclude that the 60% standard has been met. CenturyLink has introduced information from FCC Form 477 filings, information from the Minnesota Office of Broadband Development, and a study of 800MHz wireless coverage conducted by Federal Engineering. Each of these sources strongly suggests that wireless service meets the statutory standard in all exchanges.

⁵ This figure is estimated based on the data in Exhibits AL-24 through AL-29.

⁶ Lubeck Affidavit, ¶¶ 14-18, Exs. AL-3 through AL-10.

⁷ Lubeck Affidavit, ¶ 18, Ex. AL-10.

11. The Department appears to agree with my analysis for all but 13 exchanges. In opposing relief in those 13 exchanges, the Department makes a number of arguments with which I disagree.

12. This Affidavit will address issues raised by the Department generally and then focus on the 13 exchange service areas that are in dispute in this proceeding. Each of these 13 contested exchange areas includes only a single wire center and, for that reason, I will use the term "exchange" throughout this Affidavit.

13. In its initial petition and supporting materials, CenturyLink used conservative assumptions that result in a fair view of the market in each wire center. Two primary assumptions demonstrate the conservative nature of CenturyLink's analysis. First, in its market share calculations, CenturyLink used all residential primary access lines as the numerator in its calculations, regardless of whether the primary line served as a full-time residence or a second or part-year dwelling. To obtain the market size for each wire center, CenturyLink used Census Bureau household counts, which exclude vacation/second homes and other part-year dwellings.⁸ In my calculation of market share in the first Lubeck Affidavit, I divided primary access lines by Census Bureau households. By doing so, CenturyLink included primary lines in the numerator that were not included in the denominator of the market share calculation, because it is reasonable to assume that some of those primary lines would be associated with vacation/second homes and other part-year dwellings. As a result, the market share percentage identified in Column L to Gullikson Attachment 6 is a conservative calculation which overstates CenturyLink's actual market share. In addition, in its November 2 Order, the Commission

⁸ The Census Bureau's "housing unit" definition includes households, part-time dwellings and dwellings that were vacant during the last census. Therefore, households are a subset of housing units.

directed CenturyLink to file information "such as engineering testimony or other expert testimony, explaining the availability or adequacy of the wireless coverage areas …"⁹ The only publicly available data that could be used to model wireless signal strength was the 800MHz frequency band, as explained in the Affidavit of Adam Nelson filed on November 21, 2016, and in the second Affidavit of Adam Nelson filed contemporaneously with this Affidavit. This band is only used by two wireless providers, and both providers use the 800MHz band in combination with other bands to provide service to households. The other two national wireless providers and the smaller regional wireless providers use other bands entirely. Because the 800MHz band was the only one reviewed, CenturyLink's analysis significantly understated the wireless presence of competitive options in its exchanges.

14. Even with these conservative assumptions in CenturyLink's petition, which were used by the Department in its review of the CenturyLink petition,¹⁰ Ms. Gullikson concludes that "[t]here appears to be sufficient evidence that CenturyLink's petition for market regulation to be approved for most of the petitioned exchanges, but, in light of the flaws identified, there is not sufficient evidence as to exchanges that fail or only marginally appear to satisfy the statutory criteria."¹¹ Ms. Gullikson identified 13 exchanges, including those she deemed "marginal exchanges," as not meeting the criteria.¹² CenturyLink's review of Ms. Gullikson's Affidavit has determined Ms. Gullikson made an error in including six exchanges as not meeting the criteria as she defined it, leaving a total of seven exchanges in dispute. While these reply comments apply

⁹In the Matter of the Petition of CenturyLink QC to be Regulated Pursuant to Minn. Stat. § 237.025: Competitive Market Regulation, Docket No. P-421/AM 16-496, Order Requiring Further Filings and Initiating Expedited Proceeding (Nov. 2, 2016), 10.

¹⁰ In terms of wire centers, the Department agreed that 141 of the 154 wire centers in CenturyLink's petition met both criteria.

¹¹ Affidavit of Joy Gullikson ("Gullikson Affidavit"), ¶ 82 (Feb. 9, 2017).

¹² Gullikson Affidavit, ¶ 79.

equally to all exchanges, the analysis focuses on the 13 exchanges Ms. Gullikson suggests should not be found to meet the standard.

II. DISCUSSION

15. I will begin by discussing several overarching issues where I disagree with Ms. Gullikson's position, and then will present an exchange by exchange analysis of the thirteen exchanges that Ms. Gullikson claims did not meet one or both criteria.

A. HOUSEHOLDS

16. Ms. Gullikson takes the position that CenturyLink's proposed definition of the term "household" is the correct definition, but argues that the Commission should reject CenturyLink's proposal to make adjustments to its market share calculation in exchanges where the number of "housing units" greatly exceed the number of "households."¹³ CenturyLink used household counts from the Census Bureau instead of housing units as a conservative assumption in the calculation of market share. As I stated in footnote 6, paragraph 7 of the first Lubeck Affidavit, the Census Bureau definition of "housing units" includes vacant properties including those intended for occupancy, while its definition of "household" only includes locations that serve as a primary residence. Therefore, households do not include vacation/second homes.

17. CenturyLink provides voice service to full-time households as well as to vacation/second homes that are only used part-time and are not counted in the Census Bureau's household data. CenturyLink's primary access lines include the first line for any location, regardless of whether the Census Bureau counted the location as a household or a housing unit. Thus, in areas where the number of "housing units" significantly exceeds the number of

¹³ Gullikson Affidavit, ¶¶ 23-32.

"households" (such as areas with a significant number of vacation homes), CenturyLink's line counts will significantly overstate CenturyLink's market share. In most cases, this difference does not have a significant impact, but in a few cases such as in the Cook and Tofte exchanges, the difference is very significant.

18. Ms. Gullikson criticizes CenturyLink's calculation by erroneously describing it as:

Households served by CenturyLink in wire center Total households in the wire center¹⁴

The accurate description of CenturyLink's market share calculation is:

Housing Units served by CenturyLink in wire center Total households in the wire center

19. Because "households" is a subset of "housing units," CenturyLink's methodology is more conservative than is portrayed in Ms. Gullikson's Affidavit.

20. As noted in paragraphs 7-8 of the first Lubeck Affidavit, using CenturyLink's primary access line counts without an adjustment for the different methodology in the numerator versus the denominator creates a significant distortion of the market share calculation in a few exchanges. The use in the numerator of all CenturyLink primary access lines, whether or not included as Census Bureau households, greatly increased the market share percentage in these sparsely populated wire centers that served areas with a substantial number of vacation/second home locations. These areas are primarily near large lakes or the Boundary Waters. The calculations included in the first Lubeck Affidavit and shown in Column B of Confidential Exhibit AL-31 to this Affidavit more appropriately represents market share based on a consistent

¹⁴ Gullikson Affidavit, ¶ 25.

methodology for the numerator and denominator of the market share calculation. These calculations show that when a consistent methodology is used for the market share calculation, the Cook, Island Lake, Grand Marais and Tofte exchange service areas each have a market share of less than 50%.

B. BUSINESS AND WHOLESALE LINES

21. In paragraphs 30-32 of her Affidavit, Ms. Gullikson stated that Exhibit RHB-3 showed different primary access line counts than Exhibit AL-2. Exhibit RHB-2 contains the same primary access line counts as Exhibit AL-2 and should be considered the accurate access line counts for CenturyLink Primary Access Lines as of December 31, 2015. Exhibit RHB-3 shows a calculation of market share by wire center that includes business lines. In response to the Department's Information Request No. 4,¹⁵ CenturyLink stated that for Exhibit RHB-3, "the residential primary access lines ... are in error," and that "the residential primary lines shown in column D of the spreadsheet in Confidential Exhibit RHB-3 are the same as the residential primary lines in column D of the spreadsheet in Confidential Exhibit RHB-2." Because Exhibit RHB-2 and Exhibit AL-2 show the same primary access line counts, Ms. Gullikson should not have relied on the inaccurate primary line counts from Exhibit RHB-3 to calculate whether exchange service areas met the 50% criterion, as she did in Column H of Attachment 6 to her Affidavit. In any event, it appears that Ms. Gullikson understood that the Exhibit AL-2 primary line counts were the correct line counts, and used those to perform the calculations for the 50% criterion as set forth in Column N of Attachment 6.

¹⁵ Gullikson Affidavit, Attachment 5.

22. Ms. Gullikson also speculates¹⁶ that some home-based businesses may have purchased a business line without purchasing a residential line, and that CenturyLink would not have counted those locations even though CenturyLink was providing service to that household through that business line. While it is true that CenturyLink's systems lack the capability of identifying businesses that operate out of a residential location and don't also purchase residential service, Ms. Gullikson does not provide support for her apparent contention that such customers will exist in sufficient numbers in particular wire centers to make a difference in the outcome of this analysis. CenturyLink disagrees with Ms. Gullikson's conclusion¹⁷ that the Commission should not accept those exchanges that she denotes as "marginal wire centers" for the 50% criteria in paragraph 72 because of the potential that a few households use CenturyLink business service as their sole option for voice service.

23. In paragraphs 35-39 of her Affidavit, Ms. Gullikson concluded that CenturyLink's wholesale UNE-P and resale services should be counted as CenturyLink retail lines in the market share calculation. CenturyLink disagrees with this assertion. CenturyLink is not the provider to that customer – the providers that use UNE-P or resale services are the retail service provider to the customer. CenturyLink is the wholesale provider for these lines and its relationship is with the CLEC. CenturyLink bills to and collects from the CLEC at wholesale rates for the services provided. Meanwhile, the household purchases retail service from the CLEC at a rate offered by the CLEC, pays the CLEC, and communicates solely with the CLEC not with CenturyLink. The end user is unaware of how his/her chosen provider is provisioning the service and CenturyLink has no relationship with the end user. CenturyLink does not accept calls from the CLEC's retail

¹⁶ Gullikson Affidavit, ¶¶ 33-34.

¹⁷ Gullikson Affidavit, ¶ 39.

customers.¹⁸ Nor can CenturyLink contact the consumer directly about the services provided by the UNE-P or resale provider, nor will CenturyLink respond to repair requests or service changes that come directly from the consumer, unless the retail provider has specifically agreed to that contact.¹⁹ CenturyLink provides services to the CLEC based on the terms in the agreement between CenturyLink and the CLEC, and no changes in those contracts will result from the outcome of this petition. A UNE-P line should not count towards CenturyLink's market share because CenturyLink is not the end user's chosen provider. I disagree with the conclusion reached in paragraphs 38-39 of Ms. Gullikson's Affidavit that CenturyLink undercounted primary access lines by not including home-based business service and wholesale UNE-P or resale lines.

C. AVAILABILITY OF COMPETITIVE SERVICE

24. Ms. Gullikson addresses CenturyLink's development of cable and other wireline service provider availability in paragraphs 40-51. CenturyLink disagrees with her conclusion that CenturyLink overstates competition by relying on FCC Form 477 data. While the FCC includes a statement that the competitive provider may not offer service everywhere in the census block, the FCC relied upon this exact data to determine the census blocks where CenturyLink did and did not face competition, then offered Connect America Fund Phase II (CAF II) support where no competition existed anywhere in the census block. Because CenturyLink doesn't have access to any proprietary competitor data that the FCC may have, and

¹⁸ CenturyLink's interconnection and resale agreement template states that each party will communicate with its retail customers for services, and will direct the other party's customers to contact the retail provider (Section 6, paragraph 6.4.1) and repair (Section 12, paragraphs 12.3.8 and 12.3.19). Similar paragraphs are included in the UNE-P agreement template.

¹⁹ See, e.g., 47 U.S.C. § 222(b)(strictly limiting the ability of a wholesale provider to use information gained in providing service to a wholesale customer).

the FCC determined that this data is the best data available to make decisions on how to allocate billions of dollars of CAF II support nationwide, CenturyLink determined that the FCC's data was the best source to use in determining where 60% of households had access to a competitive alternative.

25. CenturyLink was directed by the Commission to file evidence regarding wireless alternatives available, but the only data publicly available that could be used to model wireless signal strength was the 800MHz frequency band. This band is only used by two national wireless providers, and they use the 800MHz band in combination with other bands. The other national and regional wireless providers use other bands entirely. Because the 800MHz band was the only one reviewed, CenturyLink significantly understated the wireless presence of competitive options in the exchanges.

26. In summary, CenturyLink did not overstate consumers' competitive options in any exchange. It is more likely that CenturyLink understated its competition.

D. BROADBAND PROVIDERS ALSO OFFER VOICE

27. In paragraphs 52-57, Ms. Gullikson tests the assumption used by CenturyLink that all cable companies providing broadband also provide voice service utilizing broadband capabilities. In making its assumption, CenturyLink reviewed the websites of each provider and found that they offer voice services. Consistent with CenturyLink's assumption, the larger cable providers all responded to the Department that they offer voice services contemporaneously with broadband.²⁰ Only five responded differently, and their responses do not change the outcome of

²⁰ Gullikson Affidavit, ¶ 54.

the analysis.²¹ The first four responses were included as Attachment 12 to Ms. Gullikson's Affidavit, and the Department later indicated that a fifth provided a verbal response. Of these five:

- Company A responded that it offered voice service, just not over its broadband network;
- Company B responded that it provided voice service in the one wire center where it competes with CenturyLink, but not in other wire centers outside CenturyLink's service areas;
- Company C responded that it provided voice service in some but not all cities where it competes. Company C is the third competitive broadband provider in the two CenturyLink wire centers where it competes with CenturyLink and the cable provider.
- Company D said that it doesn't provide voice services in the one CenturyLink wire center where it competes against CenturyLink, but a large cable provider is also in that wire center and also provides voice services.
- Company E provided a verbal response indicating that it provided broadband service without providing voice service. Company E provides broadband service in three CenturyLink markets, all three of which are served by large cable companies that also provide voice services.
- 28. Company A and Company B both provide voice service in those areas where they

compete with CenturyLink. With respect to Company C, Company D and Company E, because another competitor in those wire centers provides voice services, the fact that these three providers do not provide voice service does not change the analysis.

29. Therefore, after review of the four providers with exceptions to CenturyLink's assumption that broadband providers also provide voice, CenturyLink concludes that Ms. Gullikson's Affidavit confirms that voice service is available where cable broadband service is available in CenturyLink's exchanges.

²¹ Gullikson Affidavit, ¶ 55 and Attachment 12.

E. CONNECT AMERICA FUND

30. Ms. Gullikson then turns to a discussion of the FCC's CAF II and the support in targeted census blocks in Minnesota provided to CenturyLink. Ms. Gullikson stated in paragraph 60 that "CAF Phase II subsidies are available only to locations unserved by a subsidized broadband provider." This statement is not completely accurate because the actual determination of whether or not CAF II was available is whether there was either a subsidized or unsubsidized facilities-based terrestrial competitor currently providing broadband service anywhere in the census block.²² Therefore, while CAF II eligibility may inform the question as to whether any wireline competitors provided service in a census block, wireless competition did not factor into CAF II eligibility.

31. As noted above, CAF II was only made available where there was no facilitiesbased terrestrial competitor in a census block. This is the same process CenturyLink used to calculate whether or not there was a competitive option available in a census block in this petition. CenturyLink used FCC data from 12/31/2015 for its competitive calculations, and CAF II used 12/31/2012 as the initial time frame for making the offers, later updated through a challenge process that effectively updated its competitive location data to June 2014. Because CenturyLink used 12/31/2015 FCC data and CAF II was based on June 2014 data, the census blocks eligible for CAF II should significantly overlap the census blocks where CenturyLink does not claim that terrestrial competitors (i.e. wireline competitors) are offering service. Because wireless availability does not impact CAF II eligibility, however, it is possible that

²² FCC 14-190, released 12/18/2014, paragraph 4, available at <u>https://apps.fcc.gov/edocs_public/attachmatch/FCC-14-190A1_Rcd.pdf</u>.

CenturyLink is receiving CAF II support in census blocks that CenturyLink has determined to be competitive in this proceeding.

F. WIRELESS

32. In paragraphs 16-22, Ms. Gullikson noted that Mr. Lubeck and Mr. Nelson used different methodologies to assign numbers of households to exchanges, and labeled it an inconsistency that "blur[s] the line . . ." CenturyLink consistently uses the Centroid method in filings across the country because it allows outside parties to recreate the household, housing units and population numbers CenturyLink presents. The Random Distribution of Points method used by Mr. Nelson estimates the location of each household within a census block, which is more important for modeling wireless signal strength. The Random Distribution of Points provides results similar to the Centroid methodology, but is difficult for outside parties to recreate the exact results. As CenturyLink provided in response to the Department's Information Request No. 76, a comparison of results of the household calculations by the two methods shows Of the 32 wire centers studied by Mr. Nelson, household counts in little difference. 27 exchanges (84%) were within 2% of the household counts assigned by the Centroid method, and in only 2 of the 32 exchanges was the difference greater than 3% (Comstock and Nashwauk). Moreover, there was no change to the market share criterion calculation regardless of which method is used to calculate CenturyLink's market share.²³ The primary reason there is such a small difference is illustrated in Figure 1, Section C of Mr. Nelson's second Affidavit. Mr. Nelson reviews the Bemidji exchange and provides a map of the census blocks and population with the exchange boundaries overlaid. He notes there are 1357 census blocks in the

²³ See CenturyLink response to the Department's Information Request No. 76 included as Attachment 3 to Ms. Gullikson's Affidavit.

exchange. My review of the map indicates that at least 90% of these census blocks are fully within the exchange, meaning that the methods would agree on the population counts for that 90%, but may have differed on population assignment for 10% of the census blocks that are only partially within the exchange.

33. As Mr. Nelson states in Exhibit 2, paragraph 4.1.2 of his first Affidavit, he believes the Random Distribution of Points method will provide superior results for distributing population and households throughout each census block because it "provides a degree of variability that the Actual Area Coverage method does not." By providing the results of two statistical methodologies that provide nearly the same results, CenturyLink's household modeling results are strengthened and even more credible.

34. Finally, Ms. Gullikson discusses wireless service options, and concludes that five wire centers did not meet 60% availability criterion for wireless options, and three others marginally met the condition. While the five did not meet the 60% availability criterion for the 800MHz licenses for two wireless providers, there are other frequency bands used to provide voice services by these two wireless providers and there are also two other national providers that offer wireless services in many locations in Minnesota, just not using the 800MHz frequency. Paragraphs 4.3.1 and 4.3.2 of Exhibit 2 to Mr. Nelson's first Affidavit provide additional confirmation that wireless providers have licenses to provide service in CenturyLink's wire centers using other frequency bands; unfortunately, technical information necessary for signal strength assessment is not publicly available for these frequency bands. Regardless of the ability to model signal strength, these frequency bands are being used by providers and should not be ignored in the Commission's final analysis of this petition.

G. EXCHANGE BY EXCHANGE ANALYSIS

35. CenturyLink's position is that each of the exchanges in this petition meet the criteria established in Minn. Stat. §237.025, subd. 4(1).²⁴ First, Ms. Gullikson recognizes in Attachment 6, Column N that all but four CenturyLink exchanges meet the 50% market share criterion. Three of these four exchanges are located in areas with substantial numbers of vacation/second homes. The fourth exchange meets the 50% market share criterion in Column L (Mr. Lubeck's calculation of market share) and only exceeds 50% if wholesale UNE-P and resale lines are included. CenturyLink disagrees with Ms. Gullikson's conclusion and has demonstrated that the 50% criterion is met for these four exchanges.

36. Moving to the 60% criterion, the statute requires only that a single voice option be available to 60% of the households in an exchange. Either a wireline or wireless option would satisfy the criterion. In Ms. Gullikson's paragraphs 76-77, some exchanges met either the wireline or wireless criterion, but were determined to not meet the 60% criterion overall. I have summarized Ms. Gullikson's conclusions and contrasted them with CenturyLink's conclusions in Confidential Exhibit AL-31. CenturyLink disagrees with Ms. Gullikson's apparent conclusion that both the wireless and wireline 60% criterion must be met to satisfy this criterion.

37. Ms. Gullikson concludes in paragraph 79 that 13 exchanges do not meet the statutory requirements. The exchanges that Ms. Gullikson contends that do not meet, or marginally meet, the statutory requirements are: Cook, Tofte, Grand Marais, Swanville, Biwabik, Carlton, Isanti, Rush City, Nashwauk, Marble, Sabin, Staples and Hollingford. However, based on Ms. Gullikson's own Attachment 6 as summarized on Exhibit AL-30, the

²⁴ For each exchange, a) the local exchange carrier serves fewer than 50% of the households; and b) at least 60% of households in that exchange can choose voice service from at least one unaffiliated competitive service provider.

Carlton, Rush City, Marble, Sabin, Staples and Hollingford exchanges each meet both the 50% and 60% criterion, and should not have been included in paragraph 78. Nonetheless, the basis for determining that each meets the criteria is explained on an exchange-by-exchange basis.

38. In reviewing each of these exchanges, I used the Connect Minnesota mapping system by county to find the countywide 25Mbps download/3Mbps upload broadband availability, and the interactive map tool to identify the competitors in the towns within the exchange, available at connectmn.org.

1. COOK

39. The Cook exchange is located in St. Louis County. The Connect Minnesota county map shows that 83% of the county has access to broadband services of at least 25Mbps download/3Mbps upload. In addition to the services provided by CenturyLink, the Cook exchange has broadband and voice service available from AT&T Mobility and Verizon Wireless. The reason that Ms. Gullikson determined that this exchange does not meet the 50% market share criterion is that full-year households were used as the denominator of the calculation while full and part-time housing units were both included in the numerator. Paragraphs 8-9 of the first Lubeck Affidavit provide the rationale for correctly using the same numerator and denominator for the market share calculation, the result of which is shown in Column B of Exhibit AL-31 to this Affidavit. Using this methodology, CenturyLink's market share in the Cook exchange is less than **[HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS**] HIGHLY SENSITIVE NOT PUBLIC DATA ENDS demonstrating that the Cook exchange meets the 50% criterion. A [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS market share calculation means that [HIGHLY

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DATA ENDS] of the households in the Cook exchange not only have a competitive option for voice service, they have already chosen a competitive provider for voice services. The Connect Minnesota map in Exhibit AL-11 displays 100% coverage for Cook. Based on the competitive option provided by AT&T Mobility and Verizon Wireless, the 60% availability criterion is clearly met as well.

2. TOFTE

40. The Tofte exchange is located in Cook County. The Connect Minnesota county map shows that 94% of the county has access to broadband services of at least 25Mbps download/3Mbps upload. In addition to the services provided by CenturyLink, Tofte has broadband and voice service available from AT&T Mobility, Verizon Wireless, Sprint and Arrowhead Electric Cooperative, the latter of which has overbuilt CenturyLink service areas with grants, and now offers broadband and voice service everywhere in Cook County under the True North Broadband brand.²⁵ Therefore, the Tofte exchange clearly meets the 60% criterion. The reason Ms. Gullikson determined that this exchange does not meet the 50% market share criterion is that full-year households were used as the denominator of the calculation while full and part-time housing units were both included in the numerator. Paragraphs 8-9 of the first Lubeck Affidavit provide the rationale for correctly using the same numerator and denominator for the market share calculation, the result of which is shown in Column B of Exhibit AL-31 to this Affidavit. Using this methodology, the Tofte exchange meets the 50% criterion. Based on

²⁵ <u>http://www.aecimn.com/broadband-project/</u> where it claims Homes & Businesses EVERYWHERE IN COOK COUNTY are ready for connection to True North Broadband.

the competitive option provided by Arrowhead Electric, the 60% availability criterion is clearly met as well.

3. GRAND MARAIS

41. The Grand Marais exchange is also located in Cook County. The Connect Minnesota county map shows that 94% of the county has access to broadband services of at least 25Mbps download/3Mbps upload. In addition to the services provided by CenturyLink, Grand Marais has broadband and voice service available from AT&T Mobility, Verizon Wireless, Sprint and Arrowhead Electric Cooperative, the latter of which has overbuilt CenturyLink service areas with grants, and now offers broadband and voice service everywhere in Cook County under the True North Broadband brand.²⁶ Therefore, the Grand Marais exchange clearly meets the 60% criterion. The reason Ms. Gullikson determined that this exchange does not meet the 50% market share criterion is that full-year households were used as the denominator of the calculation while full and part-time housing units were both included in the numerator. Paragraphs 8-9 to the first Lubeck Affidavit provide the rationale for correctly using the same numerator and denominator for the market share calculation, the result of which is shown in Column B of Exhibit AL-31 to this Affidavit. Using this methodology, the Grand Marais exchange meets the 50% criterion. Based on the competitive option provided by Arrowhead Electric, the 60% availability criterion is clearly met as well.

²⁶ <u>http://www.aecimn.com/broadband-project/</u> where it claims Homes & Businesses EVERYWHERE IN COOK COUNTY are ready for connection to True North Broadband.

4. SWANVILLE

42. The Swanville exchange is located primarily in Morrison County. The Connect Minnesota county map shows that 74% of the county has access to broadband services of at least 25Mbps download/3Mbps upload. In addition to the services provided by CenturyLink, Swanville has broadband and voice service available from AT&T Mobility, Verizon Wireless, Sprint and T-Mobile. CenturyLink's market share calculation, included in Column L of Ms. Gullikson's Attachment 6, identifies the Swanville market share at [HIGHLY SENSITIVE **NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS**]. CenturyLink disagrees with the assertion that UNE-P and Resale lines should be added to CenturyLink's retail market share. Based on CenturyLink's market share calculation, Swanville meets the 50% market share criterion. A [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS | market share calculation means that [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] of Swanville households have chosen a competitive option. If only an additional [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] of CenturyLink voice households either have a wireless phone or have an option to subscribe to wireless voice service, CenturyLink also meets the 60% criterion. CenturyLink believes that at least an additional **(HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS** of its Swanville households either have a wireless phone in addition to CenturyLink voice service, or have the option to subscribe to wireless voice, which means that Swanville also meets the 60% availability criterion.

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5. **BIWABIK**

43. The Biwabik exchange is located in St. Louis County. The Connect Minnesota county map shows that 83% of the county has access to broadband services of at least 25Mbps download/3Mbps upload. In addition to the services provided by CenturyLink, Biwabik has broadband and voice service available from AT&T Mobility, Verizon Wireless and Mediacom. The Gullikson Affidavit admits in paragraph 72 that Biwabik "marginally" meets the 50% criteria, thereby conceding that the criteria is achieved. CenturyLink's market share calculation, included in Column L of Ms. Gullikson's Attachment 6, identifies the Biwabik market share at **[HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS**]. A **[HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS**].

HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] market share calculation means that [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] of Biwabik households have already chosen a competitive option. If only an additional [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] of CenturyLink voice households either have a wireless phone or have an option to subscribe to wireless voice service, CenturyLink also meets the 60% criterion. CenturyLink believes that at least an additional [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] of its Biwabik households either have a wireless phone in addition to CenturyLink voice service, or have the option to subscribe to wireless voice, which means that Biwabik also meets the 60% availability criterion.

6. CARLTON

44. The Department concedes that the Carlton exchange meets the 50% criterion. Gullikson Affidavit at paragraph 72. If 60% of the households have a voice service option available from an unaffiliated wireline or wireless competitor, the exchange meets the 60% criterion. Paragraph 77 of Ms. Gullikson's Affidavit lists the exchanges that did not meet the wireless 60% criterion based on Mr. Nelson's wireless signal strength conclusion (including Carlton). By its absence, the Department concedes that Carlton met the criterion. This viewpoint is supported by the analysis in Section 4.2 of Exhibit 2 to Adam Nelson's first Affidavit, concluding that 65% of households in Carlton have indoor coverage from at least AT&T Mobility or Verizon Wireless in just the 800MHz frequency band. Therefore, Carlton was included on the final list of exchanges in error, and the Commission should find that Carlton meets the standard.

7. ISANTI

45. The Isanti exchange is located in a growing bedroom community north of the Twin Cities in Isanti County. In addition to the services provided by CenturyLink, Isanti has broadband and voice service available from AT&T Mobility, Verizon Wireless, Sprint, T-Mobile and Midcontinent Communications. The Connect Minnesota map in Exhibit AL-11 indicates 100% mobile broadband coverage in Isanti. Ms. Gullikson's calculations show that CenturyLink's market share is [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT P

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SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC

DATA ENDS] of the households in the Isanti exchange not only have a competitive option for voice service, they have already chosen a competitive provider for voice services. The Gullikson Affidavit admits in paragraph 77 that Isanti "marginally" meets the 60% criteria based on wireless availability, thereby conceding that the criteria is achieved.

8. **RUSH CITY**

46. Similar to the community encompassed by the Isanti exchange, Rush City is located in a bedroom community north of the Twin Cities in Chisago County. Ms. Gullikson's calculation in Column N of her Attachment 6 show that CenturyLink's market share is **[HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS]**, clearly meeting the 50% market share criterion. If an unaffiliated wireless or wireline competitors offer service to 60% of the households, the exchange meets the 60% criterion. Paragraph 77 of Ms. Gullikson's Affidavit lists the exchanges that were tested for wireless signal strength (including Rush City), but did not meet the wireless criterion, and by its absence Rush City met the 60% availability criterion. This analysis is supported by Mr. Nelson's analysis of signal strength that shows 90.5% of households in the Rush City exchange have indoor wireless coverage.²⁷ Therefore, CenturyLink has met the statutory criteria with respect to Rush City.

²⁷ Nelson Affidavit, Ex. 2, 20.

9. NASHWAUK

47. The Nashwauk exchange is located in Itasca County. The Department concedes that Nashwauk meets the 50% criterion in paragraph 72 of the Gullikson Affidavit. With respect to the 60% criterion, the Department admits that Nashwauk meets the wireless criterion, albeit "marginally." Therefore, CenturyLink has met the statutory criteria for the Nashwauk exchange. The Connect Minnesota county map indicates that 79% of the county has access to broadband services of at least 25Mbps download/3Mbps upload. In addition to the services provided by CenturyLink, Nashwauk has broadband and voice service available from AT&T Mobility, Verizon Wireless, Sprint, T-Mobile, Paul Bunyan Rural Telephone Cooperative and Mediacom. The Paul Bunyan Rural Telephone Cooperative has overbuilt northern portions of the Nashwauk exchange and now provides both broadband and voice service there.²⁸ Ms. Gullikson's calculations in Column N of Attachment 6 show that CenturyLink's market share is **[HIGHLY** SENSITIVE NOT PUBLIC DATA BEGINS **HIGHLY SENSITIVE NOT PUBLIC DATA ENDS**] even with UNE-P and resale lines added to CenturyLink's retail market share of **HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS**,²⁹ clearly meeting the 50% market share criterion, showing that nearly 60% of the households not only have access to a competitive voice option but have already switched to a non-CenturyLink option. The Gullikson Affidavit admits in paragraph 77 that Nashwauk "marginally" meets the 60% criteria based on wireless availability, thereby conceding

²⁸ Map of Paul Bunyan "GigaZone" coverage includes areas in or near Nashwauk city limits. <u>http://paulbunyan.net/gigazone/map/</u>

²⁹ Gullikson Affidavit, Attachment 6, Column L.

that this criterion is achieved. CenturyLink has satisfied both criteria with respect to the Nashwauk exchange.

10. MARBLE

48. With respect to the Marble exchange, Ms. Gullikson's market share calculation in Column N of Attachment 6 shows that CenturyLink's market share is less than [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS **HIGHLY SENSITIVE NOT PUBLIC** DATA ENDS]. In exchanges where CenturyLink's market share is less than [HIGHLY **HIGHLY SENSITIVE NOT PUBLIC** SENSITIVE NOT PUBLIC DATA BEGINS DATA ENDS], this is evidence that not only do at least [HIGHLY SENSITIVE NOT HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] of the **PUBLIC DATA BEGINS** households in the exchange have an option for voice service, they have in fact selected a competitive provider for voice service. Since CenturyLink's market share is **[HIGHLY**] SENSITIVE NOT PUBLIC DATA BEGINS **HIGHLY SENSITIVE NOT PUBLIC DATA ENDS**], it stands to reason that significant competitive options exist. Indeed, Mr. Nelson concludes that 63% of the exchange has indoor service available under his analysis. Furthermore, Exhibit AL-16 shows service available in 100% of the exchange from AT&T Mobility, Verizon Wireless and T-Mobile and nearly 100% from Sprint. And the Connect Minnesota map in Exhibit AL-11 displays 100% coverage for Marble. When this information is combined with CenturyLink's very small market share, the only reasonable conclusion is that this exchange meets both the 50% market share loss criterion and the 60% availability criterion because CenturyLink has already lost more than 60% market share. In addition, Ms. Gullikson

concedes that Marble meets the 60% criterion in paragraph 77. CenturyLink has satisfied both criteria with respect to the Marble exchange.

11. SABIN

49. With respect to the Sabin exchange, Ms. Gullikson's market share calculation in Column N of Attachment 6 shows that CenturyLink's market share is less than [HIGHLY **SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC** DATA ENDS]. In exchanges where CenturyLink's market share is less than [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS **HIGHLY SENSITIVE NOT PUBLIC** DATA ENDS, this is evidence that not only do at least [HIGHLY SENSITIVE NOT **PUBLIC DATA BEGINS** HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] of the households in the exchange have an option for voice service, they have in fact selected a competitive provider for voice service. Since CenturyLink's market share is [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS **HIGHLY SENSITIVE NOT PUBLIC DATA ENDS**], it stands to reason that significant competitive options exist. Indeed. Exhibit AL-16 shows service available in 100% of the exchange from AT&T Mobility, Verizon Wireless, T-Mobile and Sprint. And the Connect Minnesota map in Exhibit AL-11 displays 100% coverage for Sabin. When this information is combined with CenturyLink's very small market share, the only reasonable conclusion is that this exchange would meet both the 50% market share loss criterion and the 60% availability criterion because CenturyLink has already lost more than [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] market share. CenturyLink has satisfied both criteria with respect to the Sabin exchange.

12. STAPLES

With respect to the Staples exchange, Ms. Gullikson's market share calculation in 50. Column N of Attachment 6 shows that CenturyLink's market share is less than [HIGHLY **HIGHLY SENSITIVE NOT PUBLIC** SENSITIVE NOT PUBLIC DATA BEGINS DATA ENDS]. In exchanges where CenturyLink's market share is less than [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS **HIGHLY SENSITIVE NOT PUBLIC** DATA ENDS], this is evidence that not only do at least [HIGHLY SENSITIVE NOT **PUBLIC DATA BEGINS** HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] of the households in the exchange have an option for voice service, they have in fact selected a competitive provider for voice service. Since CenturyLink's market share is [HIGHLY **HIGHLY SENSITIVE NOT PUBLIC** SENSITIVE NOT PUBLIC DATA BEGINS **DATA ENDS**, it stands to reason that significant competitive options exist. Indeed, Mr. Nelson concludes that 55% of the exchange has indoor service available under his analysis of just the 800MHz frequency band. Furthermore, Exhibit AL-16 shows service available in 100% of the exchange from AT&T Mobility, Verizon Wireless and T-Mobile and nearly 100% from Sprint. And the Connect Minnesota map in Exhibit AL-11 displays 100% coverage for Staples. When this information is combined with CenturyLink's very small market share, the only reasonable conclusion is that this exchange would meet both the 50% market share loss criterion and the 60% availability criterion because CenturyLink has already lost more than [HIGHLY **HIGHLY SENSITIVE NOT PUBLIC** SENSITIVE NOT PUBLIC DATA BEGINS DATA ENDS] market share. CenturyLink has satisfied both criteria with respect to the Staples exchange.

> PUBLIC DOCUMENT - HIGHLY SENSITIVE PROTECTED DATA HAS BEEN EXCISED

13. HOLDINGFORD

With respect to the Holdingford exchange, Ms. Gullikson's market share 51. calculation in Column N of Attachment 6 shows that CenturyLink's market share is less than **HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT** PUBLIC DATA ENDS]. In exchanges where CenturyLink's market share is less than **HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT** PUBLIC DATA ENDS], this is evidence that not only do at least [HIGHLY SENSITIVE **NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS** of the households in the exchange have an option for voice service, they have in fact selected a competitive provider for voice service. Since CenturyLink's market share is [HIGHLY **HIGHLY SENSITIVE NOT PUBLIC** SENSITIVE NOT PUBLIC DATA BEGINS **DATA ENDS**], it stands to reason that significant competitive options exist. Indeed, Mr. Nelson concludes that 56% of the exchange has indoor service available under his analysis of just the 800MHz frequency band. Furthermore, Exhibit AL-16 shows service available in 100% of the exchange from AT&T Mobility, Verizon Wireless, T-Mobile and Sprint. And the Connect Minnesota map in Exhibit AL-11 displays 100% coverage for Holdingford. When this information is combined with CenturyLink's very small market share, the only reasonable conclusion is that this exchange would meet both the 50% market share loss criterion and the 60% availability criterion because CenturyLink has already lost more than [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS **HIGHLY SENSITIVE NOT PUBLIC** DATA ENDS] market share. In addition, Ms. Gullikson concedes that Holdingford meets the

60% criterion in paragraph 76. CenturyLink has satisfied both criteria with respect to the Holdingford exchange.

52. In summary, for the 13 exchanges included in paragraph 79 of Ms. Gullikson's Affidavit:

• Carlton, Rush City, Marble, Sabin, Staples and Holdingford – These exchanges were included in error because each exchange met both the 50% and 60% criterion.

Isanti and Nashwauk – Even when adding wholesale lines into the CenturyLink market share, CenturyLink has lost nearly [HIGHLY SENSITIVE NOT PUBLIC DATA HIGHLY SENSITIVE NOT PUBLIC DATA ENDS | market share in each BEGINS exchange. For the 60% availability criterion, it is untenable to conclude that a few percent of additional households either do not have both CenturyLink and wireless service today, or have options but chosen to stay with CenturyLink voice service only. CenturyLink's voice market share calculation in Column L of Ms. Gullikson's Attachment 6 shows CenturyLink market share at [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS **HIGHLY SENSITIVE** NOT PUBLIC DATA ENDS] in Isanti and [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] in Nashwauk, indicating that each exchange meets both the 50% and the 60% criterion. Ms. Gullikson concedes that each exchange has met the 50% criterion, and at least marginally has met the 60% criterion. CenturyLink has satisfied both criteria with respect to the Isanti and Nashwauk exchanges.

• Cook, Tofte and Grand Marais – CenturyLink has identified that a separate calculation is required to account for the large number of vacation/second homes in this area that are included in CenturyLink's count of primary access lines but not in the Census Bureau

household number, which inflates the market share percentage. Using a consistent application of housing units for both the numerator and denominator for market share indicates that CenturyLink has a market share of less than [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] in each exchange, which meets both the 50% market share criterion and the 60% availability criterion and should be removed from the final list.

• Swanville and Biwabik – CenturyLink's retail voice products serve about [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] of each exchange, clearly meeting the 50% criterion. It is only when wholesale services are added to CenturyLink's market share that the exchanges either marginally meet or don't meet the 50% criterion. For the 60% criterion, Swanville meets the criterion for wireless by its absence from paragraph 77 of Ms. Gullikson's Affidavit. At [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] market share, it takes fewer than [HIGHLY SENSITIVE NOT PUBLIC DATA BEGINS HIGHLY SENSITIVE NOT PUBLIC DATA ENDS] of CenturyLink retail customers having a wireless or wireline competitive option in Biwabik but choosing to remain with CenturyLink for this exchange to also exceed the 60% criterion. CenturyLink believes it has satisfied both criteria with respect to these exchanges.

III. CONCLUSION

Based on the evidence provided in my first Affidavit and this Affidavit, the Commission should grant CenturyLink's Petition to classify its residential voice services and business voice services (for customers subscribing to three or fewer lines) as subject to Competitive Market

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regulation, pursuant to Minn. Stat. § 237.025, for each of the 109 exchange service areas listed in

Exhibit 1 of the first Lubeck Affidavit dated November 18, 2016.

This concludes my Affidavit.

July

Al Lubeck

Subscribed and sworn to before me this 23rd day of February, 2017.

ner otary Public



Johnson County, Kansas

Affidavit of Al Lubeck CenturyLink Docket Nos. P-421/AM-16-496 and P-421/AM-16-547 February 23, 2017 Confidential Exhibit AL-31, Page 1

CenturyLink QC Summary of Competitive Criterion

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