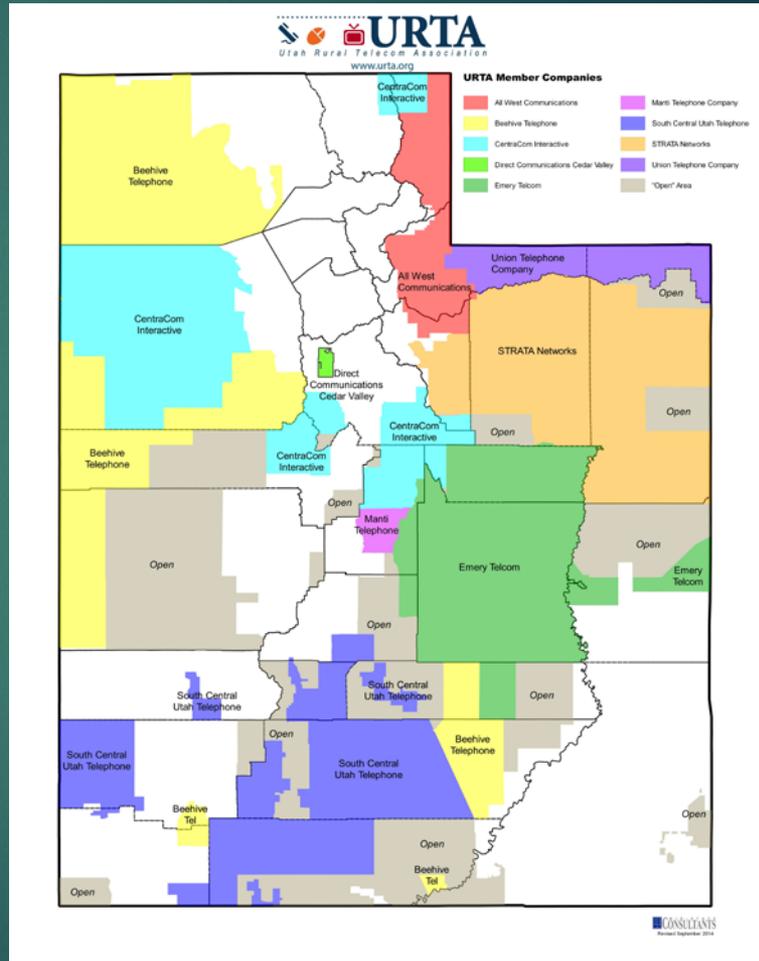


# URTA – State Universal Service

RESULTS AND FUTURE PROSPECTS

# Utah Rural Telecom Association

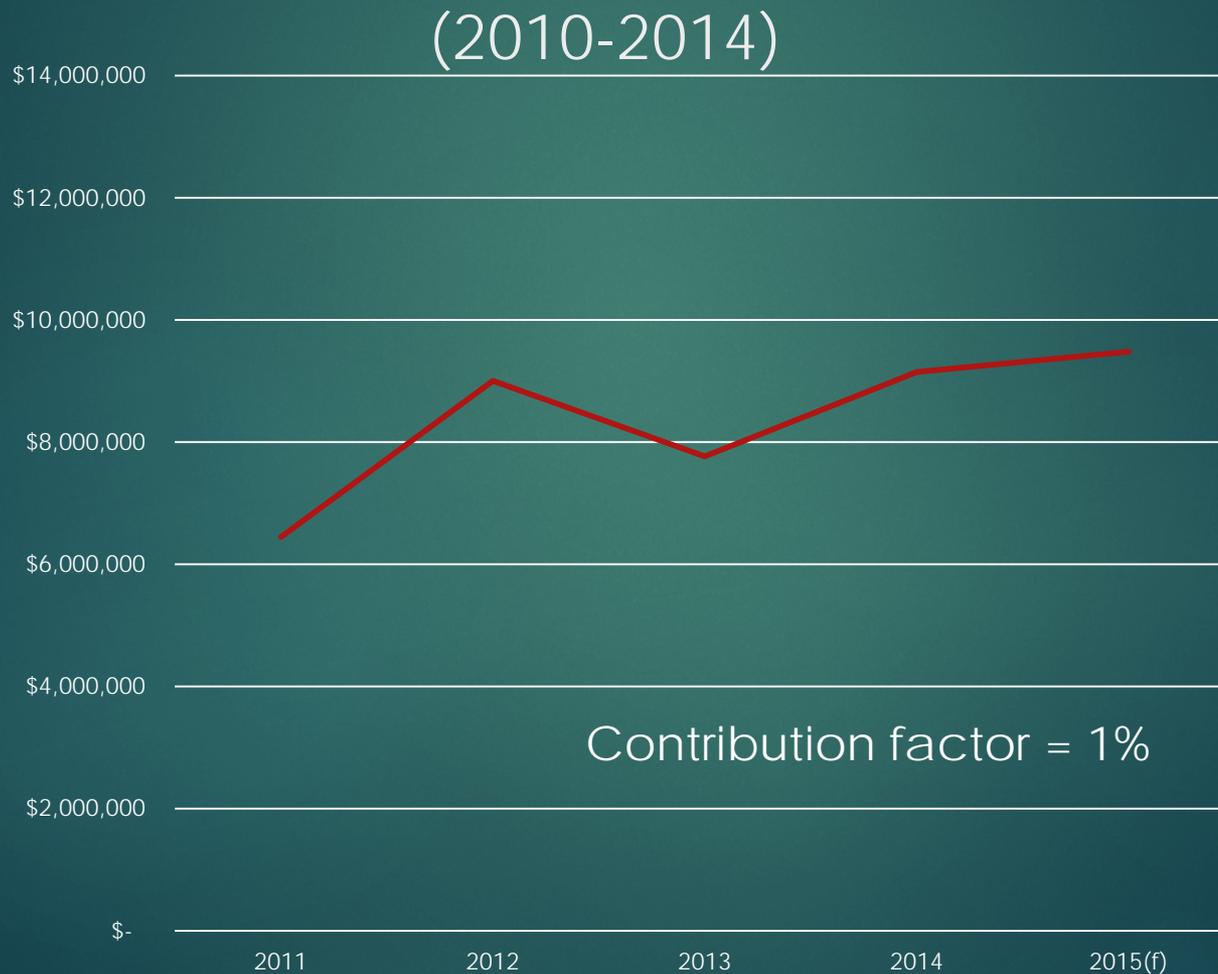
- ▶ There are 13 incumbent local exchange carrier members of the Utah Rural Telecom Association.
- ▶ URTA members
  - ▶ Serve a majority of the total land area of the state.
  - ▶ Provide basic and advanced telecommunications services to residences and businesses in rural Utah.



# Current High Cost Utah Universal Service

- ▶ Currently there are a total of 13 incumbent local exchange carriers that receive Utah High Cost Universal Service Support.
- ▶ Incumbent local exchange carriers in Utah received \$9,145,072 in 2014 from the Utah High Cost Universal Service Fund. This support enables these carriers to provide affordable telecommunications service to the residential and business customers throughout Utah.
- ▶ Without this support households and businesses would not receive basic and advanced telecommunications services.
- ▶ State High Cost Universal Service support is vital for the continued operation of URTA rate-of-return incumbent local exchange carriers.

# Utah High Cost Support Disbursements



# How Utah Universal Service Works for Utah

- ▶ Utah High Cost Support provides access to capital recovery and prudently incurred operational expenses that allow for the expansion, maintenance and operation of telecommunications infrastructure.
- ▶ Incumbent local exchange providers in Utah apply to the Utah Public Service Commission for Utah High Cost support.
  - ▶ The applications are rigorously reviewed and audited by the Division of Public Utilities to determine whether operational costs are reasonable and prudent, and to ascertain that the USF funds are used efficiently and in the public interest.

# Universal Service Provides Value to Utah

- ▶ The High Cost Universal Service Support the state provides to rural incumbent local exchange carriers allows the rural carriers to offers modern telecommunications services to rural areas of Utah.
  - ▶ Much of the current expansion of critical infrastructure involves extending fiber optic cables closer to end-user locations—this infrastructure provides a platform to offer telecommunications and advanced telecommunications services (including broadband) throughout the state.
  - ▶ These facilities promote:
    - ▶ Business and Tourism Opportunities
    - ▶ Public Safety
    - ▶ Medical Services
    - ▶ Educational Services
    - ▶ Wireless infrastructure
    - ▶ Connectivity to the World

# Federal Universal Service Reforms

- ▶ Currently the Federal Communications Commission is reviewing possible reforms for rural incumbent local exchange carriers.
- ▶ URTA members received \$20.9M in 2014 from various federal high-cost universal service programs.
- ▶ While some FCC proposals would reduce support to rural carriers, the FCC is committed to continue providing support for rural carrier networks.
- ▶ Unknown how future federal reforms will affect URTA members and the Utah High Cost Universal Service program.

# USF Audit Findings

## ▶ Audit Findings

- ▶ Utah USF Disbursements Could Quadruple by 2020.
- ▶ Utah USF Support should be used prudently and efficiently.

## ▶ URTA Responds

- ▶ Assumes a complete elimination of Federal USF. The FCC is committed to continue providing support for rural carrier networks.
- ▶ Utah has a very low contribution rate (1%). A typical residential user's USF contribution is currently \$0.07 per month.
- ▶ The current PSC process and rules ensures efficient and prudent use of UUSF dollars.

# URTA Members' Infrastructure is Critical

- ▶ Utah ranks high in deployment of telecommunications and broadband adoption.
- ▶ Rural areas of the state have access to 21<sup>st</sup> century networks because of the stable and predictable access to funding and support.
- ▶ Infrastructure cost recovery is a multi-decade process. For example, the economic life of undamaged or undisturbed fiber optic cable is 20 or more years. Utah Universal Service provides support over this life by helping recover annual depreciation expenses.
  - ▶ Removal or curtailment of high cost support would jeopardize the operations of URTA members and would impact end-user customer services.

# Utah High Cost Universal Service

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- ▶ Has been successful in providing support to telecommunications infrastructure and operations in the past.
- ▶ Is critical today in providing support.
- ▶ Will be vital for the continued operation of rural networks in the future.
- ▶ As federal USF is reformed, there may be an increased need for Utah High Cost Universal Support.
- ▶ URTA will cooperate with the Public Service Commission's current policies that ensure that Utah High Cost Support is used in an efficient and prudent manner to continue to add value to the State.

# Thank You

QUESTIONS AND ANSWERS