



CARLA M. BUTLER

April 26, 2017

Via Electronic Filing Only

Gary Widerburg
Commission Administrator
Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84111
psc@utah.gov

Re: Docket No. 17-R360-01

Dear Mr. Widerburg:

Attached for filing please find CenturyLink's Comments, along with a Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Carla".

Carla Butler
Lead Paralegal

Attachment
cc: Service List

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Attorney for CenturyLink

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Utah Administrative
Code R746-360 Universal Public
Telecommunications Service Support Fund

DOCKET NO. 17-R360-01

CENTURYLINK COMMENTS

I. INTRODUCTION

Qwest Corporation d/b/a CenturyLink QC and CenturyLink Communications, LLC (“CenturyLink”) respectfully provide its comments and recommendations regarding the implementation of changes to the Utah Universal Service Fund (the “UUSF”) as required by Senate Bill 130 (5th Substitute - “SB 130”). The Utah Legislature recently passed, and the Governor signed into law, SB 130. Among other things, SB 130 explicitly identifies who needs to contribute to the UUSF, requires the Public Service Commission of Utah (“Commission”) develop a rule establishing the amount and method for how contributions to the UUSF are determined, and clarifies who can draw from the UUSF and for what purposes.

The Commission opened this docket to enact regulations consistent with SB 130. On March 27, 2017, in reference to the passage of SB 130, the Commission issued a *Request For Comments*. SB 130 requires the Commission to adopt a rule establishing the UUSF surcharge methodology before January 1, 2018. Recognizing the importance of establishing the method for UUSF contributions, the Commission indicated that it “is considering a July 2017 effective date for a rule amendment establishing the amount of the surcharge and mechanism for application...” CenturyLink fully supports the prioritization of this issue, and believes it can immediately be

addressed by the Commission, especially since many of these issues were presented to the Commission as part of Docket No. 16-R360-02.

As noted in the Request for Comments, there are other issues that should be addressed in rulemaking, and CenturyLink believes it is appropriate to address these on a separate track, so as not to delay the rule dealing with the amount of the surcharge and the mechanism for its application.

II. SELECTING THE SURCHARGE MECHANISM AND AMOUNT OF THE SURCHARGE IS APPROPRIATELY THE COMMISSION'S TOP PRIORITY

CenturyLink agrees that the Commission's top priority is establishing a new surcharge mechanism for the UUSF.¹ Given the comments and reply comments filed last year as part of Docket No. 16-R360-02², the Commission has already received information supporting a decision to impose a surcharge mechanism based on the number of lines and connections. It was CenturyLink's position that the Commission had this authority to impose a connection based approach, but there were other parties that raised doubts as to the Commission's jurisdiction. Following the passage of SB 130 there is no question that the Commission has the authority to adopt a surcharge mechanism based on the number of lines and connections, rather than based on revenue. Given the Commission's familiarity with this issue, and the ability for interested parties to file comments and reply comments³ in this docket, the Commission should expeditiously make a determination that it should move to a connection based approach for the UUSF surcharge.

Once the Commission has made a decision on the surcharge mechanism, the Commission should schedule a technical conference to discuss implementation issues, including establishing an effective date for the change. A technical conference will help facilitate interested parties reaching consensus regarding implementation of the new surcharge mechanism.⁴

¹ Senate Bill 130 requires the Commission develop the surcharge mechanism prior to January 1, 2018. The only other specific deadline in SB 130 is the annual reporting requirement by the Commission to be done prior to November 1. The first report is required by no later than October 31, 2017. Other necessary changes to the Commission's R746-360 (UUSF) and R746-341 (Lifeline) rules should happen after the Commission has first accomplished selecting the surcharge mechanism prior to the deadline.

² Website link to Commission Docket No. 16-R360-2: <https://psc.utah.gov/2016/06/27/docket-no-16-r360-02/>

³ Reply comments are due to be filed by no later than May 11, 2017.

⁴ Some commenter's may suggest that a technical conference should first be conducted to discuss whether the per connection approach is appropriate. This would simply be another delay tactic, and put the Commission at risk of not meeting its statutory deadline.

During the technical conference the Commission can take input regarding the necessary amount of surcharge. The Commission has already requested that the Division of Public Utilities (Division) “*identify all access line providers, and connection providers that are subject to the surcharge.*” In addition the Division has been asked “*to estimate the number of connections that are subject to the surcharge, and to recommend the amount of the surcharge.*” During the technical conference the various parties will have the opportunity to review the Division’s proposal for the surcharge amount, ask questions, and provide input. Based upon this discussion the Commission should be able to establish the effective date along with the initial surcharge amount.⁵

III. A PER LINE AND PER CONNECTION BASED SURCHARGE IS A SUPERIOR SURCHARGE MECHANISM IN COMPARISON TO THE EXISTING PERCENTAGE OF REVENUE BASED SURCHARGE

Last year the Commission was faced with the problem of having to increase the UUSF surcharge to 1.65%. This increase was due to decreasing assessable intrastate revenues, and not because of increasing demands on the UUSF. The decline in UUSF revenues occurred because UUSF revenues are based on the application of a surcharge percentage to *intrastate retail telecommunications revenues*. These revenues are eroding; there has been a significant decline in CenturyLink and other ILEC intrastate revenues that are subject to the UUSF surcharge due to the evolution of technology and customer preferences. First, there continues to be a significant shift from traditional phone lines to wireless, cable and other Voice over Internet Protocol (“VoIP”) based services, as demonstrated by the 60% decline in CenturyLink access lines over the last ten years in Utah,⁶ and the fact that as of the first half of 2015, nearly one half of American homes — 47.4%— had only wireless phones.⁷ Second, even when customers retain CenturyLink or other ILEC services, there is a migration from traditional intrastate regulated retail services to advanced services that are not subject to intrastate regulation.

⁵ The implementation would also include combining the existing Telecommunications Relay Service surcharge with the USF surcharge.

⁶ CenturyLink retail access lines have declined over 60% in the last ten years, from 835,958 in December 2005 to 318,234 in December 2015. (Update these numbers.)

⁷ *Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, January–June 2015*, NHS Early Release Program, Released December, 2015, page 1. See: <http://www.cdc.gov/nchs/nhis/releases.htm>

When customers migrate from traditional wireline phone services to wireless, cable or other VoIP services, some of the revenues obtained by these providers may be subject to the UUSF surcharge based upon a percentage of intrastate retail telecommunications revenues. However, it is clear that the UUSF surcharge revenues derived from wireless and VoIP services to date have provided an inadequate replacement for the revenues derived from traditional voice services.

Even though the wireless market continues to grow, the Division, who tracks and monitors the UUSF, told CenturyLink last summer, prior to the October 1, 2016 surcharge increase, that the total UUSF surcharge revenue submitted by the wireless providers has declined significantly in the last few years.⁸

In sum, the traditional intrastate voice services that provided UUSF revenues in the past have in large part been replaced by alternative voice services that provide either a lower level of UUSF surcharge revenues or no revenues at all for the UUSF. This accounts for the decline in UUSF Revenues last year before the surcharge increase.

SB 130 now requires VoIP to pay into the UUSF. If the Commission stays with a percentage of revenue based surcharge it will need to determine what VoIP revenues are subject to the UUSF. For example Exhibit B provides a copy of an Ooma VoIP service customer bill. As shown on the bill, Ooma does not charge for “Base Phone Service” and the only charges for taxes, fees and surcharges. In situations like this the Commission would need to establish a fixed charge so Ooma pays into the UUSF.⁹ The Commission will not need to determine how to specifically assess VoIP if it moves to a connection based approach.

SB 130 requires that the UUSF not discriminate and be competitively neutral. The existing revenue based approach discriminates against different types of providers and is not competitively neutral. A per line and per connection surcharge methodology does the following:

- Eliminates the impact of revenue shifting between voice and data services.
- It ties the UUSF surcharge to a growing base and not a declining base. Overall lines and connections are increasing. Exhibit C provides information, based upon

⁸ An explanation for the decline in assessable revenues is attached hereto as Exhibit A.

⁹ This would result in a hybrid method where some services/providers pay UUSF on a percentage of revenue based approach and other providers pay a fixed surcharge amount on a per line or per connection based approach.

FCC data which shows that overall lines and connections are increasing. In comparison intrastate retail telecommunications revenues have declined and are expected to continue to decline.

- A per line and per connection surcharge will be more stable in comparison to the percentage of revenue based surcharge, thus decreasing the need to continually increase the surcharge.¹⁰
- Will be easier to administer and simpler to audit once it is implemented.¹¹

The current revenue based surcharge approach is obsolete and the Commission should move to a per line/per connection surcharge.¹² Based on declining revenues it is apparent that the current revenue based approach cannot continue. The Commission has considered a connection based approach in the past, and now that it is clear it has the authority to implement this approach it should do so. The details regarding implementation can be discussed at a technical conference.

IV. OTHER CHANGES TO THE UUSF RULES

While this proceeding is designed to first address the UUSF surcharge methodology, CenturyLink believes the Commission should also consider other changes to its UUSF rules. For example, CenturyLink believes the existing rule (R746-360-9) relating to one time distributions should be amended, so that funds can be more efficiently dedicated to specific projects that would benefit Utah consumers in high cost areas. The Commission also needs to make changes to its R746-341 (Lifeline) rules.

While it is not practical for the Commission to address these other UUSF and Lifeline issues in the initial phase of this proceeding, given the deadline for implementing the surcharge

¹⁰ There will be a number of changes to the UUSF rules as a result of SB 130. Some of these changes most likely will increase the amount of UUSF required. At this time it is too early to understand the impact of these changes and whether these will at least be partially offset since VoIP providers are now required to pay into the UUSF. With either surcharge methodology there will likely need to be adjustments to the surcharge until full implementation of the changes.

¹¹ It will be more difficult for the Division of Public Utilities to audit the revenues of providers. For example an auditor would need to look at in detail the various revenues to ensure all revenues subject to the UUSF are included. In comparison it will be less complicated for an auditor to review the number counts of lines and connections of a provider.

¹² The Commission already successfully uses a per line/per connection approach with the Telecommunications Relay Service (TRS) surcharge. Pursuant to SB 130, the TRS is now funded through the UUSF.

mechanism, CenturyLink believes the Commission should address these issues in a subsequent rulemaking phase.

At this time CenturyLink is not providing detailed comments regarding the other necessary changes to the Commission's R746-360 and R746-341 rules. CenturyLink respectfully request that the Commission provide interested parties an opportunity for comments at a later date.

V. CONCLUSION

CenturyLink respectfully requests that the Commission adopt the recommendations provided herein, and move to a per line/per connection UUSF surcharge.

RESPECTFULLY SUBMITTED this 26th day of April 2017.

CENTURYLINK



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REASONS WHY THE UTAH PUBLIC SERVICE COMMISSION ENDED UP HAVING TO INCREASE THE UUSF SURCHARGE FROM 1.0% TO 1.65%, EFFECTIVE OCTOBER 1, 2016

Payments into the USF were down significantly causing a shortfall and a need to increase the UUSF surcharge.

Reasons:

- Traditional phone lines continue to decline.
 - More customers are changing to wireless and Voice over Internet Protocol (VoIP) for their voice service needs.
 - Wireless pays into the USF and not all VoIP providers pay.¹
- Wireless payment into the USF is down significantly even though wireless continues to grow as an industry.
 - Explanation: CTIA – The Wireless Association: Reply Comments - PSC Docket No. 16-R360-02:

(Website Link: <http://www.psc.utah.gov/utilities/Rules/Rules%20Index/16R36002indx.html>)

- Wireless customer shifting to services not subject to the USF.
 - Shifting to data, video-chat, video calling, messaging and social media applications, etc.
 - Reducing wireless rates due to competition.
 - Plan changes, decoupling equipment revenue from voice revenue.
 - New alternatives for financing equipment, no contracts, leasing options, etc.

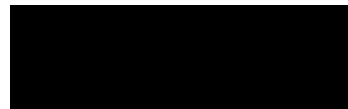
¹ With SB 130, VoIP is now required to pay the UUSF.



INVOICE

Ooma, Inc.
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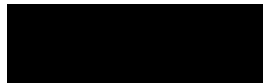
BILL TO



NORTH SALT LAKE, UT 84054-



INVOICE ID



DATE

2016-05-20

STATUS

PAID

Item	Qty	Price	Subtotal
Base Phone Service	1	\$0.00	\$0.00

Subtotal: \$0.00

Taxes and Fees for 84054:

Regulatory Compliance Fee: \$1.98

911 Service Fee: \$1.79

Federal Universal Service Charge and Regulatory Fees: \$0.46

Total: \$4.23

Thanks for being an Ooma customer!



Supplemental Table I. Voice Subscriptions (in Thousands) - Utah

Reference	Data element	Dec 2015	June 2015	Dec 2014	June 2014
1	Mobile telephony	2,751	2,664	2,620	2,537
2	Directly-billed or prepaid	2,569	2,479	2,421	2,343
3	Not directly-billed or prepaid	182	185	198	194
4	Wireline End-User Switched Access Lines and Interconnected VoIP Subscriptions	860	852	855	853
5	Incumbent LECs	425	431	444	451
6	Other (Non-ILECs) - Note: ILEC voice-service affiliate operating outside ILEC's study area is included here.	435	421	411	403
7	Consumer-grade service	386	388	405	417
8	Incumbent LECs	193	204	217	233
9	Other (Non-ILECs)	192	184	188	184
10	Business & Government-grade service	475	463	450	436
11	Incumbent LECs	232	227	227	218
12	Other (Non-ILECs)	243	236	222	218
13	Local exchange telephone service (Switched Access Lines)	456	477	507	532
14	Incumbent LECs	363	380	402	422
15	Other (Non-ILECs) - Note: ILEC voice-service affiliate operating outside ILEC's study area is included here.	93	97	105	110
16	Consumer-grade service	201	210	225	240
17	Incumbent LECs	193	204	217	233
18	Other (Non-ILECs)	8	6	8	7
19	Business & Government-grade service	255	267	282	292
20	Incumbent LECs	170	176	184	190
21	Other (Non-ILECs)	85	91	97	103
22	Interconnected VoIP Subscriptions - Note: Includes both Over-the-top (OTT) and All Other sub-categories.	404	375	348	321
23	Incumbent LECs	63	51	43	28
24	Other (Non-ILECs) - Note: ILEC voice-service affiliate operating outside ILEC's study area is included here.	342	324	305	293
25	Consumer-grade service	185	178	180	177
26	Incumbent LECs	0	0	0	0
27	Other (Non-ILECs)	185	178	180	177
28	Business & Government-grade service	220	197	168	144
29	Incumbent LECs	63	51	43	28
30	Other (Non-ILECs)	157	145	125	116
31	Over-the-top interconnected VoIP	67	64	58	58
32	Incumbent LECs	0	-	-	-
33	Other (Non-ILECs) - Note: ILEC voice-service affiliate operating outside ILEC's study area is included here.	67	64	58	58
34	Consumer-grade service	28	27	28	27
35	Incumbent LECs	0	-	-	-
36	Other (Non-ILECs)	28	27	28	27
37	Business & Government-grade service	39	37	30	31
38	Incumbent LECs	-	-	-	-
39	Other (Non-ILECs)	39	37	30	31
40	All Other interconnected VoIP	337	311	290	263
41	Incumbent LECs	63	51	43	28
42	Other (Non-ILECs) - Note: ILEC voice-service affiliate operating outside ILEC's study area is included here.	275	260	248	235
43	Consumer-grade service	157	151	152	150
44	Incumbent LECs	0	0	0	0
45	Other (Non-ILECs)	157	151	152	150
46	Business & Government-grade service	181	160	138	113
47	Incumbent LECs	63	51	43	28
48	Other (Non-ILECs)	118	108	95	85
75	Non-Incumbent LEC local exchange telephone service by means of provisioning	93	97	105	110
76	Provided over owned last-mile facilities	15	16	18	21
77	Provided over UNE-L obtained from unaffiliated entity	27	29	33	36
78	Provided over other services obtained from unaffiliated entity	51	51	54	53
93	End user buys local exchange telephone service and Internet access service from same entity	213	226	232	243
96	End user buys interconnected VoIP and Internet access service from same entity	298	269	252	228

CERTIFICATE OF SERVICE
VIA EMAIL TRANSMISSION
Docket No. 17-R360-01

I hereby certify that on the 26th day of April, 2017, I caused a true and correct copy of the foregoing CENTURYLINK'S COMMENTS to be served upon the following persons via electronic mail at the e-mail addresses shown below.

Public Service Commission:

psc@utah.gov

Utah Division of Public Utilities:

Justin Jetter – jjetter@utah.gov

Bill Duncan – wduncan@utah.gov

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Erika Tedder – etedder@utah.gov

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