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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)	<u>DOCKET NO. 12-999-10</u>
Utah Universal Public Telecommunications)	Supplemental Reply Comments of Verizon
Service Support Fund, in Response to)	
Recent Changes in the Federal Universal)	
Service Fund Program)	

Verizon¹ submits this response to certain points made in reply comments relating to the Commission’s review of the Universal Public Telecommunications Service Support Fund (the “Fund”). To the extent Verizon does not address all of the issues raised by other parties here, it stands by the factual presentation and positions set forth in its previous submissions.

In earlier comments, Verizon explained that the telecommunications marketplace in Utah has changed radically since the Fund was established. The stunning growth of intermodal services, including wireless, has enabled consumers throughout Utah to have access to basic

¹ The Verizon affiliates participating in these comments include MCI Communications Services, Inc., d/b/a Verizon Business Services LLC; MCImetro Access Transmission Services LLC, d/b/a Verizon Access Transmission Services; Teleconnect Long Distance Services and Systems Company d/b/a Telecom*USA; TTI National, Inc.; Cellco Partnership d/b/a Verizon Wireless; Cellular, Inc. Financial Corporation d/b/a Verizon Wireless; Cellular Inc. Network Corporation d/b/a Verizon Wireless; Verizon Wireless Telecom Inc. d/b/a Verizon Wireless; Verizon Wireless (VAW) LLC d/b/a Verizon Wireless; and Wasatch Utah RSA No. 2 Limited Partnership d/b/a Verizon Wireless.

telephone service at reasonable and affordable rates, and thus fulfilled notions of universal service that were rooted in the monopoly-wireline provider world.

In reply comments, three parties sought to minimize the importance of wireless communications in achieving the state's universal service policy goals. Their arguments are not well-placed.

CenturyLink agrees that "wireless competition is flourishing in much of Utah," and that "[t]here is little question that wireless service is replacing wireline service for many customers and is serving as a price constraining substitute for wireline service in much of Utah today." CenturyLink at 4. CenturyLink suggests, however, that because wireless services do not provide coverage "in all areas," there is no justification for eliminating universal service funding anywhere. The argument that wireless is not sufficient to ensure the availability of basic voice service to "all" customers does nothing more than raise a question of fact as to what portion of "all" would continue to require support. CenturyLink says nothing to address that question, but there are sufficient tools available to examine that question on a case-by-case basis. The suggestion that "all" of an area must be served by one or more unsubsidized competitors to negate the need to provide any support is also unreasonable because even wireline service does not exist in "all" parts of a local exchange carrier's wire center. Thus, the standard CenturyLink proposed is not reasonable, and overlooks the facts that wireless coverage is extensive and that multiple wireless providers are providing service to customers throughout most of Utah.

The Utah Rural Telecom Association ("URTA") suggests that the prevalence of wireless services does not negate the need for continued support of wireline networks because wireless services allegedly rely on a wireline backbone to transport traffic to and from a wireless network. URTA at 6. It is true that some wireless providers may use underlying wireline infrastructure to

backhaul wireless traffic to and from certain radio towers. In those situations, the wireless carrier typically purchases special access or private line circuits at rates that fully compensate the wireline carrier for the use of the facilities. These are not subsidized services that are supported by the Fund, and thus are not relevant to questions about the continued necessity of the Fund.

AARP states that wireless service “is a complement to” wireline service but disagrees that competition from wireless services is sufficient to show that basic telephone service is available to consumers at affordable rates. AARP at 3-5. The data provided by Verizon demonstrate that most consumers in Utah do, in fact, view wireless service as a reliable, dependable and affordable replacement for traditional wireline service. If they did not, wireless services would not have achieved the significant level of penetration they have. Fewer customers would have “cut the cord,” and fewer households would be using wireless as their predominant means of communicating. Consumers presumably consider the technical characteristics of different technologies and services when making their purchasing decisions—and many prefer the characteristics of wireless technology, including the mobility it affords. The existence of such differences does not negate the fact that, *from the individual user’s perspective*, consumers in Utah have access to and can obtain voice service of sufficient quality for their communications needs through various means at reasonable and affordable rates. Thus, it is consumers’ actual purchasing decisions and usage habits that must be considered when determining whether universal service is being achieved, that is, are consumers obtaining voice service at reasonable rates.

The reality is that consumers are increasingly relying on wireless technology and service providers to satisfy their voice communications needs irrespective of whether those services have the identical technical characteristics as traditional, copper-based wireline networks. Indeed,

37% of the households in Utah were wireless-only as of December 31, 2011, and wireless phones were either the exclusive or predominant form of voice communications in more than half of Utah households.² Both of those numbers will continue to grow. AARP asserts that most households continue to subscribe to wireline service, but that misses the point. In fact, some of the “wireline” service is actually provided by cable companies that are competing with traditional local exchange carriers.³ More importantly, the Fund is intended to ensure that “customers have access to” affordable basic telephone service.” Utah Code Ann. §54-8b-15(6)(b) (emphasis added). The fact that some customers continue to use traditional wireline phones does not negate the fact that in most areas all customers “have access” to voice telephone service from multiple suppliers -- meaning that the goal of the statute has been met. Because the purpose of the Fund has been achieved, it is appropriate to question whether Utah consumers should continue to be required to subsidize any firm that is offering service in those areas.

“Universal service” is a “technologically neutral” concept under state law. Utah Code Ann. §54-8b-15(5). Accordingly, there is neither a legal nor public policy rationale for concluding that universal service may not be achieved by means other than over traditional wireline networks. The FCC embraced this exact same principle in its *USF/ICC Transformation Order*. The FCC stated that the focus should be “on the functionality offered, not the specific technology used” to provide the service. Accordingly, it adopted a “technologically neutral approach” to universal service which recognizes that carriers may offer voice service over any

² See Verizon’s Comments (Nov. 30, 2012) at 5-7, citing studies and reports issued by the Centers for Disease Control (“CDC”) and FCC.

³ The CDC studies cited by AARP and Verizon include telephones provided by cable companies in the category of “landline” service.

platform.⁴ The FCC also made clear that carriers “may use any technology in the provision of voice telephony service” in meeting universal service objectives. *USF/ICC Transformation Order* at ¶80. The fact that the FCC and some other states have deemed wireless service providers eligible for USF funding -- along with the most powerful evidence, from consumers themselves -- shows that the existence of wireless services is a relevant consideration when deciding whether to continue providing subsidy support in certain areas.

Respectfully submitted,

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⁴ *Connect America Fund, et al*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17633 (2011) (*USF/ICC Transformation Order*) at ¶¶77, 80.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 31st day of January 2013, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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