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BEFORE THE ARIZONA CORPORATION COMMISSION

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Commissioner

2013 AUG 21 P 4: 38

Arizona Corporation Commission

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2 CORP COMMISSION
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NR

**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 August, 2013.

QWEST CORPORATION d/b/a
CENTURYLINK-QC

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ARIZONA COMPETITIVE REPORT

8-21-13

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 second 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 1,055,309 in December 2012 to 999,339 in June 2013, representing an annualized decrease of more than 10%.

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 June, 2013 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 July-December 2012, the NCHS reported that 38.2% of American homes had only wireless service.¹ This represents a continued increase, from 35.8% in the previous study (January-June, 2012) and 33.4% in the study that was referenced in Docket T-01051B-11-0378 (July-December, 2011). As noted in the February 2013 semi-annual report, 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, and is well above the 30% level defined in the Settlement Agreement.

- 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 June 2013, reflecting June 2012 data. The last two columns in the table below provide the number (in thousands) of ILEC wireline, non-ILEC wireline and wireless connections in Arizona for June 2012, as well as the

¹ *Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July-December 2012*, Centers for Disease Control and Prevention, National Center for Health Statistics, released June 2013, 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 October 12, 2012, Table 1.

share percentages.³ For comparison purposes, this table also shows the number of connections and percentages for December 2010 (referenced in Docket T-01051B-11-0378) and December 2011 (referenced in the February semi-annual report).

	December 2010*		December 2011		June 2012	
ILEC	1,476	18.4%	1,345	16.6%	1,279	15.6%
Non-ILEC	1,254	15.6%	1,228	15.1%	1,238	15.1%
Wireless	5,285	65.9%	5,532	68.3%	5,695	69.3%

This table demonstrates that the wireless share of voice connections in Arizona continues to increase, and remains well above the 65% level defined in the Settlement Agreement.

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 May 2013, reflecting data as of June 30, 2012. According to this report, in areas where ILECs offer local telephone service, xDSL is available to 92% of residential end users,⁴ up from 91% in the previous report and 90% in the report before that. Thus, the availability of high speed internet services—and the capability to utilize VoIP services—continues to increase in Arizona. The 92% broadband availability percentage is well above the 88% level defined in the Settlement Agreement.

Respectfully submitted,



Robert Brigham
 Director - Regulatory Operations
 CenturyLink

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

⁴ *High Speed Services for Internet Access: Status as of June 30, 2012*, FCC Industry Analysis and Technology Division, Wireline Competition Bureau, May 2013, Table 22.