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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
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FINAL REPLY COMMENTS OF THE UTAH RURAL TELECOM ASSOCIATION

The Utah Rural Telecom Association (“URTA”) welcomes the opportunity to provide these final comments addressing potential changes in the regulation of the Utah Universal Service Public Telecommunications Service Support Fund (“UUSF”)¹ in response to changes to the federal Universal Service Fund (“USF”) high cost programs in the above captioned docket.

As previously indicated, the URTA members have typically been recipients of high cost support from the Utah Universal Service Fund. The URTA members use UUSF funds to provide robust and advanced telecommunications services to rural areas of the state where the costs associated with providing telecommunications services would be too high without universal support. The telecommunications networks developed by URTA members require continued support from the UUSF so that they can be effectively maintained and operated. Therefore, URTA members are very concerned with the continuation of the UUSF. While URTA members

¹ Utah Code Ann. Section 54-8b-15

acknowledge that Utah may need to consider reforms to the UUSF in the future, URTA cautions against making any changes to the UUSF at this time, while the Federal USF program is in a state of flux.

URTA believes that the first question the Public Service Commission should consider is whether now is the appropriate time for reform of the UUSF.

**Reform to the UUSF is Premature as
the Public Policy Goals of UUSF Still Require Funding.**

Universal telecommunications services as a public policy goal means ubiquitous availability of specified telecommunications services delivered at an affordable price so that every household is able to connect to the telephone network if it chooses to do so. Both the Federal Universal Service Fund and the Utah Universal Service Fund operate to preserve and promote universal service by ensuring that customers have access to affordable basic telephone service.

Various parties in this docket have argued that the goals of the universal service program have been met, and thus the UUSF is no longer necessary. This is not even remotely accurate. While it is true that customers currently have access to affordable basic telephone service, the networks which provide the universal telephone service require constant maintenance and upgrades to maintain the robust and reliable service. Without ongoing universal service financial support, rural companies in high cost areas will have to choose between maintaining and upgrading their networks without support, or foregoing maintenance and upgrades in such high cost areas. In the first instance, customers in high cost areas will bear the added costs of providing service in high cost areas, and will thus, not have access to “affordable” basic telephone service. In the second instance, if companies forego maintenance and fail to upgrade the technology of their networks, the networks will eventually deteriorate and become

technologically obsolete. In either event, it is just a matter of time before the goal of “customer access to affordable basic telephone service” will not be met in high cost areas.

A. Economic Development is Reliant on a Robust Telecommunications Network

The impact of the loss of a robust telecommunications network in rural Utah cannot be overstated. As stated previously, the public interest benefits of the UUSF program are enjoyed by the end-user customers throughout the entire state of Utah in both rural and urban areas. Not only does the UUSF program permit residents and businesses in rural Utah to maintain contact with the rest of the state, but it permits residents and businesses on the Wasatch front to maintain contact with the rural areas—rural areas that contain substantial natural resources and promote economic development in the state as a whole.

For example, the oil industry in the Uintah Basin, the coal industry in Carbon and Emery County, and the tourism industry surrounding Utah’s national parks, rely heavily on the telecommunications infrastructure installed and maintained by the URTA members, to operate and develop these industries. There can be no disputing that the state as a whole relies heavily on, and benefits greatly from the oil, coal and tourism industries located in rural Utah.

Additionally, the communities surrounding these “industries” benefit from, and rely on, the telecommunications network for access to libraries, schools, and health networks. URTA members have partnered with the Utah Education Network to provide advanced telecommunications services to the schools, and URTA members rely in part on state UUSF funds to install, maintain, and upgrade these facilities, and to provide affordable telecommunications services on an ongoing basis in these high cost areas and communities. Education and health care in rural Utah would be negatively impacted by a reduction in UUSF support.

B. Utah Should Refrain From Reformation of the State UUSF Until the Impact of the Federal Reforms is Understood.

As nearly every party providing comments in this docket has pointed out, the state of the Federal USF program is in a state of uncertainty at this time. When the Transformation Order was first issued, there was valid concern amongst most of the states with State USF programs, that their state funds would be overly burdened by “picking up the slack” that reform of the federal system created. However, the urgency for state reaction to the Transformation Order, has diminished. Since the Transformation Order was issued, the FCC has revised some of its reforms and has reduced the economic impact either indefinitely or until a later time. The reform under the Transformation Order is in flux and it is not currently known what the FCC reform impact will be until after all proposed rulemaking items are finalized by the FCC.

As a result, companies have not flooded into the Commission asking for increases in their state USF draws. In fact, there has not been one rate case filed since the Transformation Order was issued. At this point, there simply is no need to immediately reform the State UUSF. The prudent course of action by the Legislature would be to take the matter under advisement, but not make any state reforms until the industry has more certainty about the federal reforms.

Currently, the UUSF provides state support in high cost areas to rate of return regulated companies with carrier of last resort obligations. The Commission can continue to examine the investment and expenses associated with regulated activities for any company seeking an increase in UUSF distribution to determine whether a company has demonstrated its financial need before support is disbursed. This process ensures the public interest is met for UUSF distributions in the near term. As indicated previously by URTA, and echoed by other participants in this proceeding, while it may be appropriate to consider reforms to UUSF

distribution methods and procedures in the future, the state UUSF should not be redesigned until all parties know the full impact of the federal changes. There is no question that the FCC changes will have a tremendous impact on the telecommunications carriers and industry. However, the total impact of the FCC changes is unknown at this time. Thus, it is premature for the State of Utah to consider UUSF reforms at this time. Once the federal changes have been fleshed out, the state of Utah and its telecommunications providers will be better equipped to identify what reforms are actually needed and will better understand how to implement those reforms in conjunction with the federal USF program.

C. Additional Issues.

At the Technical Conference, CenturyLink added three additional issues to the matrix prepared by the Division. URTA has previously commented on two of those issues. With regard to the last issue relating to assessing a surcharge on “connections” rather than based on revenues, URTA believes that funding of the UUSF should be examined after reforms of the UUSF purpose are examined. For example, if broadband is included as a UUSF supported service, then connection reform can be considered to mirror any reforms associated with repurposing the fund. However, the order of review by the Commission and the Legislature should be first to examine whether or not to repurpose the fund to include broadband. If it is determined that the fund should include support of broadband, the question of who should contribute to the fund, and on what basis, should be considered next. Finally, distributions from the fund should be examined. In connection with consideration of distributions, the Commission and the Legislature will need to consider eligibility for disbursements; obligations associated with receipt of disbursements; calculation of amount of eligibility; and accountability of those receiving disbursements from the

fund. These are all valid points that merit further discussion, if and when, it is determined that the UUSF should be repurposed.

Conclusion

Continued economic development and growth in the state of Utah is dependent on an advanced statewide telecommunications wireline network. The UUSF is critical to the maintenance and development of that network. URTA commends the PSC and the Legislature for commissioning this study and preparing Utah for the future. However, URTA strongly recommends that state reforms be delayed until there is clarification from the FCC on the federal USF program.

Respectfully submitted this 31st day of January, 2013.

BLACKBURN & STOLL, LC

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Association

CERTIFICATE OF SERVICE
Docket No. 12-999-10

I hereby certify that on the 31st day of January, 2013, I served a true and correct copy of Utah Rural Telecom Association's Final Comments via e-mail transmission to the following persons at the e-mail addresses listed below, and was emailed to each individual who received (via email) the PSC Request for Comments and Notice of Technical Conference:

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