Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Qwest Communications International, Inc.,	)	
Transferor, and CenturyTel, Inc. d/b/a	)	WC Docket No. 10-110
CenturyLink, Transferee, Application for	)	
Transfer of Control Under Section 214 of	)	
the Communications Act, as Amended	)	

COMMENTS OF SPRINT NEXTEL CORPORATION

Charles W. McKee
Vice President, Government Affairs
Federal and State Regulatory
Sprint Nextel Corporation
900 Seventh Street, N.W. Suite 700
Washington, D.C. 20001
702-433-3786

W. Richard Morris
Senior Counsel, Government Affairs
Sprint Nextel Corporation
6450 Sprint Parkway
KSOPHN0314-3A671
Overland Park, KS 66251
913-315-9176

July 12, 2010

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EXECUTIVE SUMMARY

The proposed merger of CenturyLink and Qwest is a significant transaction that would nearly double the size of Qwest, one of the Regional Bell Operating Companies ("RBOC") created in the AT&T Divestiture. The combined company would serve approximately 5 million broadband customers, 17.5 million access lines, 1,415,000 video subscribers and 850,000 wireless consumers. This new entity could no longer be overlooked as a "midsized" or "regional" carrier. It would be 60% the size of Verizon (after the Frontier transaction) and would operate in 37 states. As outlined in their transfer of control application, the increased footprint of this large RBOC would significantly increase its market power.

The merging parties already hold a dominant position and are extracting unreasonable rates of return in the special access and switched access markets in territory. The 2007 ARMIS reports (the last year such data was made available) show Qwest earning a special access return of 175% and Embarq (now part of CenturyLink) earning 315%. Interstate special access revenues of Qwest and CenturyLink grew at over 12 percent year-over-year, from $1.09 billion in 1999 to $2.83 billion in 2007. This trend data provides compelling evidence that Qwest and CenturyLink have the ability to increase prices to supra-competitive levels without fear of attracting competitive entry or of losing so much demand as to make the price increase unprofitable.

Under these circumstances, the applicants have failed to meet their burden of showing that the merger is in the public interest. Accordingly, the Commission must ensure that appropriate conditions are imposed on this transaction to mitigate the public interest harms created by the merger and to ensure that there are public benefits from the synergies created by the combined company.

In these Comments, Sprint proposes several conditions to mitigate the potential competitive harm posed by this application including: (1) conditions to address the rates, terms and conditions under which special access services are provided, (2) the correction of discriminatory switched access rates, (3) the reduction of transaction costs between the industry and the merged entity, and (4) the leveling of switched access rates across the country.

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COMMENTS OF SPRINT NEXTEL CORPORATION

Sprint Nextel Corporation ("Sprint") respectfully submits its Comments in the above-captioned proceeding pursuant to the Federal Communications Commission's ("FCC" or "Commission") Public Notice regarding the proposed transfer of control of Qwest Communications International, Inc. ("Qwest") to CenturyTel, Inc. d/b/a CenturyLink ("CenturyLink").[1] The proposed merger of Qwest and CenturyLink has the potential to cause substantial harm to the telecommunications marketplace and the parties have failed to demonstrate a corresponding public benefit. Accordingly, the Commission should condition this merger in the same manner it has done in prior transactions of this magnitude to protect competition and the public interest.

I. THE APPLICANTS HAVE FAILED TO DEMONSTRATE THE PROPOSED TRANSACTION IS IN THE PUBLIC INTEREST

The Commission must review the Qwest and CenturyLink application to determine that it is in the "public interest, convenience and necessity" as required by sections 214(a)

[1] Public Notice, Applications Filed by Qwest Communications International Inc. and CenturyTel, Inc., d/b/a CenturyLink for Consent to Transfer of Control, DA 10-993 (rel. May 28, 2010).

and 310(d) of the Communications Act[2] and the Commission must weigh the potential public interest harms resulting from a proposed merger against the potential public interest benefits. The burden of proof is upon the Applicants.[3] The Commission is to review whether the transaction would violate the Communications Act, the rules of the Commission, interfere with the objectives of the Communications Act or other statutes, and whether the merger promises to yield affirmative public interest benefits.[4]

It is not sufficient for the merging companies to demonstrate no increased harm; they must also demonstrate that there is a public good to be obtained from the merger. In determining the competitive effects of a proposed merger, the Commission is "not limited to traditional antitrust principles," but rather considers the "broader public interest":

> In addition to considering whether the merger will reduce existing competition, we also must consider whether the merger *will accelerate the decline of market power by dominant firms* in the relevant communications markets, and *the merger's effect on future competition*. ... For instance, combining assets may allow the merged entity to ... create market power, create or enhance barriers to entry by potential competitors, and increase opportunities to disadvantage rivals in anticompetitive ways.[5]

In particular, the Commission considers whether a proposed transaction *"will enhance, rather than merely preserve, existing competition."*[6] The Commission will approve a merger proposal only if it is "convinced that [the transaction] will *enhance* competition."[7]

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[2] 47U.S.C. §§ 214(a) and 310(d).
[3] *See Applications of Ameritech Corp., Transferor, and SBC Communications Inc., Transferee, for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Section 214 and 310(d) of the Communications Act and Parts 5, 2224, 25, 63, 90 and 101 of the Commission's Rules,* Memorandum Opinion and Order, 14 FCC Rcd 14712, at ¶ 490 (1999) *("SBC/Ameritech Order").*
[4] *Id.* at ¶ 49.
[5] *AT&T/Dobson Merger Order,* 22 FCC Rcd at 20304-05 ¶ 13 (emphasis added). *See also AT&T/ BellSouth Merger Order,* 22 FCC Red at 5673-74 ¶ 21; *Verizon Wireless/Alltel Merger Order,* 23 FCC Rcd 1140 at ¶ 28.
[6] *Verizon Wireless/Alltel Merger Order,* 23 FCC Rcd 11401 at ¶ 28 (emphasis added). *See also Verizon Wireless/Rural Cellular Merger Order,* 23 FCC Red 12463, 12479 ¶ 32 (2008); *Sprint/Clearwire Order, 23 FCC Rcd 17510* at ¶ 21 (2008); *Sirius/XM Merger Order,* 23 FCC Red 12348,]2365 ¶ 29 (2008).
[7] *SBC/Ameritech Merger Order.* 14 FCC Red]4712, 14738 ¶ 49 (1999)(emphasis added), *quoting Bell Atlantic/NYNEX Merger Order,* 12 FCC Red 19985, 19987 ¶ 2 (1997). *See also Time Warner/*

The proposed transaction presents significant risk of public harm. The merger of CenturyLink and Qwest nearly doubles the size of Qwest, one of the Regional Bell Operating Companies ("RBOC") created in the AT&T Divestiture. The combined company will serve customers in 37 states, many where it is the largest or second largest carrier in the state. The new company will serve approximately 5 million broadband customers, 17.5 million access lines, 1,415,000 video subscribers and 850,000 wireless consumers[8] and will be 60% the size of Verizon (after the Frontier transaction). In many states, where both Qwest and CenturyLink operate, the dominance of the combined company will increase significantly as the number of access lines increases and the fiber optic networks of the two companies are integrated. As outlined in their transfer of control application, the parties have adjacent local exchange footprints in at least 10 states[9] and the merging parties have overlapping fiber networks in over 30 states.[10]

The Commission has previously acknowledged that the merger of two incumbent LECs increases the potential for harm to competition because such mergers "increase the incentives and ability of the merged entity to discriminate against rivals."[11] The larger footprint of the combined carriers "may adversely affect national competitors' provision of services, and may force consumers to pay more for retail services, with reduced quality and choice."[12] As recognized in the recent *Verizon/Frontier Order,* and as noted in the *SBC/Ameritech Order,* the "merger between two incumbent LECs may increase the merged

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America Online Merger Order, 16 FCC Rcd 6547, 6555 ¶ 21 (2001).

[8] http://news.qwest.com/centurylinkqwestmerger (last viewed July 12, 2010).

[9] *Application For Consent to Transfer Control,* WC Docket No. 10-110 at 28 (*"Merger Application").*

[10] *Id.* at Exhibit 4.

[11] *Bell Atlantic/GTE Merger Order,* 15 FCC Rcd 14032, 14086 ¶ 96. [[T]he increase in the number of local calling areas controlled by Bell Atlantic as a result of the merger will increase its incentive and ability to discriminate against carriers competing in retail markets that depend upon access to Bell Atlantic's inputs in order to provide services.]

[12] *Id.* at 14114 ¶ 173.

entity's incentive to engage in anticompetitive behavior by allowing the resulting entity to capture or internalize a higher proportion of the benefits of such anticompetitive strategies against regional or national competitors."[13]

Not only will the merger create a more dominant carrier with an even greater footprint, however, the merger will also eliminate actual competition in several markets. As the applicants acknowledge, actual competition in the impacted markets will be eliminated in Minnesota, Washington, Florida and Alabama.[14] The elimination of such actual competition is clearly not in the public interest.

A. The Merger Will Further Undermine Competition in the Special Access Market

In particular, the increased footprint of the two carriers, as well as the elimination of actual competitors, exacerbates the already failed special access market. The merging parties already hold a dominant position and are extracting unreasonable rates of return in the special access and switched access markets in territory. The 2007 ARMIS reports (the last year such data was made available) show Qwest earning a special access return of 175% and Embarq (now part of CenturyLink) earning 315%. Interstate special access revenues of Qwest and CenturyLink grew at over 12 percent year-over-year, from $1.09 billion in 1999 to $2.83 billion in 2007. This trend data provides compelling evidence that Qwest and CenturyLink have the ability to increase prices to supra-competitive levels without fear of attracting competitive entry or of losing so much demand as to make the price increase unprofitable.

[13] *Applications Filed by Frontier Communications Corporation and Verizon Communications Inc. for Assignment or Transfer of Control*, Memorandum Opinion and Order, WC Docket No. 09-95, FCC 10-87, ¶ 44, n. 127 (2010) ("*Verizon/Frontier Transaction Order*").
[14] *Merger Application* at 23.

By increasing their footprint, the merged companies will have an even greater ability to impose unreasonable contract rates, terms, and conditions. Wireless carriers, because of their need to purchase special access facilities over wide areas, are particularly vulnerable to ILEC exercise of market power over special access services in wide geographic areas. As the Commission recently noted, Qwest retains market power over special access and the proposed merger will only increase the market power of the combined entity.[15]

B. The Merger Will Decrease Competition in the Enterprise Market

This merger is also of particular interest because it involves not only the merger of two large local exchange carriers, but includes a national interexchange carrier ("IXC") and Tier I backbone provider offering national enterprise services. By expanding the base of ILEC lines that can be managed in conjunction with these facilities, the combined entity has the ability to undermine competitors in the enterprise market. Because the new company can essentially provide "special access at incremental cost" (at the holding company level) to its affiliate, the enhanced market power of the integrated companies will increase the likelihood the merged company could acquire *de facto* geographic control over the enterprise market in territory.

MCI, in rejecting Qwest's purchase offer in 2005 noted that it chose Verizon because it offered the superior "access economics" that would allow a greater ILEC footprint with nearly free access.[16] The fact that stand-alone competitive IXCs and CLECs have a difficult time competing with the integrated ILECs with large footprints is highlighted by the failure of Qwest to find a buyer for its IXC and CLEC business.[17] Rather than increasing

[15] *Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 1609(c) in the Phoenix, Arizona Metropolitan Statistical Area, [get FCC Rcd cite – FCC 10-113] at ¶¶70-78 (2010).*
[16] MCI Press Release, *MCI Accepts Revised Proposal From Verizon,* March 29, 2005.
[17] *See See* http://www.marketwatch.com/story/qwest-to-keeplong-distance-network (last viewed July 1, 2010).

competition out of territory, the merger transaction would nearly double the size of the ILEC to create a larger area where it can dominate the enterprise and special access market through discriminatory special access pricing.

Given the potential harms outlined above, and the lack of any concrete public benefits, the Applicants have failed to demonstrate that the merger is in the public interest. Indeed, the proposed merger would have significant anti-competitive effects. Accordingly, the merger should be conditioned as outlined below.

II. THE COMMISSION SHOULD IMPOSE CONDITIONS TO ADDRESS THE MERGER'S NEGATIVE IMPACT ON THE SPECIAL ACCESS MARKET

Qwest and CenturyLink already hold a dominant market share and are exercising market power to extract unreasonable rates of return in their respective regions. The Commission should adopt conditions to ensure that the merger does not further reduce competition or risk increased special access rates.[18]

A. The Commission Should Reinstate Price Caps and Eliminate Phase II Pricing Flexibility for the Merged Entity

In previous merger transactions, the Commission has imposed conditions to address the risk posed by ILEC dominance in the special access market. Specifically, in the AT&T/BellSouth merger, the Commission adopted merger conditions directed toward correcting the problems generated by Phase II pricing flexibility.[19] Given the critical role of special access services to the deployment of broadband, including mobile broadband, the Commission should take steps to ensure these facilities are provided at more reasonable rates

[18] Attached as Attachment II is a detailed statement of Sprint's proposed conditions

[19] *See AT&T Inc. and BellSouth Corporation Application for Transfer of Control,* Memorandum Opinion and Order, Appendix F, 22 FCC Rcd 5662 ("*AT&T/BellSouth Merger Order*").

and that competitors are protected from further rate increases.[20] The Commission should, at a minimum, adopt conditions such as those adopted in the *AT&T/BellSouth Merger Order* that would prevent the merged entity from increasing rates and require them to offer rates in areas where they have Phase II pricing flexibility that are no higher than the rates they offer in areas where they have not obtained Phase II pricing flexibility.[21]

Qwest and CenturyLink have exercised their control over the special access market by using pricing flexibility to significantly raise prices above those that would otherwise be possible under price caps. Attachment I shows this exercise of market power in the footprint of the merged company. For example, Qwest DS-I circuits under price flex were 43% more expensive and DS-3 circuits 65% more expensive than those under price cap in 2009. In CenturyLink's Nevada property, where there are no longer any price cap DS-1 or DS-3 circuits, DS-1 circuits are 125% of the price and DS-3 circuits are 117% of the price they would have been under price caps. Rates today are higher than they were in 2000 when price cap regulation began. Competition should have been controlling the upward pricing of special access circuits. Indeed, since many of these circuits are existing facilities, prices should have fallen dramatically. Competition has failed to bridle the pricing power of Qwest and CenturyLink in this market, however, demonstrating a failure of the Phase II pricing flexibility rules.

Given the history of these two companies and the increased harm posed by this merger, the Commission should require the merged entity to offer all DS1 services, all DS3 services and any other special access services, including tariffed Ethernet services, whether

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[20] As recently demonstrated by AT&T, only merger conditions will prevent rate increases and ILECs will exercise their market power as soon as those merger conditions are lifted.
[21] *AT&T/BellSouth Merger Order*, Appendix F, Special Access Conditions nos. 5 and 6.

on a month-to-month basis or in any current or future optional discount plans at rates no higher than price caps beginning 60 days after the closing date of the merger. The Commission should also prohibit the new entity from seeking Phase II pricing flexibility for a period of four years after the closing date of the merger or the release of a final order addressing the appropriate rate regulation of special access services in WC Docket No. 05-25, which ever is later.

The Commission should also address the high rates imposed by these carriers by application of an interim X factor. Specifically, the new entity should be required to (i) reincorporate its rates for DS1, DS3 and Ethernet services in its special access price cap basket, creating a separate service category within that basket for tariffed Ethernet services, (ii) reinitialize the price cap index ("PCI") for the special access service basket at the level that would have applied had the FCC set the X Factor applicable to that basket at 6.5 percent in 2002 and continuing each year until 2010 and then continuing through 2014, and (iii) target all of the rate reductions resulting from such re-initialization of the PCI to these services.

B. The Commission Should Address Unreasonable Terms and Conditions

The bulk of special access circuits sold by the merging parties are sold under optional pricing plans which are ongoing barriers to facilities-based competitive entry into the special access market. The key feature of these optional pricing plans is that in order to obtain discounts on circuits for which no competitive alternatives exist (which includes the vast majority of the circuits), customers must commit to purchasing the vast majority of their special access facilities from the incumbent LEC, including those in the areas where competition *does* exist. Thus, customers are locked out of the ability to purchase lower priced circuits from competitors in order to obtain discounts on circuits where an alternative does not exist. Attachment III contains a summary of the key terms of these agreements.

These contracts are often designed to require specific purchases on a state-by-state basis, which penalizes a competitor that loses customers in a specific state but would otherwise have sufficient business across the total ILEC footprint to meet a national circuit or revenue commitment. In order to meet the state commitment, CenturyLink requires the purchase of circuits that the customer does not need or use and prohibits the simple payment of cash to make up the volume commitment. This is doubly harmful, because not only are penalties due CenturyLink, resources are wasted on putting in empty, useless circuits, administering those circuits, and often paying third party meet-point LECs (with their own onerous termination penalties) for their end of these useless circuits.

The removal of one of the merging parties as one of the potential competitors in the territory of the other further enhances the ability of the merged company to exercise its market power in the special access market and to foreclose competition even where it may be otherwise economically viable. To protect against further abusive terms and conditions, the Commission should adopt, in addition to the conditions outlined above, the following additional conditions:

- Volume and term agreements should be portable across companies and state lines and volumes from all affiliates should be counted against any integrated agreement.

- Companies porting volume and term agreements from state to state or company to company should be allowed to opt out of the existing agreement without penalty.

- Volume and term agreements should allow the payment of cash penalties rather than the installation of empty, unneeded circuits to meet contractual commitments.

- Current volume and term arrangements whether in their initial term or otherwise that are being used between the companies should continue to be available for 48 months and be made available for porting between states and companies without restriction.

- No more than 75% of a purchaser's volume may be required in order to obtain the maximum discount from term and volume plans to allow purchasers to economically use the products of competitors and encourage the development of a competitive marketplace.

III. THE COMMISSION SHOULD IMPOSE CONDITIONS TO ADDRESS DISCRIMINATORY SWITCHED ACCESS PRICING

Qwest has argued it should not be subject to what it considers discriminatory, unfair switched access rates out-of-region where it seeks to compete as a non-integrated wireline IXC.[22] Yet, as an integrated incumbent at the holding company level, Qwest itself faces only incremental costs for switched access in-region while the integrated enterprise is charging switched access on discriminatory terms to competitive carriers in-region. As Qwest has argued in proceedings outside of its incumbent region, this practice should cease.[23] Because the integrated incumbent, at the holding company level, faces only incremental costs for access in-region, the integrated enterprise is charging access on discriminatory terms to competitive carriers in-region.

This discriminatory access pricing system, where the real cost of access at the holding company level is incremental cost, allows the holding company to price its competitive interexchange services at a level with which stand-alone interexchange providers cannot

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[22] *See* e.g. Florida Public Service Commission Docket No. 0900538-TP (December 11, 2009 Complaint of Qwest Communications Company, LLC against multiple CLECs alleging switched access rate discrimination among IXCs through contract service agreements outside of tariffs); Florida Public Service Commission Docket No. 100274-TP (May 10, 2010 Complaint and Petition for Relief of Qwest Communications Company, LLC against Cox Florida Telecom, Inc. alleging switched access rate discrimination by discounting switched access for IXCs who purchase certain levels of special access services from Cox); and Virginia State Corporation Commission Case No. PUC 2003-00091 (March 31, 2004 Comments of Qwest Communications Corporation of Virginia on AT&T Petition for reduction of the switched access rates of Verizon Virginia Inc. and Verizon South Inc.)

[23] *Id.*

profitably compete. Through this process, the mass market interexchange market is monopolized by the local carrier. Even the largest interexchange carriers will be unable to compete in territory with the likes of the company created by the CenturyLink/Qwest merger.[24]

Qwest has consistently argued in state access charge proceedings that ILECs should reduce their intrastate access charges to the RBOC level to provide some relief to this problem.[25] Application of this concept would be a step in the right direction. The Commission should adopt a condition requiring CenturyLink to reduce both its interstate and intrastate access levels to the level of the RBOC in areas where it operates. Of course, the best solution would be to reduce both Quest and CenturyLink access prices to incremental cost levels to remove the discriminatory pricing of access between affiliates of the CenturyLink/Qwest merger and competitors. This would price the access input for both CenturyLink and competitors at the same level, thus creating a more competitive market and blunting the monopoly power of the proposed CenturyLink enterprise.

IV. THE COMMISSION SHOULD IMPOSE CONDITIONS THAT WILL REDUCE TRANSACTION COSTS BETWEEN THE MERGED PARTIES AND THE REST OF THE INDUSTRY

The Commission, in considering recent mergers of ILECs, has consistently approved merger commitments aimed at reducing transaction costs between the merging parties and the remainder of the industry.[26] Merger conditions that reduce transaction costs share

[24] AT&T indicated that it exited the out-of-territory mass market as early as 2007, thus significantly reducing competition. *See* SBC/AT&T Order, 20 FCC Rcd at 18348.

[25] Virginia State Corporation Commission Case No. PUC 2003-00091 (March 31, 2004 Comments of Qwest Communications Corporation of Virginia on AT&T Petition for reduction of the switched access rates of Verizon Virginia Inc. and Verizon South Inc. in which Qwest urges Verizon's rates be reduced to interstate levels in part due to the discriminatory impact of high switched access rates on IXCs "utilizing the traditional wireline network.")

[26] *See AT&T/BellSouth Merger Order* Appendix F and *Application Filed for the Transfer of Control of Embarq Corporation to CenturyTel, Inc.*, Memorandum Opinion and Order, Appendix C, 24 FCC Rcd 8767 (2009).

synergy benefits with the rest of the industry and provide a broader public interest benefit to the industry as a whole. Under the circumstances, merger conditions aimed at reducing transaction costs through extending the life of existing contracts,[27] allowing requesting parties to port interconnection agreements to other companies and across state lines,[28] and/or requiring the adoption of standard agreements across the entire footprint of the merging ILECs[29] should be adopted.

V. SWITCHED ACCESS REDUCTIONS ASSOCIATED WITH THE SIZE OF THE MERGED COMPANY SHOULD BE ADOPTED THROUGHOUT THE MERGED COMPANY

Regional Bell Operating Companies are required by the Commission, as stated in 47 C.F.R. 61.3(qq), to implement a target rate of $0.0055 per minute of use as the average traffic sensitive rate. Qwest is a Regional Bell Operating Company already subject to the $0.0055 rate as indicated in 47 U.S.C. 153 (4). CenturyLink, as the acquirer of Qwest, becomes its successor or assign. In this context, all of the wireline property of CenturyLink should become subject to the average traffic sensitive rate of $0.0055. The current average traffic sensitive rate of CenturyLink should be reduced from its current target of $0.0065 to $0.0055. This outcome should be made clear in any Commission ruling approving the proposed merger.

VI. CONCLUSION

The applicants have failed to meet their burden of showing that the merger is in the public interest. Accordingly, the Communications Act requires the Commission to take action to ensure that appropriate conditions are imposed to mitigate the public interest harms

[27] *See AT&T Inc. and BellSouth Corporation Application for Transfer of Control,* Memorandum Opinion and Order, Appendix F, 22 FCC Rcd 5662.
[28] Id.
[29] Id.

created by the merger and that share the synergies created by the combined company benefit competition and the public.

Respectfully submitted,

/s/ Charles W. McKee
Charles W. McKee
Vice President, Government Affairs
Federal and State Regulatory
Sprint Nextel Corporation
900 Seventh Street, N.W. Suite 700
Washington, D.C. 20001
702-433-3786

W. Richard Morris
Senior Counsel, Government Affairs
Sprint Nextel Corporation
6450 Sprint Parkway
KSOPHN0314-3A671
Overland Park, KS 66251
913-315-9176

July 12, 2010

Comparison of Qwest Price Cap and Price Flex DS1 and DS3 Service Prices
Rates Applicable to All Qwest States

	Price Cap - DS1						Price Flex - DS1					
	DS1 Local Channel	DS1 Mileage Fixed	DS1 Mileage Variable	DS1 Circuit	% of 2000 Price		DS1 Local Channel	DS1 Mileage Fixed	DS1 Mileage Variable	DS1 Circuit	% of 2000 Price	% Above Price Cap
2000	$ 108.00	$ 75.00	$ 10.13	$ 392.30	100%	2000						
2001	$ 108.00	$ 60.00	$ 8.25	$ 358.50	91%	2001						
2002	$ 108.00	$ 64.00	$ 8.79	$ 367.90	94%	2002	$ 115.00	$ 72.00	$ 9.60	$ 398.00	101%	8%
2003	$ 105.80	$ 64.00	$ 8.79	$ 363.50	93%	2003	$ 115.00	$ 72.00	$ 9.60	$ 398.00	101%	9%
2004	$ 105.80	$ 64.00	$ 8.79	$ 363.50	93%	2004	$ 120.00	$ 72.00	$ 9.60	$ 408.00	104%	12%
2005	$ 105.80	$ 64.00	$ 8.79	$ 363.50	93%	2005	$ 124.20	$ 72.00	$ 9.60	$ 416.40	106%	15%
2006	$ 103.16	$ 54.60	$ 7.80	$ 338.92	86%	2006	$ 144.30	$ 71.76	$ 12.48	$ 485.16	124%	43%
2007	$ 103.16	$ 54.60	$ 7.80	$ 338.92	86%	2007	$ 144.30	$ 71.76	$ 12.48	$ 485.16	124%	43%
2008	$ 103.16	$ 54.60	$ 7.80	$ 338.92	86%	2008	$ 144.30	$ 71.76	$ 12.48	$ 485.16	124%	43%
2009	$ 103.16	$ 54.60	$ 7.80	$ 338.92	86%	2009	$ 144.30	$ 71.76	$ 12.48	$ 485.16	124%	43%

	Price Cap - DS3						Price Flex - DS3					
	DS3 Local Channel	DS3 Mileage Fixed	DS3 Mileage Variable	DS3 Circuit	% of 2000 Price		DS3 Local Channel	DS3 Mileage Fixed	DS3 Mileage Variable	DS3 Circuit	% of 2000 Price	% Above Price Cap
2000	$ 1,125.00	$ 256.00	$ 31.20	$ 2,818.00	100%	2000						
2001	$ 1,125.00	$ 256.00	$ 31.20	$ 2,818.00	100%	2001						
2002	$ 1,200.00	$ 256.00	$ 31.20	$ 2,968.00	105%	2002	$ 1,200.00	$ 256.00	$ 39.28	$3,048.80	108%	3%
2003	$ 1,200.00	$ 256.00	$ 31.20	$ 2,968.00	105%	2003	$ 1,200.00	$ 256.00	$ 39.28	$3,048.80	108%	3%
2004	$ 1,200.00	$ 256.00	$ 31.20	$ 2,968.00	105%	2004	$ 1,200.00	$ 256.00	$ 39.28	$3,048.80	108%	3%
2005	$ 1,200.00	$ 256.00	$ 31.20	$ 2,968.00	105%	2005	$ 1,200.00	$ 256.00	$ 39.28	$3,048.80	108%	3%
2006	$ 1,092.00	$ 257.40	$ 30.42	$ 2,745.60	97%	2006	$ 1,716.00	$ 507.00	$ 66.30	$4,602.00	163%	68%
2007	$ 1,092.00	$ 257.40	$ 34.42	$ 2,785.60	99%	2007	$ 1,716.00	$ 507.00	$ 66.30	$4,602.00	163%	65%
2008	$ 1,092.00	$ 257.40	$ 34.42	$ 2,785.60	99%	2008	$ 1,716.00	$ 507.00	$ 66.30	$4,602.00	163%	65%
2009	$ 1,092.00	$ 257.40	$ 34.42	$ 2,785.60	99%	2009	$ 1,716.00	$ 507.00	$ 66.30	$4,602.00	163%	65%

Note: All Rates are from the Qwest product called the Regional Commitment Plan which is 22% off the M-T-M rates.

Comparison of CenutryLink Prices for DS1 and DS3 Services
North Carolina

Price Cap - DS1

	DS1 Local Channel	DS1 Mileage Fixed	DS1 Mileage Variable	DS1 Circuit	% of 2000 Price
2000	$ 116.00	$ 75.00	$ 6.96	$ 376.60	100%
2001	$ 101.25	$ 62.00	$ 6.93	$ 333.80	89%
2002	$ 106.00	$ 55.00	$ 6.00	$ 327.00	87%
2003	$ 106.00	$ 53.00	$ 4.75	$ 312.50	83%
2004	$ 106.00	$ 53.00	$ 4.75	$ 312.50	83%
2005	$ 106.00	$ 53.00	$ 4.75	$ 312.50	83%
2006	$ 106.00	$ 53.00	$ 4.75	$ 312.50	83%
2007	$ 115.00	$ 55.00	$ 4.75	$ 332.50	88%
2008	$ 115.00	$ 55.00	$ 4.75	$ 332.50	88%
2009	$ 115.00	$ 55.00	$ 4.75	$ 332.50	88%

Price Flex - DS1

	DS1 Local Channel	DS1 Mileage Fixed	DS1 Mileage Variable	DS1 Circuit	% of 2000 Price	% Above Price Cap
2000	$ -	$ -	$ -	$ -		
2001	$ 116.00	$ 75.00	$ 6.93	$ 376.30	100%	13%
2002	$ 101.25	$ 62.00	$ 6.93	$ 333.80	89%	2%
2003	$ 101.25	$ 62.00	$ 6.93	$ 333.80	89%	7%
2004	$ 101.25	$ 62.00	$ 6.93	$ 333.80	89%	7%
2005	$ 101.25	$ 62.00	$ 6.93	$ 333.80	89%	7%
2006	$ 185.00	$ 120.70	$ 11.65	$ 607.20	161%	94%
2007	$ 185.00	$ 120.70	$ 11.65	$ 607.20	161%	83%
2008	$ 213.00	$ 120.70	$ 11.65	$ 663.20	176%	99%
2009	$ 213.00	$ 120.70	$ 11.65	$ 663.20	176%	99%

Price Cap - DS3

	DS3 Local Channel	DS3 Mileage Fixed	DS3 Mileage Variable	DS3 Circuit	% of 2000 Price
2000	$ 1,050.00	$ 477.00	$ 95.10	$ 3,528.00	100%
2001	$ 1,050.00	$ 477.00	$ 95.10	$ 3,528.00	100%
2002	$ 1,221.00	$ 490.00	$ 74.00	$ 3,672.00	104%
2003	$ 1,225.00	$ 500.00	$ 50.00	$ 3,450.00	98%
2004	$ 1,225.00	$ 500.00	$ 50.00	$ 3,450.00	98%
2005	$ 1,225.00	$ 475.00	$ 50.00	$ 3,425.00	97%
2006	$ 900.00	$ 475.00	$ 50.00	$ 2,775.00	79%
2007	$ 900.00	$ 428.00	$ 45.00	$ 2,678.00	76%
2008	$ 900.00	$ 428.00	$ 39.00	$ 2,618.00	74%
2009	$ 900.00	$ 428.00	$ 39.00	$ 2,618.00	74%

Price Flex - DS3

	DS3 Local Channel	DS3 Mileage Fixed	DS3 Mileage Variable	DS3 Circuit	% of 2000 Price	% Above Price Cap
2000	$ -	$ -	$ -	$ -		
2001	$ 1,050.00	$ 477.00	$ 95.10	$3,528.00	100%	0%
2002	$ 1,215.00	$ 477.00	$ 95.10	$3,858.00	109%	5%
2003	$ 1,215.00	$ 477.00	$ 95.10	$3,858.00	109%	12%
2004	$ 1,215.00	$ 477.00	$ 95.10	$3,858.00	109%	12%
2005	$ 1,215.00	$ 477.00	$ 95.10	$3,858.00	109%	13%
2006	$ 1,848.00	$ 725.00	$ 144.00	$5,861.00	166%	111%
2007	$ 1,848.00	$ 725.00	$ 144.00	$5,861.00	166%	119%
2008	$ 1,848.00	$ 725.00	$ 144.00	$5,861.00	166%	124%
2009	$ 1,848.00	$ 725.00	$ 144.00	$5,861.00	166%	124%

Note: All Rates reflect the CenturyLink product called Premier Discount Plan.

Comparison of CenturyLink's Price Cap an Price Flex Prices for DSI and DS3 Services
Nevada

Price Cap - DS1

	DS1 Local Channel	DS1 Mileage Fixed	DS1 Mileage Variable	DS1 Circuit	% of 2000 Price
2000	$ 92.50	$ 66.00	$ 0.95	$ 260.50	100%
2001	$ 92.50	$ 66.00	$ 0.95	$ 260.50	100%
2002	$ 92.50	$ 66.00	$ 0.95	$ 260.50	100%
2003	$ 92.50	$ 66.00	$ 0.95	$ 260.50	100%
2004	$ 92.50	$ 66.00	$ 0.95	$ 260.50	100%
2005	$ 92.50	$ 66.00	$ 0.95	$ 260.50	100%
2006	$ -	$ -	$ -	$ -	0%
2007	$ -	$ -	$ -	$ -	0%
2008	$ -	$ -	$ -	$ -	0%
2009	$ -	$ -	$ -	$ -	0%

Price Flex - DS1

	DS1 Local Channel	DS1 Mileage Fixed	DS1 Mileage Variable	DS1 Circuit	% of 2000 Price	% Above Price Cap
2000	$ -	$ -	$ -	$ -		
2001	$ -	$ -	$ -	$ -		
2002	$ -	$ -	$ -	$ -		
2003	$ -	$ -	$ -	$ -		
2004	$ -	$ -	$ -	$ -		
2005	$ -	$ -	$ -	$ -		
2006	$ 108.00	$ 75.00	$ 3.50	$ 326.00	125%	
2007	$ 108.00	$ 75.00	$ 3.50	$ 326.00	125%	
2008	$ 143.00	$ 75.00	$ 3.50	$ 396.00	152%	
2009	$ 143.00	$ 75.00	$ 3.50	$ 396.00	152%	

Price Cap - DS3

	DS3 Local Channel	DS3 Mileage Fixed	DS3 Mileage Variable	DS3 Circuit	% of 2000 Price
2000	$ 1,244.20	$ 420.50	$ 76.65	$ 3,675.40	100%
2001	$ 1,244.20	$ 420.50	$ 76.65	$ 3,675.40	100%
2002	$ 1,244.20	$ 420.50	$ 76.65	$ 3,675.40	100%
2003	$ 1,244.20	$ 420.50	$ 76.65	$ 3,675.40	100%
2004	$ 1,244.20	$ 420.50	$ 76.65	$ 3,675.40	100%
2005	$ 1,244.20	$ 420.50	$ 76.65	$ 3,675.40	100%
2006	$ -	$ -	$ -	$ -	0%
2007	$ -	$ -	$ -	$ -	0%
2008	$ -	$ -	$ -	$ -	0%
2009	$ -	$ -	$ -	$ -	0%

Price Flex - DS3

	DS3 Local Channel	DS3 Mileage Fixed	DS3 Mileage Variable	DS3 Circuit	% of 2000 Price	% Above Price Cap
2000	$ -	$ -	$ -	$ -		
2001	$ -	$ -	$ -	$ -		
2002	$ -	$ -	$ -	$ -		
2003	$ -	$ -	$ -	$ -		
2004	$ -	$ -	$ -	$ -		
2005	$ -	$ -	$ -	$ -		
2006	$ 1,425.00	$ 515.00	$ 92.00	$4,285.00	117%	
2007	$ 1,425.00	$ 515.00	$ 92.00	$4,285.00	117%	
2008	$ 1,425.00	$ 515.00	$ 92.00	$4,285.00	117%	
2009	$ 1,425.00	$ 515.00	$ 92.00	$4,285.00	117%	

Note: All Rates reflect the CenturyLink product called Premier Discount Plan.

Comparison of CenturyLink's Price Cap an Price Flex Prices for DSI and DS3 Services
Florida

	Price Cap - DS1										Price Flex - DS1											
		DS1 Local Channel		DS1 Mileage Fixed		DS1 Mileage Variable		DS1 Circuit	% of 2000 Price			DS1 Local Channel		DS1 Mileage Fixed		DS1 Mileage Variable		DS1 Circuit	% of 2000 Price	% Above Price Cap
2000	$	120.00	$	53.00	$	7.30	$	366.00	100%	2000	$	-	$	-	$	-	$	-		
2001	$	108.00	$	41.00	$	7.30	$	330.00	90%	2001	$	120.00	$	53.00	$	7.30	$	366.00	100%	11%
2002	$	108.00	$	65.00	$	6.50	$	346.00	95%	2002	$	120.00	$	65.00	$	7.30	$	378.00	103%	9%
2003	$	100.00	$	62.00	$	5.15	$	313.50	86%	2003	$	120.00	$	65.00	$	7.30	$	378.00	103%	21%
2004	$	100.00	$	62.00	$	5.15	$	313.50	86%	2004	$	120.00	$	65.00	$	7.30	$	378.00	103%	21%
2005	$	100.00	$	62.00	$	5.15	$	313.50	86%	2005	$	120.00	$	65.00	$	7.30	$	378.00	103%	21%
2006	$	105.00	$	62.00	$	5.15	$	323.50	88%	2006	$	200.00	$	98.00	$	12.10	$	619.00	169%	91%
2007	$	115.00	$	64.00	$	5.15	$	345.50	94%	2007	$	200.00	$	98.00	$	12.10	$	619.00	169%	79%
2008	$	115.00	$	64.00	$	5.15	$	345.50	94%	2008	$	229.00	$	98.00	$	12.10	$	677.00	185%	96%
2009	$	115.00	$	64.00	$	5.15	$	345.50	94%	2009	$	229.00	$	98.00	$	12.10	$	677.00	185%	96%

	Price Cap - DS3									Price Flex - DS3									
		DS3 Local Channel		DS3 Mileage Fixed		DS3 Mileage Variable	DS3 Circuit	% of 2000 Price			DS3 Local Channel		DS3 Mileage Fixed		DS3 Mileage Variable	DS3 Circuit	% of 2000 Price	% Above Price Cap
2000	$	1,070.00	$	495.00	$	63.00	$ 3,265.00	100%	2000	$	-	$	-	$	-	$ -		
2001	$	860.00	$	495.00	$	63.00	$ 2,845.00	87%	2001	$	1,075.00	$	495.00	$	63.00	$3,275.00	100%	15%
2002	$	950.00	$	553.00	$	80.00	$ 3,253.00	100%	2002	$	1,130.00	$	490.00	$	62.00	$3,370.00	103%	4%
2003	$	1,050.00	$	609.00	$	70.00	$ 3,409.00	104%	2003	$	1,130.00	$	490.00	$	62.00	$3,370.00	103%	-1%
2004	$	1,050.00	$	609.00	$	70.00	$ 3,409.00	104%	2004	$	1,130.00	$	490.00	$	62.00	$3,370.00	103%	-1%
2005	$	800.00	$	609.00	$	50.00	$ 2,709.00	83%	2005	$	1,130.00	$	490.00	$	62.00	$3,370.00	103%	24%
2006	$	800.00	$	609.00	$	50.00	$ 2,709.00	83%	2006	$	1,176.00	$	660.00	$	89.00	$3,902.00	120%	44%
2007	$	800.00	$	545.00	$	50.00	$ 2,645.00	81%	2007	$	1,176.00	$	660.00	$	89.00	$3,902.00	120%	48%
2008	$	800.00	$	545.00	$	43.00	$ 2,575.00	79%	2008	$	1,176.00	$	660.00	$	89.00	$3,902.00	120%	52%
2009	$	800.00	$	545.00	$	37.00	$ 2,515.00	77%	2009	$	1,176.00	$	660.00	$	89.00	$3,902.00	120%	55%

Note: All Rates reflect the CenturyLink product called Premier Discount Plan.

ATTACHMENT II

DETAILED DESCRIPITON OF THE CONDITIONS NECESSARY TO OFFSET THE HARMS CAUSED BY THE PROPOSED CENTURYLINK/QWEST MERGER

I. Enforcement of Merger Conditions.

The Merger Conditions cited below that require tariff changes are to be implemented by CenturyLink compliance filings at the Federal Communications Commission and state commissions, as appropriate, within 30 days of the closing date of the Merger. Requests by carriers that purchase special access services under term and volume agreements shall be implemented within 30 days of request by purchasing carriers. The Federal Communications Commission, state Commissions, and the courts each have jurisdiction to enforce these Merger Conditions. CenturyLink will be responsible for paying attorneys fees of complaining parties in any case where complaining parties seek to enforce Merger conditions and are successful in such enforcement. In addition, in any instance where a complaining party seeks to enforce a Merger condition through complaints to the Federal Communications Commission, a state commission, or the courts, and is successful in such enforcement, the complaining party may also require, at its option, that the term of any Merger commitment so enforced be extended for an additional 48 months in addition to the initial term.

II. Special Access Conditions

A. Application of Price Caps and Elimination of Phase II Pricing Flexibility. The Merged Firm[1] shall offer all DS1 services, all DS3 services and any other special access services, including tariffed Ethernet services, whether on a month-to-month basis or in any current or future optional discount plans[2], without regard to technology, that offer similar functionality (hereafter referred to collectively as "Affected Services") pursuant to price caps beginning 60 days after the closing date of the merger. The Merged Firm shall not have the right to apply for Phase II pricing flexibility for the Affected Services in any market area until the later of four years after the closing date of the merger or the release of a final order addressing the appropriate rate regulation of special access services in WC Docket No. 05-25 or successor docket considering similar issues. The Merged Firm shall continue to offer an Affected Service subject to Phase I pricing flexibility in any market in which such service has been subject to

[1] References to Merged Firm include any subsidiary or majority owner or controlled enterprises as well as any predecessors or successors in interest of any ILECs existing in the CenturyLink enterprise following any approved merger.

[2] Including such existing plans known as – put in the names of the plans – Regina.

either Phase I or Phase II pricing flexibility on the date the Commission approved the merger.

B. Reinitialization of Rates. Sixty days after the close of the merger, the Merged Firm shall (i) reincorporate its rates for Affected Services in its special access price cap basket, create a separate service category within that basked for tariffed Ethernet services, (ii) reinitialize the price cap index ("PCI") for the special access service basket at the level that would have applied had the FCC set the X Factor applicable to that basket at 6.5 percent in 2002 and continuing each year until 2010 and then continuing through 2014, and (iii) target all of the rate reductions resulting from such re-initialization of the PCI to Affected Services.

C. Prohibited Contract Terms. In connection with the provision of Affected Services, the Merged Firm shall be prohibited from enforcing any condition that is not reasonably related to the efficiencies yielded by volume and/or term commitments that exceeds a commitment related to 75% of the current Affected Services circuit capacity required by carrier purchasers. The Merged Firm will not request or enforce any term that requires (i) the purchase of more than 75% of the special access spend/circuit commitment from the Merged Firm, (ii) purchase of products or services other than special access from the Merged Firm, (iii) prohibition of purchase of certain products or services, use of certain technologies, or use of the service of other service providers, (iv) increase in the volume of purchases in order to avoid financial or other penalties where such penalties exceed the loss of discounts associate with the increased volume, and (v) must allow purchases from all CenturyLink (and former Qwest) ILECs to count toward meeting any volume and term requirement in any continuing contract without penalty.

D. Volume and/or Term Agreement Portability, Contract Extension and Integration. The Merged Firm shall permit a carrier customer to "port" the entirety of an existing agreement dealing with Affected Services (except for state-specific rates) from a state in the Merged Firm's territory where it is currently effective to any other state in the Merged Firm's territory and apply that agreement to all carrier customer affiliates and aggregate all carrier customer affiliate volumes under one ported agreement. In this aggregation process, the Merger Firm shall allow the conversion, as appropriate, of circuit commitments or revenue commitments from existing contracts so as to consolidate commitments into any ported or consolidated agreement into the format required by the agreement chosen by the adopting party. This condition shall continue for 48 months after the closing date of the merger and shall apply to any existing agreement, whether in its initial term or outside its initial term but where such agreements continue to be effective, and to any new agreements created during the 48 month period. Any agreement so ported more than 12 months after the merger shall be effective for 36 months after the porting request is granted. If an agreement is ported from another Merged Firm entity within a state or across state lines, any volume and/or term agreement that would otherwise apply is cancelled without penalty. Any existing volume and/or term agreement, whether in its initial term or otherwise currently effective, may be extended by a requesting carrier for 48 months or for three years after a request is granted, whichever is longer.

E. Cash Penalties in Lieu of Installation of Unneeded Circuits. The Merged Firm shall permit a carrier customer to meet any revenue or circuit commitments under volume and/or term agreements through payment of cash to meet revenue commitments rather than through installation of or continuation of the use of unneeded circuits. Discontinuation of existing unneeded circuits shall be allowed without additional penalty other that that herein described.

III. Switched Access Conditions

A. Interstate Switched Access Rates in 47 C.F.R. 61.3(qq). No later than 30 days after the closing date of the Merger, all CenturyLink ILECs that do not already have an average traffic sensitive rate of $.0055 per minute as required by 47 C.F.R. 61.3(qq) shall reduce their average traffic sensitive rate to $.0055.

B. Mirroring Interstate Rates in Overlap States. No later than 30 days after the closing date of the Merger, all Century Link ILECs in states where Qwest is an ILEC shall mirror the interstate switched access rates of Qwest.

C. Mirroring Intrastate Access Rates. No later 30 days after the closing date of the Merger, all CenturyLink ILECs shall mirror the intrastate switched access rates of the RBOC (i.e., Verizon, AT&T or Qwest) operating in the state.

IV. Reducing Transaction Costs

A. Interconnection Contract Porting. The Merged Firm shall permit a carrier customer to "port" the entirety of an existing interconnection agreement (except for state-specific rates), whether negotiated or arbitrated, entered into with any CenturyLink/Qwest ILEC in any state within CenturyLink/Qwest ILEC territory, to any other CenturyLink/Qwest ILEC within a particular state or from a state in the Merged Firm's territory where it is currently effective to any other state in the Merged Firm's territory and apply that agreement (whether it be an in-state agreement or an agreement from another state) to all carrier customer affiliates and aggregate all carrier customer affiliate arrangements under one ported agreement. For purposes of this condition, state-specific rates do not include billing arrangements such as bill-and-keep for the exchange of traffic or contractual provisions to share the costs of interconnection facilities. This condition shall continue for 48 months after the closing date of the merger and shall apply to any existing agreement, whether in its initial term or outside its initial term but where such agreements continue to be effective, and to any new agreements created during the 48 month period. Any agreement so ported more than 12 months after the merger shall be effective for 36 months after the porting request is granted. If an agreement is ported from another Merged Firm entity within a state or across state lines, any interconnection agreement that would otherwise apply is cancelled without penalty. Any existing interconnection agreement, whether in its initial term or otherwise currently effective, may be extended by a requesting carrier for 48 months or for three years after a request is granted, whichever is longer.

B. The CenturyLink/Qwest ILECs shall not refuse a request by a telecommunications carrier to opt into an agreement on the ground that the agreement has not been amended to reflect changes of law, provided the requesting telecommunications carrier agrees to negotiate in good faith an amendment regarding such change of law immediately after it has opted into the agreement.

C. <u>Nationwide Contract Negotiations and Administration.</u> The Merged Firm shall recognize that porting of existing agreements across state lines and applicable to affiliated carrier customers may result in a nationwide interconnection agreement. Any negotiations necessary to facilitate such porting to accommodate application of such agreements in multiple states or among requesting carrier customers shall occur in a timely fashion and the results shall apply retroactively to the date that such porting was requested by a carrier customer. Negotiations concerning new or amended interconnection agreements shall be accomplished on a nationwide basis and include all Merged Firm ILECs in one contract.

ATTACHMENT III

Qwest Regional Commitment Plan

	Plan Grandfathered 6/1/2010	New Plan effective 6/1/2010
Term of plan	4 years	4 years
Commitment Threshold	90% of committed circuits	95% of committed revenue
Discount	22%	22%
Shortfall Penalties	If below commitment, then customer must pay average monthly recurring charge difference between actual and commitment.	If below commitment, then customer must pay revenue difference between actual and commitment.
Adjusting Commitment	Customer is liable for downward commitment adjustments at 50% of the average rate at the time of measurement times the number of months remaining in term	Customer is liable for downward commitment adjustments at 50% of MRC of any decommissioned circuits times number of months remaining in term

CenturyLink (Embarq) Term/Volume Plans

	Premier Term Discount Plan	Term Discount Plan
Term of Plan	5 years	3 years or 5 years
Geographical Commitment	All states must be committed with 100% of current volume, compliance measurement on a state-by-state basis	National or state-by-state
Commitment Threshold	95% of circuits	90% of circuits allowing growth up to 130% of commitment
Average discount on month-to-month rates	35-38% estimated	DS1 – 20-25% estimated DS3 – 9-20% estimated
Shortfall Penalties	Revenue shortfall assessed 60 days after written notice of failure to meet 95% commitment with shortfall assessed at 100% of commitment for state where shortfall exists.	When failure to meet 90% circuit commitment, termination liability applies for number of circuits below the commitment level and commitment level set at 110% of remaining circuits.
Involuntary Plan Termination Trigger	A six month consecutive shortfall in any one state causes entire plan to terminate with 100% termination liability for remaining term of plan for all states.	