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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 SUPPLEMENTAL REPLY COMMENTS OF QWEST CORPORATION D/B/A CENTURYLINK QC

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"),[1] and its subsequent clarification and reconsideration orders. The Commission directed the Division of Public Utilities ("DPU") to study and report on the need for possible changes in public utility regulations or laws pertaining to the Utah USF, arising from the FCC Order. The Commission identified specific items in the Notice that the DPU is to address in its report. Qwest Corporation d/b/a CenturyLink QC ("CenturyLink") filed Comments and Reply Comments on November 30, 2012 and December 21, 2012 respectively. DPU conducted a

[1] *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and reasonable Rate 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).

technical conference on January 10, 2013. At the conclusion of the technical conference, the DPU provided the parties an opportunity to file supplemental reply comments.

CenturyLink stated in its Comments that "CenturyLink has Carrier of Last Resort ("COLR") and other regulatory obligations that arose when it was a monopoly telephone provider. If support shortfalls are not corrected, then regulatory burdens such as COLR obligations must be eliminated because (1) they represent unfunded mandates and (2) they would not allow consumers to benefit from equitable competition among providers."[2] AARP did not file Comments on November 30, 2012, but did file Reply Comments on December 21, 2012. In its Reply Comments, AARP indicated that it "disagrees with CenturyLink's attempt to link the receipt of universal service support with carrier of last resort ("COLR") obligations.[3] Without any analysis, AARP claims that COLR obligations are not related to the receipt of universal service support. Further, AARP was not present at the January 10, 2013 technical conference to discuss this issue.

COLR obligations and universal support are absolutely intertwined. Given competition from a variety of technologies throughout its territory, COLR obligations for CenturyLink should be eliminated except in areas where there is state universal service support for defined services. In competitive areas, CenturyLink should be treated as any other competitor and should not be subject to unique legacy requirements such as COLR.

State and federal public policy have supported the concept of universal voice service (*i.e.*, service made available to all customers who request it and are willing to pay for it) for nearly 80 years. Incumbent local exchange carriers ("ILECs") were assigned service territories and were required to implement universal service goals through carrier of last resort obligations.

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[2] CenturyLink Comments, p. 4.
[3] AARP Reply Comments, p. 7.

Historically, in a monopoly environment, this obligation made sense since it was supported via implicit subsidies (urban subsidized rural, business subsidized residential, long distance subsidized local) that kept rates affordable for consumers in high cost areas. However, as competition has exploded over the past two decades, these implicit subsidies have been significantly eroded and are no longer sustainable. Economic principles predict that competition comes first and strongest in areas where service margins are the highest. Competitors initially entered the long distance area, reducing prices and the profits that subsidized local service. Then the 1996 Telecom Act allowed competitors into local markets, ultimately reducing the subsidies provided to high cost rural areas through urban and business retail prices. Further, intermodal competition from wireless and VoIP technologies has further eliminated the ability of CenturyLink to maintain implicit subsidies.

As competition eroded implicit subsidies, the federal government and many states reacted by establishing universal service funds designed to assist in supporting universal service goals through explicit subsidies. Although these funds are not perfect, policy changes over time have helped to fund the COLR obligations of ILECs in high cost areas. The most recent policy change, manifested in the FCC Order, establishes the Connect America Fund ("CAF"), and continues the promise of universal service by expanding the universal service concept to broadband.

The FCC has reiterated the need for universal service and has expanded its goals in the recent FCC Order. The federal CAF, which is designed to achieve an effective national universal broadband policy, has the potential to expand broadband (with voice) into many unserved and underserved areas, but it will not provide any support in the highest cost areas, leaving a gap in funding for COLR voice obligations. In these high cost areas where federal support will no longer be available or will not provide adequate support, the Utah USF will be critical to close the gap and enable carriers to continue to provide consumers with affordable voice services.

Whichever carrier or carrier-class bears the burden of COLR in high cost areas, the cost of those obligations must be explicitly funded. In effect, the COLR is a social contract, where the ILEC (or other provider) agrees to provide service in high cost areas in exchange for either implicit or explicit subsidies—so that rates in high cost areas can remain reasonably comparable. With the erosion of the old monopoly and its implicit subsidies, the obligations of COLR must be paired with explicit support via a universal service fund. Instituting COLR obligations without commensurate funding represents an unfunded mandate that places the company with the COLR obligation at a significant competitive disadvantage, which would ultimately harm its customers. Requiring obligations without funding is effectively the same as having no COLR policy.

CenturyLink appreciates the opportunity to submit Supplemental Reply Comments, and looks forward to continued participation in this docket, including providing comments on the DPU report.

DATED this 31st day of January, 2013.

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