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BEFORE THE ARIZONA CORPORATION COMMISSION

AZ CORP COM

DOCKET CONF

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

2014 AUG 21 PM 2 21

Arizona Corporation Commission
DOCKETED

AUG 21 2014

ORIGINAL

DOCKETED BY 

DOCKET NO. T-01051B-11-0378

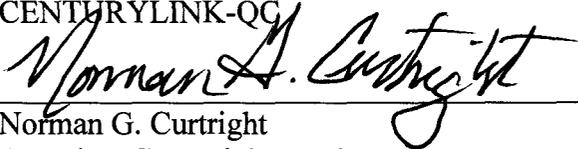
NOTICE OF FILING

**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**

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, 2014.

QWEST CORPORATION d/b/a
CENTURYLINK-QC



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this 21st day of August, 2014, with:

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ARIZONA COMPETITIVE REPORT

8-21-14

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 fourth 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 voice services, to wireless, cable/CLEC and other alternatives. CenturyLink retail access lines in Arizona declined from 947,258 in December 2013 to 890,503 in June 2014, representing an annualized decrease of more than 11%.

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 July, 2014 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 2013, the NCHS reported that 41.0% of American homes had only wireless service.¹ This represents a continued increase, from 39.4% in the previous study (July-December, 2013) and 33.4% in the study that was referenced in Docket T-01051B-11-0378 (July-December, 2011). As noted in the February Competitive Report, In December 2013, the NCHS released its most recent state view of wireless substitution, and found that for the period January-December 2012, 41.2% of Arizona adults over 18 were living in households without wireline telephone service.² The NCHS previously found that for the period January-December 2011, 38.2% of Arizona adults over 18 were living in households with wireless only telephone service.³ The 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—from 29.4% in 2010 to 41.2% in 2012—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.*

¹ *Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July-December 2014*, Centers for Disease Control and Prevention, National Center for Health Statistics, released July 2014, p. 1.

² *Wireless Substitution: State-level Estimates From the National Health Interview Survey, 2012*, Centers for Disease Control and Prevention, National Center for Health Statistics, released December 18, 2013, Table 1.

³ *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.

The FCC released its most recent Local Competition Report in June 2014, reflecting June 2013 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 2013, as well as the share percentages.⁴ For comparison purposes, this table also shows the number of Arizona connections and percentages for December 2011 and December 2012.

	December 2011		December 2013		June 2013	
ILEC	1,345	16.6%	1,224	14.8%	1,149	13.8%
Non-ILEC	1,228	15.1%	1,278	15.4%	1,326	15.9%
Wireless	5,532	68.3%	5,774	69.8%	5,869	70.3%

This table demonstrates that the wireless share of voice connections in Arizona continued to increase, and remains well above the 65% level defined in the Settlement Agreement. Also note that as of June 2014, non-ILEC wirelines continued to increase while ILEC wirelines declined.

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 June 2014, reflecting data as of June 30, 2013. As described in the February Competitive Report, *the FCC no longer provides the percent of xDSL availability for local telephone customers or the percent of cable modem availability for local cable customers in Arizona (formerly in Table 22 of the report).* Therefore, we cannot update the percentage of xDSL broadband availability for this report.

The latest FCC Internet Services Report does however include other data that demonstrates the growth of broadband, including the number of ADSL and Cable Modem connections. The table below shows the increase in ADSL and Cable Modem connections (at least 200 kbps) in Arizona between December 2011 and June 2013 (in thousands).⁵ Each of these subscribers has a high speed internet connection that can be used for the provision of Voice over Internet Protocol (“VoIP”) service, which serves as a substitute for traditional voice services.

⁴ *Local Telephone Competition: Status as of June 30, 2012*; Industry Analysis and Technology Division, Wireline Competition Bureau, June 2014, tables 9 and 18.

⁵ *High Speed Services for Internet Access: Status as of June 30, 2013*, FCC Industry Analysis and Technology Division, Wireline Competition Bureau, June 2014 Tables 19 and 20.

	Dec. 2011	Dec. 2012	June 2013
ADSL*	589	620	623
Cable Modem	1,169	1,210	1,188
Total**	1,713	1,759	1,835

*The latest FCC report corrects ADSL data for 2011 and 2012.

**Does not include fiber or wireless connections. As of June 2013, there were 3.274 million Broadband connections in Arizona.

Respectfully submitted,



Robert Brigham
Director - Regulatory Operations
CenturyLink