

October 26, 2016

Mr. Joe Cusick
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 83702
6774mailbox@gmail.com

Re: Regulation of VoIP/IP Services

Dear Mr. Cusick,

Frontier Communications appreciates the opportunity to comment on the question of whether legislation should be considered to pre-empt the regulation of VoIP and IP-enabled services, and whether there is a need for revision of other related Idaho Statutes. In general, Frontier agrees with other parties that believe VoIP/IP Services should not be regulated by the State of Idaho. However, Frontier is also concerned regarding the lack of competitive parity caused by applying various Idaho State telecommunications taxes, fees and surcharges¹ to customers of only one small subset of providers, mostly those that provide local exchange service and/or MTS/WATS type services. Centurylink's initial comments included a more detailed discussion of this issue and Frontier agrees with their position.

Language in the USF Statute defines local exchange service as the provision of access lines to customers with the associated transmission of two-way interactive switched voice communication within a local exchange area.² This effectively excludes Cable and other VoIP providers, Wireless Carriers and many CLECs from the requirement to contribute to support universal service. Similar language exists in other parts of the statutes that created the other programs and surcharges³. Yet, these service providers are in direct competition with Incumbent Local Exchange Carriers (ILECs) and the competing services they provide have been eroding ILEC market share for years. According to the FCC's most recent Local

¹ Idaho Universal Service Fund (USF), Idaho Telecommunications Service Assistance Program (ITSAP), Idaho Telecommunications Relay Service Fee (TRS), 911, and Regulatory fees to fund the operations of the Idaho PUC.

² Idaho Statutes § 62-610

³ With exceptions: Wireless providers contribute to ITSAP but not the other funds, VoIP providers only contribute to 911. At least one Cable Provider, Cable One, claims they collect and pay all surcharges, even though they are not required to do so by law.

Competition Report⁴, retail switched access lines now represent only about 15.1% of all telephone service connections nationwide. This places the burden of supporting these various funds mostly on a small subset of telecommunications users, the customers of the ILECs. The higher rates their customers are required to pay also put the ILECs at a clear competitive disadvantage, leading to further losses of lines and customers.

If the Legislature were to pursue pre-emption of VoIP/IP Service regulation, Frontier sees this as a great opportunity for a simultaneous and comprehensive revision of the other statutes that created these various funds and taxes in order to level the playing field for all telecommunications providers, including VoIP, Wireless and Local Exchange. Sections of the Idaho Statutes that should be modified include, at a minimum, those that address the state USF (§ 62-61x), ITSAP (§ 56-9xx), TRS (§ 61-13xx), 911 (§ 31-48xx) and Regulatory fees (§ 61-10xx). Even if the Legislature chooses not to pro-actively pre-empt regulation of VoIP/IP services at this time, parity is still a glaring problem that needs to be fixed to ensure a fair and competitive telecommunications marketplace in Idaho.

Regarding the draft VoIP Whitepaper Report to the Legislature, each of the three options presented should be modified to address the parity issue so that VoIP, Wireless, Local Exchange, and other types of telecommunications providers are all treated the same from a tax, fee and surcharge perspective. Indeed, Option 3 further exacerbates the parity problem by ensuring that any taxes on VoIP services will be charged only on VoIP services provisioned by ILECs.

Thank you again for the opportunity to comment and if you have any questions, please contact Kirk Lee at (425) 261-5855 or kirk.lee@ftr.com.

Sincerely,



R. Kirk Lee
Manager-Government and External Affairs

⁴ Voice Telephone Services: Status as of June 30, 2015, Page 2, Figure 1
http://transition.fcc.gov/Daily_Releases/Daily_Business/2016/db0805/DOC-340665A1.pdf