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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

In the Matter of the Consideration of Potential Changes in the Regulation of the Utah Universal Public Telecommunications Service Support Fund, in Response to Recent Changes in the Federal Universal Service Fund Program	Docket No. 12-999-10  CENTURYLINK'S COMMENTS ON THE DIVISION'S DRAFT REPORT
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The Utah Public Service Commission (“Commission”) opened this docket to investigate what potential changes may be needed to the Utah Universal Public Telecommunications Service Support Fund (“Utah USF”) in response to the FCC’s Transformation Order (the “FCC Order”),<sup>1</sup> and its subsequent clarification and reconsideration orders. The Commission directed the Division of Public Utilities (the “Division”) to study the impact of the FCC Order and report on the need for possible changes in public utility regulations or laws pertaining to the Utah USF arising from the Order. On April 5, 2013, the Division filed its Draft Report regarding potential changes in the regulation of the Utah USF in response to the FCC Order (the “Draft Report”). The Draft Report was prepared following several rounds of comments by various parties, along

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<sup>1</sup> *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking (Nov. 18, 2011).

with a technical conference. The Commission now requests that interested parties submit comments on the Draft Report.

CenturyLink appreciates the significant work the Division put into the Draft Report. The Draft Report does a good job identifying the issues and provides the overall positions of the parties. For the most part, the Division does not offer its opinion on the issues, recognizing that many of the issues relate to policy decisions that will need to be decided by the Legislature. To help the Legislature evaluate the issues, CenturyLink proposes some changes to the Draft Report in an effort to help clarify various issues and to more fully set forth its position in certain areas. CenturyLink's proposed changes are incorporated in redlined format in Attachment 1. Below is a summary of CenturyLink's proposed changes:

**1. BACKGROUND SECTION (Sec. II from the Draft Report)**

The Draft Report may leave the Legislature with the impression that the FCC Order only deals with the changes to the federal universal service fund and its impacts on rural carriers. CenturyLink's proposed changes are intended to more fully describe the impact of the FCC Order. Specifically, the FCC Order makes major changes to the federal universal service fund and overhauls the intercarrier compensation system; not just for rural carriers, but also for price cap carriers like CenturyLink.

**2. CURRENT STATUS OF UTAH USF (Sec. VI from the Draft Report)**

a. Companies that Receive State USF

The Draft Report discusses the purpose of high cost funds and how they have been distributed to rural ILECs in the past. CenturyLink believes there are other carriers that may be eligible for high cost funds under the existing rules and suggests

revisions to this section so the impression is not left that only RLECs are entitled to high cost funds.

**3. UTAH USF POLICY (Sec. VII from the Draft Report)**

a. Increase the Fund over time

CenturyLink's comments identify the concern about possible gaps in funding as a result of the decrease in the federal universal service funds. In certain high cost areas where federal support will no longer be available or will not provide adequate support, the Utah USF may still be necessary to close the gap and enable carriers to continue to provide consumers with affordable voice services. It would be helpful to the Legislature if this discussion was set forth more fully in this section.

b. Increase the Utah USF contribution base

The Draft Report should make clear that it is an undecided question whether VoIP providers are required to contribute to the Utah USF. Additionally, when summarizing the submitted comments on this issue, CenturyLink's position should be included so the Legislature is not left with the impression that only Comcast and Verizon submitted comments on this issue.

c. Limit the amount of Fund support available

The Draft Report discusses Verizon's contention that wireless service should be treated as a comparable service. CenturyLink's comments address the fact that the presence of wireless competition does not provide a basis to eliminate the Utah USF. The Legislature should be made aware of CenturyLink's position so it can more fully evaluate the issue.

d. Restrict the types of service costs which Fund support is available

The Draft Report mentions CenturyLink's proposal for the use of a cost model. CenturyLink agrees that establishing a cost model requires regulatory activity and industry input, but also believes it is important to inform the Legislature that the FCC is currently developing a cost model. It would be helpful for the Legislature to understand that the FCC cost model can help guide the development of a Utah specific model that supplements and complements the FCC cost model.

e. Establish eligibility for Fund support on the basis of total company revenues

The Draft Report identifies OCS and URITA's positions on this issue and should also set forth CenturyLink's position that a better alternative than looking at total company revenues is to develop a forward-looking cost model that supplements and complements the FCC cost model.


f. One Time Distributions from the Utah USF

The Draft Report indicates that CenturyLink believes that one time distributions should still be included in any Utah USF policy. Although this statement is accurate, it is not complete. CenturyLink believes that greater Commission flexibility is needed; the current rules do not adequately provide for funding in certain high cost situations and the current cap should be revisited as it does not allow for adequate and realistic support in some situations.

CenturyLink appreciates the opportunity to submit Comments in response to the Draft Report, and welcomes the opportunity to address these issues at the Commission and at the Legislature.

DATED this 4<sup>th</sup> day of June, 2013.

CENTURYLINK

A handwritten signature in cursive script that reads "Torry Somers".

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