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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission
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IN THE MATTER OF THE APPLICATION OF QWEST CORPORATION D/B/A CENTURYLINK-QC ("CENTURYLINK") TO CLASSIFY AND REGULATE RETAIL LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES AS COMPETITIVE, AND TO CLASSIFY AND DEREGULATE CERTAIN SERVICES AS NON-ESSENTIAL

DOCKET NO. T-01051B-11-0378

NOTICE OF FILING

Qwest Corporation d/b/a CenturyLink-QC hereby files the attached report in compliance with section 2.3 of the Settlement Agreement between and among Qwest Corporation, the Utilities Division Staff, RUCO, and AIC as approved in Decision No. 73354. This report provides data and information relative to the current state of competition for telecommunications services in the State of Arizona.

RESPECTFULLY SUBMITTED, this 21st day of February, 2013.

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ARIZONA COMPETITIVE REPORT

2-21-12

Introduction

In Decision 73354, released on August 21, 2012, the Commission approved a settlement reached by CenturyLink, the Arizona Corporation Utilities Staff ("Staff"), the Residential Utility Consumer Office ("RUCO") and the Arizona Investment Council in Docket T-01051B-11-0378 (In the Matter of the Application of Qwest Corporation dba Century Link QC to Classify and Regulate Retail Local Exchange Telecommunications Services as Competitive and to Classify and Deregulate Certain Services as Nonessential). Section 2.3 of the Settlement Agreement states:

CenturyLink Will file semi-annual reports with the Commission, Staff, and RUCO for a period of three years, commencing six months after the date of the Order Approving Settlement, setting forth data to be agreed with Staff and RUCO showing the state of competition in the State.

In addition, Section 2.4 of the Settlement Agreement specifies the competitive information that will be used to evaluate whether competition remains vibrant in the Arizona telecommunications market in the future:

After the expiration of at least 30 months from the date of the Order Approving Settlement, CenturyLink may make an additional submission in this docket, demonstrating that competition for voice services in Arizona is the same or greater than the levels CenturyLink's testimony and evidence claim exist at the time of the filing of the Application in this docket. CenturyLink's additional submission shall be based on competitive reports, data and statistics, including but not limited to the National Center for Health Statistics Wireless Substitution Report, the Federal Communications Commission ("FCC") Local Competition Report, and the FCC Internet Access Services Report. CenturyLink in such filing shall demonstrate that:

- a. The percentage of consumers who have no landline voice connection as specified in the National Center for Health Statistics Report, shall be 30% or greater;
- b. Wireless connections, as set forth in the FCC's Local Competition Report, shall represent 65% or greater of total voice connections in Arizona; and

- c. Access to VOIP providers shall be measured by xDSL broadband availability in Arizona, as set forth in the FCC Internet Access Services Report, and shall be 88% of households or greater.

The purpose of this first semi-annual report is to report on the current status of these competitive indicators, in order to meet the requirements of Condition 2.3. As demonstrated below, the impact of competition in the Arizona telecommunications market continues to increase, as customers move from CenturyLink and other ILEC services, to wireless, cable/CLEC and other alternatives. CenturyLink access lines in Arizona declined from 1,164,535 in December 2011 to 1,055,309 in December 2012, representing a decrease of 9.3% in the last year.

Most Recent Competitive Data

- A. *The percentage of consumers who have no landline voice connection as specified in the National Center for Health Statistics Report.*

In December, 2012, the National Center for Health Statistics (“NCHS”) released its most recent estimates of the percentage of households in the United States that have “cut the cord” and have only wireless telephones. For the time period of January-June 2012, the NCHS reported that 35.8% of American homes had only wireless service,¹ up from 33.4% in the previous study (July-December 2011) that was referenced in Docket T-01051B-11-0378. In October, 2012, the NCHS released its most recent state view of wireless substitution, and found that for the period January-December 2011, 38.2% of Arizona adults over 18 were living in households with wireless only telephone service.² The previous NCHS state-level report that was referenced in Docket T-01051B-11-0378, found that for the July 2009-June 2010 time period, 29.4% of adult Arizona wireless households were “wireless only.” Thus the level of “cord-cutting” in Arizona has continued to increase at a significant rate.

- B. *Wireless and Wireline connections, as set forth in the FCC’s Local Competition Report.*

The FCC released its most recent Local Competition Report in January 2013. According to this report, the number (in thousands) and percentage of ILEC wireline, non-ILEC wireline and wireless connections in Arizona as of December 31, 2011 were as follows:³

¹ *Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, January-June 2012*, Centers for Disease Control and Prevention, National Center for Health Statistics, released December 20, 2012, p. 1.

² *Wireless Substitution: State-level Estimates From the National Health Interview Survey, 2010-2011*, Centers for Disease Control and Prevention, National Center for Health Statistics, released April 20, 2011, Table 1.

³ *Local Telephone Competition: Status as of December 31, 2011*; Industry Analysis and Technology Division, Wireline Competition Bureau, January 2013, tables 9 and 18.

	Connections (000)	Percentage
ILEC	1,345	16.6%
Non-ILEC	1,228	15.1%
Wireless	5,532	68.3%

In the previous Local Competition Report referenced in Docket T-01051B-11-0378, the wireless share of Arizona voice telecommunications connections (based on December 2010 data) was 65.9%, while the ILEC wireline share was 18.4% and the non-ILEC share was 15.6%. Thus, the wireless share of voice connections in Arizona continues to increase.

C. xDSL broadband availability in Arizona, as set forth in the FCC Internet Access Services Report

The FCC released its latest Internet Services Report in February 2013, reflecting data as of December 31, 2011. According to this report, in areas where ILECs offer local telephone service, xDSL is available to 91% of residential end users,⁴ up from 90% in the previous report. Thus, the availability of high speed internet services—and the capability to utilize VoIP services—continues to increase in Arizona.

Respectfully submitted,



Robert Brigham
 Director - Regulatory Operations
 CenturyLink

⁴ *High Speed Services for Internet Access: Status as of December 31, 2011*, FCC Industry Analysis and Technology Division, Wireline Competition Bureau, February 2013, Table 22.