Exh. SP-9
Docket UT-171082
Witness: Susie Paul

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **QWEST CORPORATION D/B/A CENTURYLINK QC,** **Respondent.**	**DOCKET UT-171082**

EXHIBIT TO
TESTIMONY OF

Susie Paul

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Letter from Philip E. Grate to Pat Hazzard, dated May 22, 2017

April 6, 2018

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CenturyLink™

May 22, 2017

Emailed and Hand Delivered

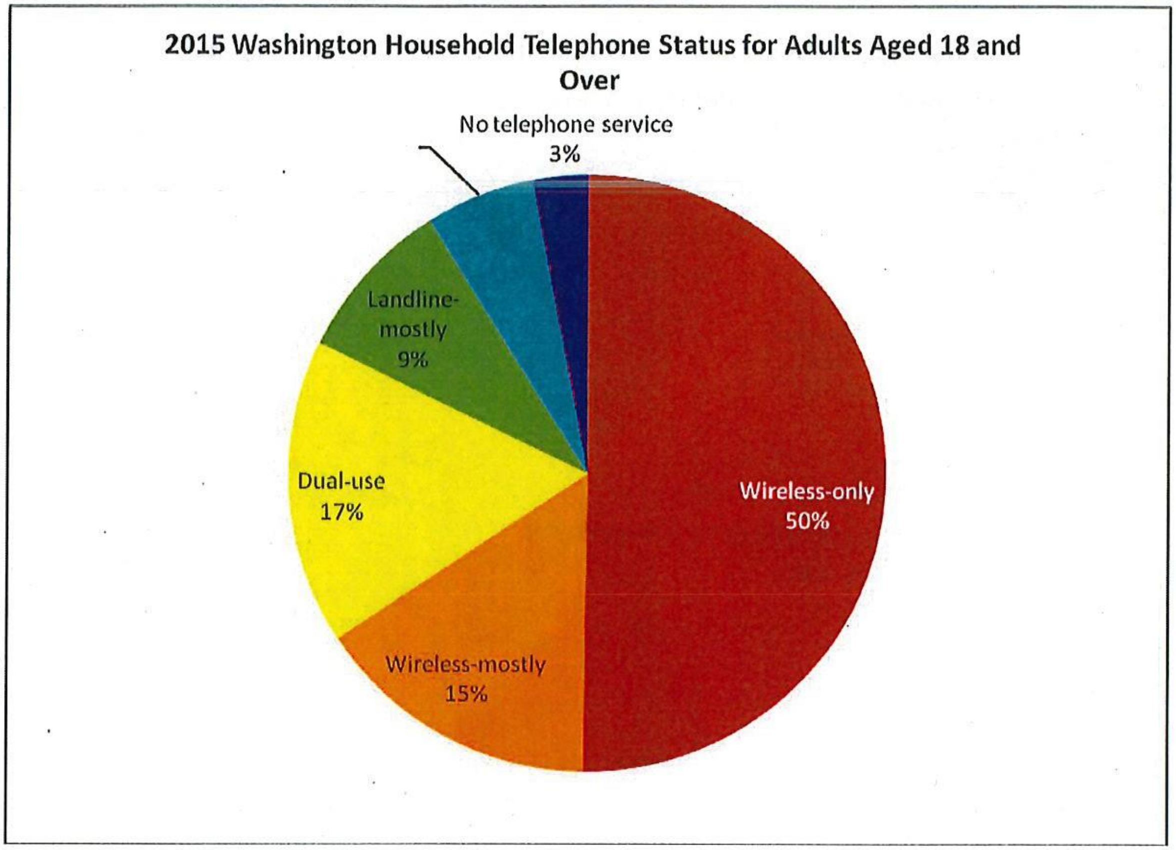
Pat Hazzard
Director, Safety and Consumer Protection
Washington Utilities and Transportation Commission
1300 S Evergreen Park Dr. SW
Olympia, Washington 98504

Dear Pat:

This letter addresses whether WAC 480-120-071(3) and WAC 480-120-071(4) should apply to a lot in a development where CenturyLink has no facilities because the developer of the development declined to enter into a Provisioning Agreement for Housing Development with CenturyLink. In this case there is also another provider offering wireline voice service to lots in the development.

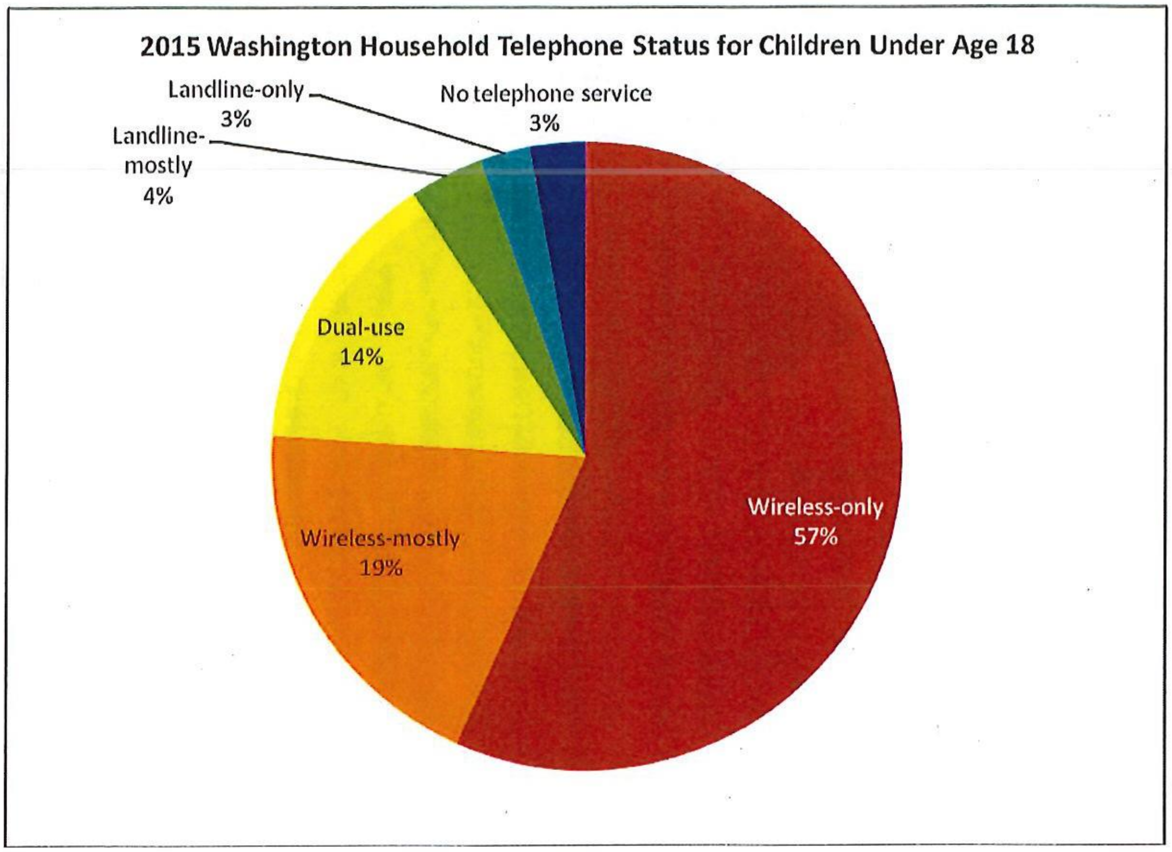
The purpose of this letter is twofold. First, I offer some charted data that explain the recent history of the voice telecommunications marketplace in Washington. Second, I briefly summarize the public policy reasons why the better interpretation of WAC 480-120-071(3) and WAC 480-120-071(4) is that they do not apply to a lot in a development where the Incumbent Local Exchange Carrier (ILEC) has no facilities because the developer of the development declined to enter into a Provisioning Agreement for Housing Development with the ILEC.

First, the charts.

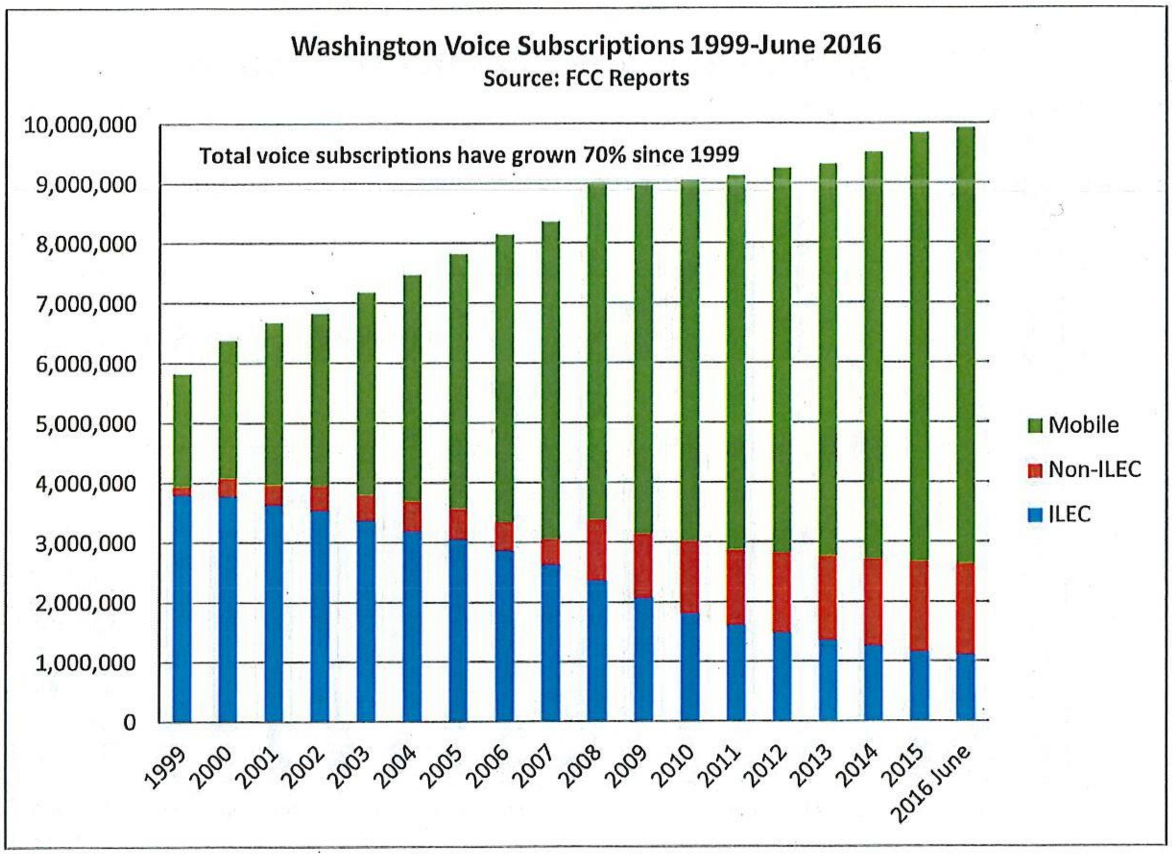


This is a chart of data from the National Center for Health Statistics National Health Interview Survey Early Release program. Here is a link to the NHIS - National Health Interview Survey Homepage and a link to the actual survey data in the chart.
http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless_state_201608.pdf

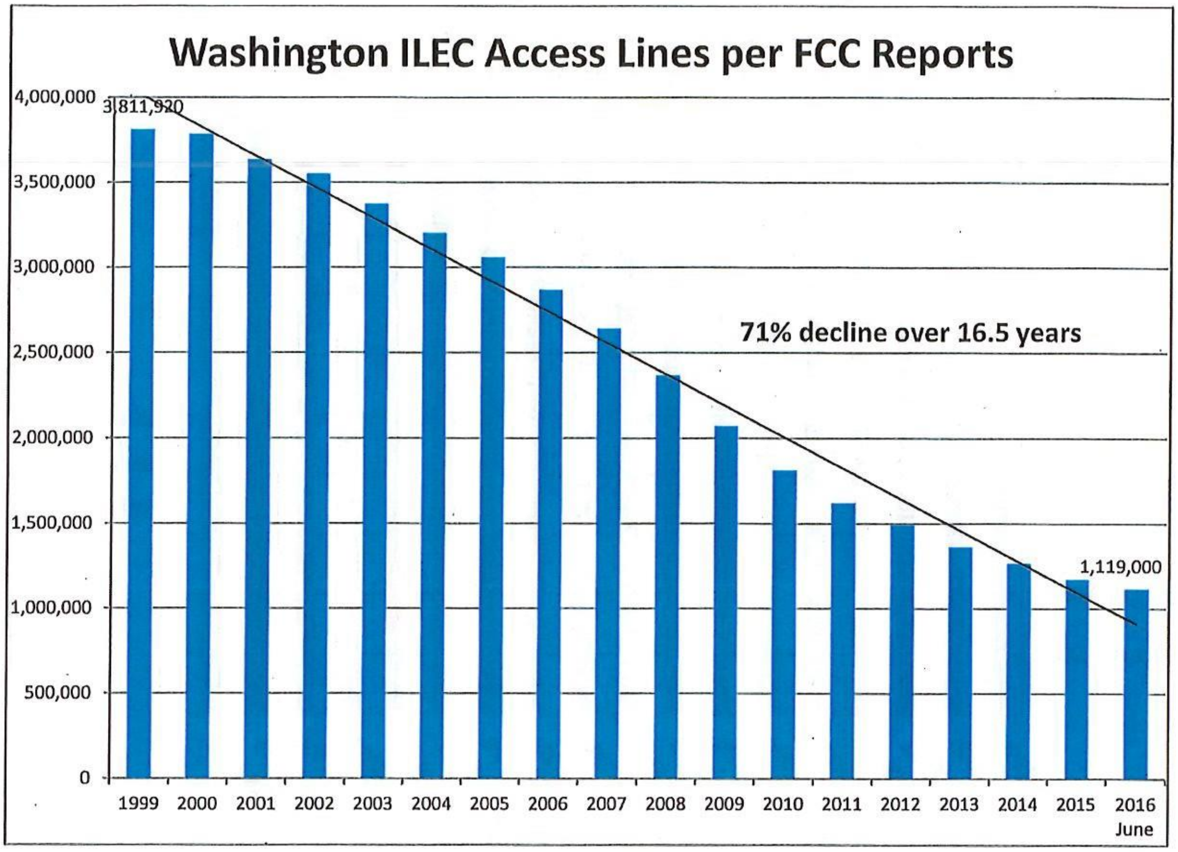
This NHIS data show that at the end of 2015, half of Washington households had no wireline phone service. The point is that wireless voice service is highly competitive with wireline voice service, a point the Commission recognized and endorsed in CenturyLink's AFOR proceeding when it accepted wireless service as a reasonably comparable substitute for wireline service.



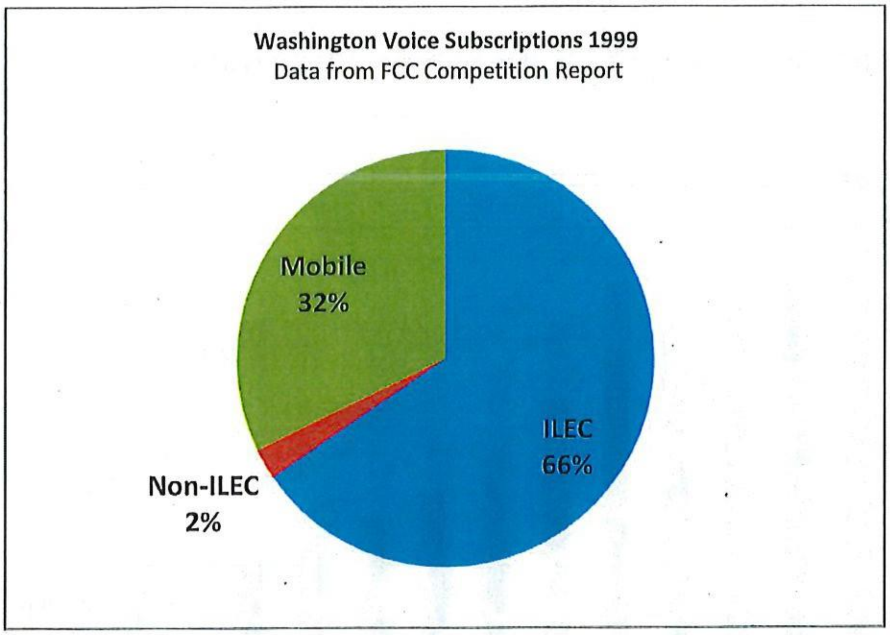
This chart shows that 76% of children under 18 rely exclusively or mostly on wireless voice.



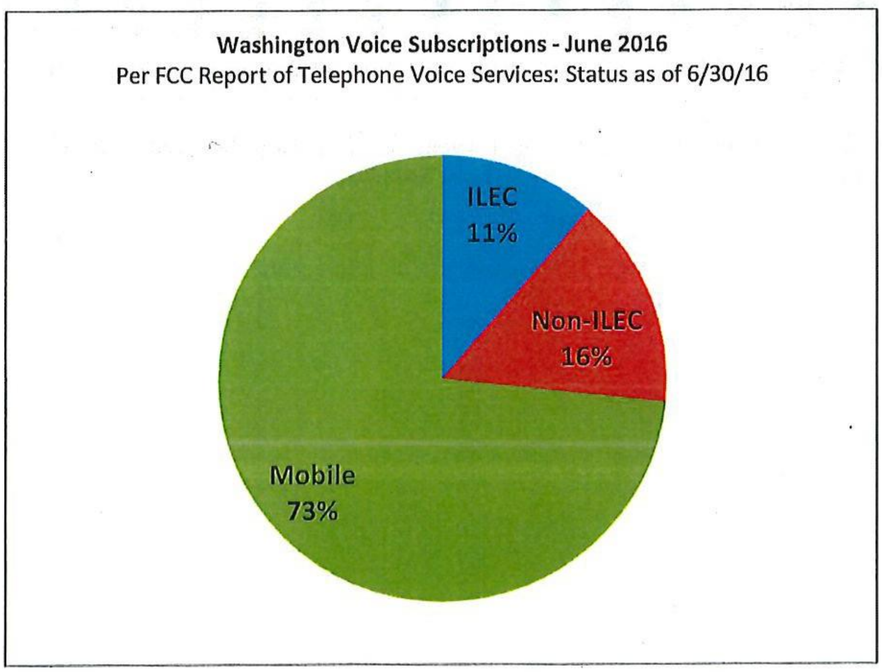
This chart shows public data taken from reports published by the FCC. It shows voice service subscriptions have increased 70% in Washington since 1999. It also shows that all of the growth has been with non-LIEC and, especially, mobile voice service. The same thing is happening nationwide.



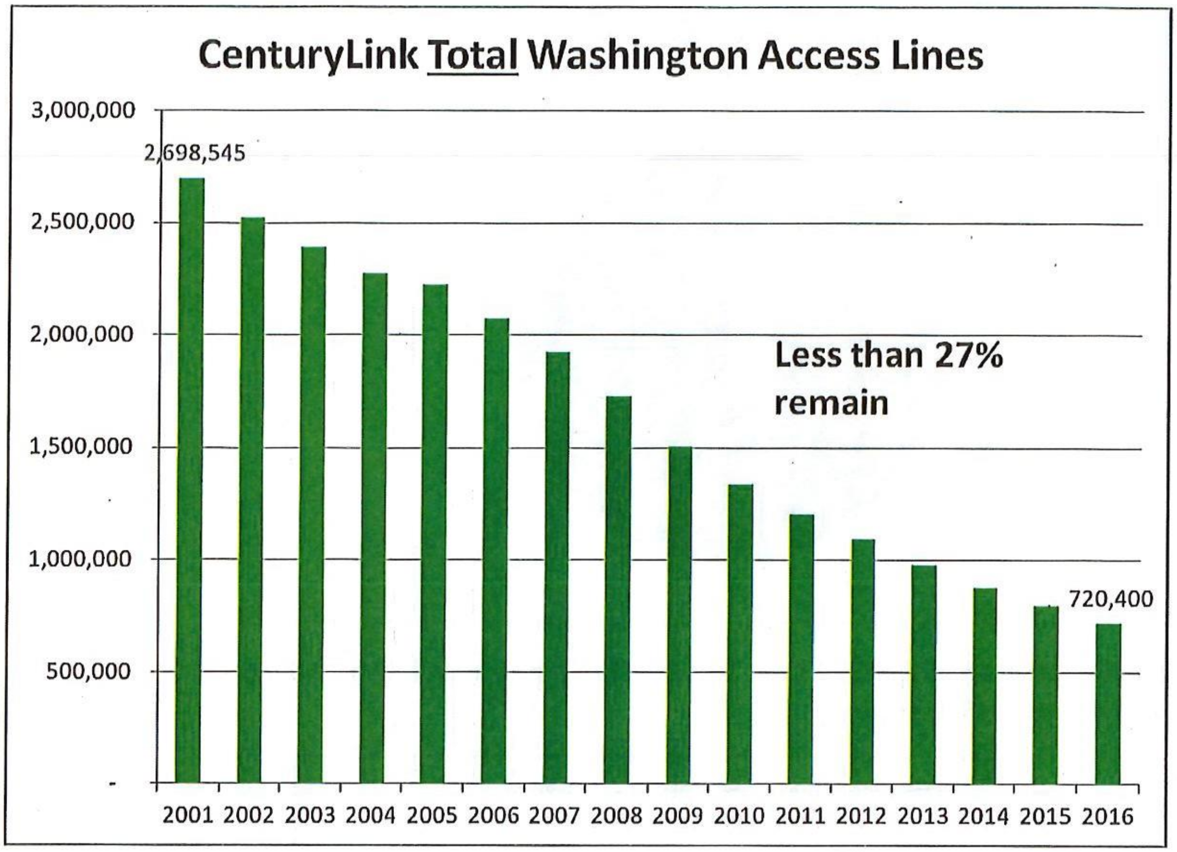
This chart isolates the ILEC data from the previous chart. It shows that while total Washington voice subscriptions have increased 70%, Washington's ILEC subscriptions have decreased 71% since 1999.



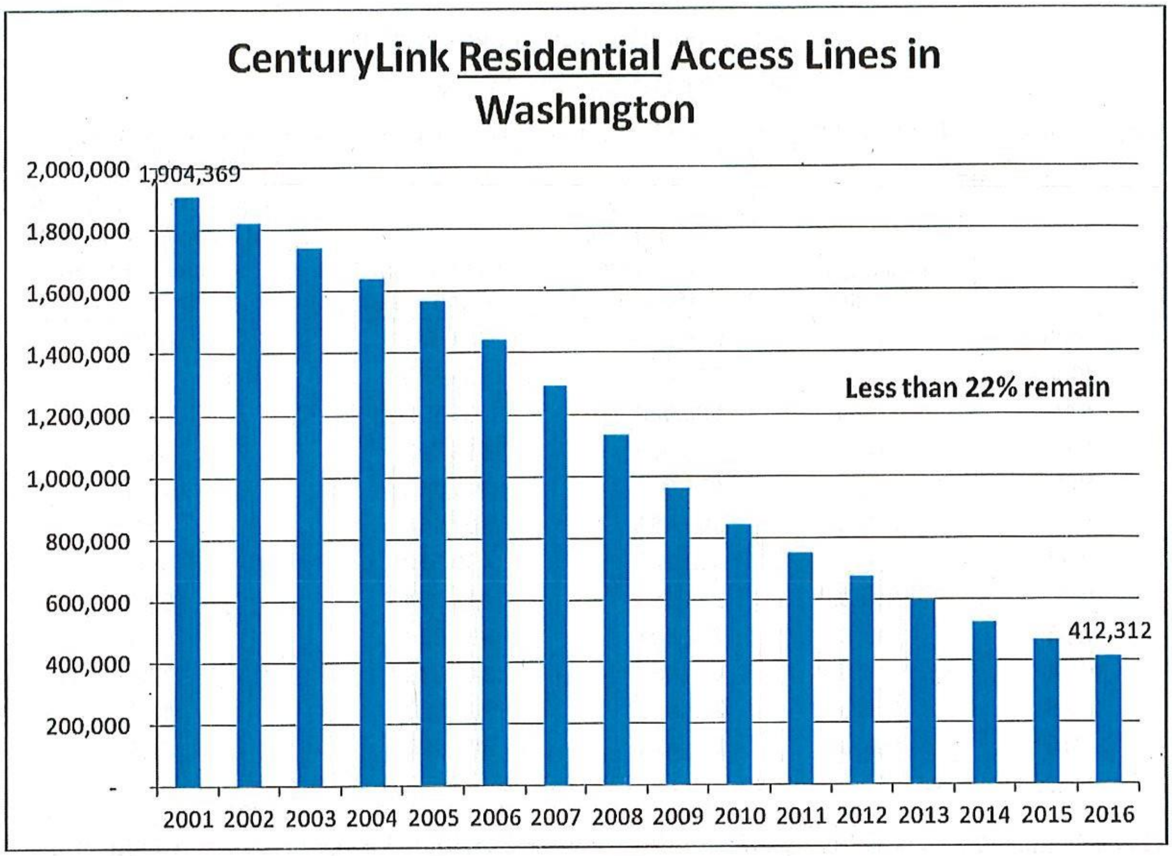
This is a pie chart of the 1999 data. It shows ILECs providing fully two thirds of all voice subscriptions in Washington.



And this is end-of-June 2016 data. By the middle of 2016, the once dominant ILECs provided only 11% of Washington's voice subscrptions.



This is a chart of CenturyLink only access lines. In just 15 years CenturyLink has lost 73% of the access lines it had in 2001.



This chart shows how CenturyLink's losses are are more severe in the residential market. CenturyLink has lost 78% of its residential access lines in 15 years.

Qwest Corporation d/b/a CenturyLink QC
Annual Washington Intrastate Revenues
As reported on its Annual Report to the Washington Utilities and Transportation Commission

	Annual Report Schedule	Basic Local Service Revenue ($1000's)	Annual Intrastate Revenue ($1000's)	Annual Intrastate Revenues as a Percent of Calendar Year 2005 Annual Intrastate Revenues
2005	Sch. 1	573,522	801,421	100%
2006	Sch. 1	546,433	755,543	94%
2007	Sch. 1	506,980	705,772	88%
2008	Sch. 1	488,069	656,043	82%
2009	Sch. 1	435,007	574,735	72%
2010	Sch. 1	383,481	503,934	63%
2011	Sch. 1	349,129	450,560	56%
2012	Sch. 1	313,980	413,294	52%
2013	Sch. 1	282,804	372,820	47%
2014	Sch. 1	258,465	344,938	43%
2015	Sch. 1	242,866	325,629	41%
2016	Sch. 1	223,474	308,299	38%

This schedule shows how highly effective competition has eroded legacy Qwest's (CenturyLink QC) Washington revenues over the past 11 years. CenturyLink QC's 2016 Washington revenues are half a billion dollars less than its 2005 revenues and just 38% of the revenues generated in 2005.

The ongoing access line and revenue loss is why it is important to shield CenturyLink from unnecessary line extension costs to lots in developments where other providers stand ready and willing to provide wireline service. Following is a summary of the public policy reasons for not requiring 1000' of free line extension to such lots.

If the Commission interprets the WAC to require 1000' of free line extension to lots in developments where the developer could have entered into a provisioning agreement for housing development (PAHD) and didn't, that will de-incentivize future developers from entering into PAHDs because they will know that they can shift the cost of creating a path for our facilities onto CenturyLink through free line extensions into their developments. In that case, we might as well not have the PAHD requirements.

Requiring 1000' of free line extension to developments where wireline and wireless services are already available from other providers will waste the ILECs' now very limited (and ever shrinking) resources that could be used for economically viable investments, including further deployment of broadband. CentryLink and other ILECs must be free to decline unnecessary uneconomic investment. This is especially important because the revenues available to operate a wireline voice network for people who have no other option continue their rapid decline.

The statute that gives rise to the Commission's line extension rule is RCW 80.36.090, Service to be furnished on demand, which, in pertinent part, provides:

> Every telecommunications company shall, upon reasonable notice, furnish to all persons and corporations who may apply therefor *and be reasonably entitled thereto* suitable and proper facilities and connections for telephonic communication and furnish telephone service as demanded.

The word "reasonably" is important here. Our point is that if another telecommunications company is ready and willing to serve a lot in a development where the ILEC has no facilities, the entitlement to service is being met, and there is no reasonable entitlement to service from a second provider. This interpretation of "reasonably entitled" is more economically sound than an interpretation that assumes ILECs (which are now a very small part of the voice ecosystem) must provide a 1000' of free line extension to any customer anywhere in their serving territory even when another telecommunications provider is already serving there.

Sincerely,

Philip E. Grate

Philip E. Grate

PEG/jga