

Report on the Status of

Competition in the Telecommunications Industry



AS OF DECEMBER 31, 2012

Florida Public Service Commission
Office of Telecommunications

Table of Contents

Table of Contents	i
List of Tables and Figures.....	iii
List of Acronyms	iv
Executive Summary	1
Chapter I. Introduction and Background.....	5
Chapter II. Wireline Market Overview.....	7
A. Economy	7
B. Incumbent Carriers.....	7
C. Mergers/Acquisitions	9
Chapter III. Status of Wireline Competition in Florida.....	11
A. Wireline Access Lines in Florida.....	11
B. Wireline Market Share and Access Lines	12
C. Competitive Market Trends	16
D. Competitive Market Analysis and Statutory Issues	17
Chapter IV. Wireless, VoIP, and Broadband.....	23
A. Wireless.....	23
B. Voice over Internet Protocol (VoIP).....	27
C. Broadband	30
Chapter V. State Activities.....	33
A. Intercarrier Matters	33
B. Lifeline	37
C. Telephone Relay Service.....	37
D. Florida Broadband Grant Projects.....	38

Chapter VI. Federal Activities	41
A. Universal Service	41
B. Next Generation 911	45
C. TDM-to-IP Transition	46
Appendix A - List of Certificated CLECs as of 12/31/12	47
Appendix B - Summary of Complaints Filed By LECs	51
Glossary	52

List of Tables and Figures

Figure 3-1. Florida CLEC Wireline Market Share	12
Figure 3-2. Florida Residential & Business CLEC Market Share	13
Figure 3-3. Florida Access Line Trends	14
Figure 3-4. Florida CLEC Lines	15
Figure 3-5. Florida Residential Line Trends by ILECs and CLECs	16
Figure 3-6. Florida Business Line Trends by ILECs and CLECs	17
Figure 3-7. Telephone Service Penetration: Florida vs. Nation	20
Figure 4-1. Smartphones, Tablets, & Other Devices vs. Total Connections	23
Figure 4-2. Total 12-Month Wireless Service Revenues	25
Figure 4-3. U.S. Network Operator Share of Total Mobile Market	26
Figure 4-4. Florida Residential Interconnected VoIP Subscribers	29
Figure 4-5. Broadband and Dial-Up Adoption	30
Table 3-1. Summary of CLEC Residential Access Line Providers	12
Table 3-2. Florida Access Line Comparison	15
Table 6-1. 2011 Federal Universal Service Programs in Florida	41

List of Acronyms

Bus	Business
CAF	Connect America Fund
CDC	Centers for Disease Control
CLEC	Competitive Local Exchange Company
ETCs	Eligible Telecommunication Carriers
FCC	Federal Communications Commission
FiOS	Verizon's trademark name for its fiber-to-the-home package of services
FPSC	Florida Public Service Commission, the Commission
F.S.	Florida Statutes
ICA	Interconnection agreement
ILEC	Incumbent Local Exchange Company
IP	Internet Protocol
kbps	kilobits per second
LEC	Local Exchange Company
Mbps	Megabits per second
NG911	Next Generation 911
Res	Residential
USF	Universal Service Fund
USAC	Universal Service Administrative Company
VoIP	Voice over Internet Protocol

Executive Summary

This report fulfills the statutory obligations set forth in Section 364.386, Florida Statutes (F.S.), which requires the Florida Public Service Commission (the Commission or FPSC) to report on “the status of competition in the telecommunications industry” to the Legislature by August 1 of each year. The Commission is required to address specific topic areas within the realm of competition. On February 14, 2013, information requests were sent to the 10 incumbent local exchange companies (ILECs) and 266 competitive local exchange companies (CLECs) certificated by the Commission to operate in Florida, as of December 31, 2012.

Analysis of the data produced the following conclusions:

- Many CLECs reported offering a variety of services and packages comparable to those offered by ILECs. Subscribers to cable, wireless, and competitive wireline services continued to increase. These factors contribute to the conclusion that competitive providers are able to offer functionally equivalent services to both business and residential customers.
- The continued decrease in both business and residential ILEC access lines demonstrates customers are finding reasonable pricing packages and functionality with CLECs, cable providers, and wireless providers.
- Based on the continued growth of interconnected Voice over Internet Protocol (VoIP) services and wireless-only households, network reliability of non-ILEC providers is sufficient to satisfy customers. The FCC-reported telephone penetration rate of 93.7 percent for Florida suggests that the overwhelming majority of Florida residents are able to afford telephone service.¹ The number and variety of competitive choices among all types of service providers and recent high customer satisfaction rates for interconnected VoIP providers suggests that competition is having a positive impact on the telecommunications market in Florida.

Wireline Competition

The following data relates exclusively to the ILEC and CLEC wireline market and does not reflect the number of wireless and VoIP subscribers in Florida. For the second year in a row, total wireline business access line exceeded total residential lines. This report addresses changes in the telecommunications market for the period January 1, 2012, through December 31, 2012. Significant findings relating to the wireline market as of December 2012 include:

¹ FCC, “Telephone Subscribership in the United States as of July 2011,” December 2011, Table 3, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-311523A1.pdf, accessed on May 19, 2013.

CLEC Market Share

- CLECs' market share of all wireline access lines (residential and business) in Florida increased to 26 percent as of December 2012 from 20 percent in 2011.
- CLEC residential market share increased to 3 percent in 2012, from 2 percent in 2011.
- CLEC business market share increased to 45 percent in 2012, from 36 percent in 2011.

CLEC Access Lines

- Total CLEC access lines increased by 18 percent from December 31, 2011, to December 31, 2012.
 - CLEC residential access lines decreased by 2 percent.
 - CLEC business access lines increased by 19 percent.
- CLEC business access lines were 95 percent of total CLEC access lines served in 2012, compared to 94 percent in 2011.

ILEC Access Lines

- Total ILEC access lines decreased by 17 percent from December 31, 2011, to December 31, 2012.
 - ILEC residential and business lines each decreased by 17 percent.
- ILEC residential lines accounted for 58 percent of total ILEC access lines in 2012.
- ILEC business access lines were 42 percent of total ILEC lines served in 2012, unchanged from 2011.

Intermodal Competition

Wireless and VoIP services compete with traditional wireline service and represent a significant portion of today's communications market in Florida. Broadband service also provides the basis for some VoIP services. These three services are not subject to FPSC jurisdiction, and the FPSC relies on information collected from other sources for this analysis. However, the number of wireless handsets in service and VoIP customers in Florida far exceeds the 1.4 million wireline access lines served by CLECs. Four ILECs and 54 CLECs furnished VoIP data. Highlights relating to wireless, VoIP, and broadband services include:

Wireless

- Approximately 17.9 million wireless handsets were in service in Florida as of December 2011, the most current data available.
- The Centers for Disease Control (CDC) estimate that 38 percent of U.S. households were wireless-only as of December 2012.

VoIP

- An estimated 2.7 million Florida residential VoIP subscribers were reported as of December 2012, an increase of approximately 12 percent over the 2.4 million estimated in 2011.
- Fifty-four CLECs and four ILECs voluntarily reported 844,721 VoIP lines (residential and business) to the FPSC as of December 2012. This figure is an increase in VoIP lines of 27 percent from December 2011.
- The Florida Cable Telecommunications Association (FCTA) reported 2.1 million residential cable digital voice (VoIP) subscribers as of December 2012, an increase of five percent from the number reported for December 2011.

Broadband

- Fifty-one percent of Florida households have a fixed broadband connection with download speeds of at least 3 Mbps, as of June 2012.
- Seventy-four percent of Florida households have fixed broadband connections of 200 kbps or greater, as of June 2012.

Chapter I. Introduction and Background

In 1995, the Florida Legislature amended Chapter 364, F.S., to allow for competition in the state's local telecommunications markets. The Legislature found that "the competitive provision of telecommunications services, including local exchange telecommunications service, is in the public interest and will provide customers with freedom of choice, encourage the introduction of new telecommunications services, encourage technological innovation, and encourage investment in telecommunications infrastructure."

Chapter 364, F.S., sets forth the principles by which the FPSC regulates wireline telecommunications companies. Commission oversight is primarily focused on incumbent local telephone companies (ILECs). Competitors to the ILECs, known as CLECs, and interexchange companies (IXCs) are subject to minimal regulation. The Commission does not regulate wireless, broadband, or VoIP services.

Chapter 364, F.S., requires the Commission to prepare and deliver a report on the status of competition in the telecommunications industry to the President of the Senate, the Speaker of the House of Representatives, and the majority and minority leaders of the Senate and the House of Representatives on August 1 of each year. Section 364.386, F.S., requires that the report address the following four issues:

1. The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.
2. The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.
3. The overall impact of competition on the maintenance of reasonably affordable and reliable high-quality telecommunications services.
4. A list and short description of any carrier disputes filed under Section 364.16, F.S.

The Commission is required to make an annual request to local exchange telecommunications providers each year for the data required to complete the report. The data request was mailed on February 14, 2013, and responses were due April 15, 2013. Data requests were mailed to 10 ILECS and 266 CLECs. The Commission continues its efforts to increase efficiency while gathering the data and information to produce this report. Commission staff is confident that the data presented and the analyses that follow accurately reflect the information provided by the ILECs and the reporting CLECs.

Chapter II. Wireline Market Overview

A. Economy

According to the U.S. Commerce Department, the economy continued to recover at an increased pace in 2012 compared to 2011. Gross Domestic Product, the best measure of overall economic activity, grew by 2.2 percent in 2012, compared to an increase of 1.8 percent in 2011.² Although lower than 2011 figures, unemployment figures remained high through 2012, averaging around 8.2 percent through the first three quarters of the year before declining to approximately 7.8 percent in the fourth quarter.³

In 2012, Florida's economic growth remained positive for the second year after declining for the previous two years. The state's gross domestic product ranked Florida fourteenth in the nation in real growth with a gain of 2.4 percent.⁴ Florida's personal income grew 3.2 percent in 2012 over 2011, ranking Florida thirty-first in the country with respect to state growth. The national average was 3.5 percent.⁵ The unemployment rate in Florida was greater than the national average during each month of 2012. However, Florida's 2012 unemployment rate did show consistent improvement during each month, falling from a high of 9.2 percent in January to a low of 7.9 percent in December.⁶

With continued high unemployment and moderate economic growth during 2012, it is likely that Florida consumers took steps to save more and spend less of any discretionary income. The economy was likely a contributing factor to Florida ILECs losing approximately 814,000 access lines, or roughly 17 percent of their wireline market in 2012.⁷ Competitive wireline carriers (CLECs) gained approximately 213,000 access lines in 2012, an increase of 18 percent.

B. Incumbent Carriers

AT&T, CenturyLink, and Verizon are the three largest ILECs in Florida providing wireline services.⁸ These providers continued to face access line losses in the national wireline market in 2012. While their wireline access line counts fell, both AT&T and Verizon

² U.S. Department of Commerce, Bureau of Economic Analysis, "National Income and Product Accounts: Gross Domestic Product, 4th quarter and annual 2012 (third estimate), Corporate Profits, 4th quarter and annual 2012, March 28, 2013 http://www.bea.gov/newsreleases/national/gdp/2013/gdp4q12_3rd.htm, accessed on April 30, 2013.

³ Unemployment Rate, U.S. Bureau of Labor Statistics, <http://data.bls.gov/timeseries/LNS14000000>, accessed on April 30, 2013.

⁴ U.S. Department of Commerce, Bureau of Economic Analysis, June 6, 2013 news release: "Advance 2012 and Revised 2009–2011 GDP-by-State Statistics," http://www.bea.gov/newsreleases/regional/gdp_state/2013/pdf/gsp0613.pdf, accessed on June 10, 2013.

⁵ U.S. Department of Commerce, Bureau of Economic Analysis, March 27, 2013 news release: "State Personal Income" <http://www.bea.gov/newsreleases/regional/spi/2013/pdf/spi0313.pdf>, accessed on June 10, 2013.

⁶ Local Area Unemployment Statistics, U.S. Bureau of Labor Statistics, <http://data.bls.gov/timeseries/LASST12000003>, accessed on April 30, 2013.

⁷ Responses to FPSC Local Competition Data Request for 2012 and 2013.

⁸ AT&T and Verizon are also the largest wireless carriers nationwide and increased subscribership by 3.7 million and 6.1 million, respectively, according to their 2012 Form 10-K reports.

experienced increased wireless subscriptions as well as subscriptions to digital voice services provided over VoIP as consumers transitioned from traditional circuit switched services.

In 2012, AT&T reported losses of 4.6 million local wireline access lines nationwide from the prior year. Residential lines fell 17 percent during this period while business lines declined 9 percent.⁹ AT&T attributes the access line declines to economic pressures and increased competition. Customers have disconnected traditional landline services, or switched to alternative technologies, such as wireless and VoIP. AT&T's strategy continues to be to offset these line losses by continuing to market its wireless products as well as increasing non-access-line-related revenues from customer connections for data, video, and voice.¹⁰ For 2012, AT&T's total operating revenues increased by \$700 million despite their wireline access line losses. AT&T capitalized on its opportunity to increase its wireless segment revenues for customers that choose AT&T Mobility as an alternative provider. In Florida, AT&T's wireline residential access lines decreased by 19 percent and business access lines decreased 20 percent.¹¹

Verizon also lost access lines nationally while experiencing an increase in operating revenue of \$5 billion.¹² Verizon reported a national access line decline of 6.8 percent in 2012. This represents a slower rate of wireline access line loss than in 2010 and 2011 when Verizon lost 8 percent and 7 percent of its access lines, respectively. Verizon reported growth of 13 percent in both its FiOS Internet and TV services from last year.¹³ In Florida, Verizon experienced wireline reductions of 26 percent in residential access lines and 14 percent in business access lines in 2012.¹⁴

Nationally, switched access lines provided by CenturyLink declined in 2012 to 13.7 million after swelling to 14.5 million in 2011 as a result of its acquisition of Qwest.¹⁵ This represents an approximately 6 percent loss of CenturyLink's access lines nationwide. By comparison, CenturyLink experienced a 3.5 percent increase in broadband subscribers. By the end of 2012, CenturyLink's operating revenues increased \$3 billion, or 20 percent from 2011. CenturyLink's wireline access line loss in Florida was 7 and 8 percent for the residential and business sectors respectively.¹⁶

The seven remaining smaller Florida carriers also experienced contraction in their respective wireline service areas. Rural carriers in Florida saw their residential access lines fall

⁹ AT&T Inc., Form 10-K, December 31, 2012, Exhibit 13, p. 11
<http://www.sec.gov/Archives/edgar/data/732717/000073271713000017/ex13.pdf>, accessed on May 18, 2013.

¹⁰ Ibid.

¹¹ Responses to Local Competition Data Request for 2012 and 2013.

¹² Verizon, Form 10-K, December 31, 2012, Exhibit 13,
<http://www.sec.gov/Archives/edgar/data/732712/000119312513075713/d441535dex13.htm>, accessed on May 18, 2013.

¹³ Ibid.

¹⁴ Responses to Local Competition Data Request for 2012 and 2013.

¹⁵ CenturyLink 10-K, December 31, 2012

<http://www.sec.gov/Archives/edgar/data/18926/000104746913002037/a2213129z10-k.htm>, p. 46, accessed on May 18, 2013.

¹⁶ Responses to FPSC Local Competition Data Request for 2012 and 2013.

by approximately 7 percent in 2012.¹⁷ In Florida, Windstream is the largest of the “rural” ILECs and operates in northeast Florida. Windstream experienced an overall access line loss of only two percent, the second lowest access line loss of any carrier in Florida. Nationally, Windstream has 1.8 million consumer voice lines in service.¹⁸ Through an aggressive acquisition strategy, Windstream has shifted its revenue mix towards business and consumer broadband services. Windstream estimates that 69 percent of its 2012 revenues were generated from these areas.¹⁹

Even with the decline in wireline access lines, wireline telecommunications carriers continue to play a role with an evolving telecommunications ecosystem. For example, wireless carriers continue to be dependent on the wireline network. The majority of wireless call transport occurs over the wireline network, not over wireless facilities, a function commonly referred to as “backhaul.” While the economic sustainability of the wireline network appears to be tenuous as access lines continue to decline, it remains a crucial element in the mix of communications technologies.

C. Mergers/Acquisitions

Approval of merger and acquisition petitions for telecommunications carriers peaked nationally in 2006 with more than 90 communications companies consolidating their operations.²⁰ By comparison, 37 mergers and acquisitions occurred in 2012.²¹ This figure represents a decrease of 42 percent from the previous year. Recent transactions of interest to Florida are described below.

1. Birch/AstroTel/DayStar

In 2012, Birch Communications announced two acquisitions. Its latest buyout marked the 16th major acquisition by Birch Communications since 2006. Birch’s acquisition of AstroTel in April included an IP network covering Tampa, St. Petersburg, Clearwater, Sarasota and Bradenton.²² Birch’s acquisition of DayStar Communications in October, with network assets also in several southwest Florida markets, further strengthened its presence in Florida.²³

¹⁷ Ibid.

¹⁸ Windstream, 10-K, December 31, 2012, <http://www.sec.gov/Archives/edgar/data/1282266/000128226613000020/a201210k.htm>, p. F-5, accessed on May 22, 2013.

¹⁹ Ibid. p. 4.

²⁰ FCC, “2006 Completed Domestic Section 214 Transfer of Control Transactions,” <http://www.fcc.gov/wcb/cpd/214Completed/214Completed2006.html>, accessed on March 19, 2013.

²¹ FCC, “2012 Completed Domestic Section 214 Transfer of Control Transactions,” <http://www.fcc.gov/encyclopedia/2012-completed-domestic-section-214>, accessed on March 19, 2013.

²² “Birch Communications Completes Acquisition of AstroTel Operating Assets,” Birch News Release, released April 11, 2012, <http://www.birch.com/about/04112012.aspx>, accessed on March 19, 2013.

²³ “Birch Completes Acquisition Of DayStar Communications Assets,” Birch News Release, released October 15, 2012, <http://www.birch.com/about/10152012.aspx>, accessed on March 19, 2013.

2. AT&T/NextWave

On August 2, 2012, AT&T and NextWave Wireless released a statement that they entered into an agreement under which AT&T would acquire NextWave Wireless.²⁴ AT&T's acquisition of NextWave Wireless's spectrum will allow it to increase its wireless capacity to provide mobile data services. Previously, this spectrum has not been utilized for mobile Internet usage due to technical rules designed to avoid possible interference to satellite radio users in adjacent spectrum bands. In June, AT&T and Sirius XM filed a joint proposal with the FCC that would protect the adjacent satellite radio spectrum from interference and enable the use of this spectrum. The FCC approved the acquisition in December.²⁵

3. T-Mobile/MetroPCS

Deutsche Telekom and MetroPCS Communications announced on October 3, 2012, that they have signed an agreement to combine T-Mobile and MetroPCS.²⁶ The combined company, which will retain the T-Mobile name, will have the expanded scale, spectrum and financial resources to compete more effectively with the other national wireless carriers. The Department of Justice let the evaluation time expire and did not offer an objection to the merger. The FCC approved the merger on March 12, 2013.²⁷

4. Sprint/Clearwire

On December 17, 2012, Sprint entered into an agreement to acquire the approximately 50 percent stake in Clearwire it does not currently own.²⁸ Sprint asserts that its acquisition of Clearwire would result in public benefits by helping provide the financial resources needed to transition Clearwire's network to Long Term Evolution (LTE) technology. Sprint also states that it will improve wireless broadband service to both Clearwire and Sprint customers by using Clearwire's 2.5 GHz spectrum more effectively. Clearwire had initially deployed WiMax technology as opposed to LTE for use with its spectrum. However, after the nation's major wireless operators elected to use LTE rather than WiMax for their 4G deployments, Clearwire began shifting its network towards LTE. If the transaction gains the needed regulatory approvals, it is expected to close in mid-2013.

²⁴ "AT&T Agrees to Acquire NextWave Wireless, Inc.," AT&T News Release, released August 2, 2012, <http://www.att.com/gen/press-room?pid=23161&cdvn=news&newsarticleid=34976&mapcode=corporate|financial>, accessed on March 19, 2013.

²⁵ "AT&T Receives FCC Approval for Acquisition of NextWave Wireless, Other WCS Transactions; Approval Sets the Stage for WCS Spectrum for Mobile Broadband Use," AT&T News Release, released December 21, 2012, <http://www.att.com/gen/press-room?pid=23645&cdvn=news&newsarticleid=35870&mapcode=corporate|financial>, accessed on March 19, 2013.

²⁶ "T-Mobile USA and MetroPCS to Combine, Create Value Leader in U.S. Wireless Marketplace," T-Mobile News Release, released on October 3, 2012, <http://newsroom.t-mobile.com/phoenix.zhtml?c=251624&p=irol-newsArticle&ID=1804178&highlight=>, accessed on March 19, 2013.

²⁷ FCC, Memorandum Opinion and Order and Declaratory Ruling, DA 13-384, released March 12, 2013, http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0312/DA-13-384A1.pdf, accessed on March 19, 2013.

²⁸ "Sprint to Acquire 100 Percent Ownership of Clearwire for \$2.97 per Share," Sprint News Release, released December 17, 2012, http://newsroom.sprint.com/article_display.cfm?article_id=2477, accessed on March 19, 2013.

Chapter III. Status of Wireline Competition in Florida

A. Wireline Access Lines in Florida

1. 2012 Summary of Results

During 2012, total traditional wireline access lines for ILECs and CLECs combined declined 10 percent, from approximately 6.0 million in December 2011, to 5.4 million as of December 2012.²⁹ Residential wireline access lines declined by 17 percent, or 477,000 access lines, in 2012. From 2002 through December 2012, combined wireline residential access lines have declined by 70 percent, or nearly 5.7 million lines.

Total wireline business access lines, ILEC and CLEC combined, decreased by approximately 123,000 lines, or 4 percent, between 2011 and 2012. The net decrease was comprised of a decrease of 339,000 ILEC business lines and an increase of 216,000 CLEC business access lines. Most of the business line losses were experienced by AT&T and Verizon with declines of 20 percent and 14 percent from last year, respectively. This compares to only a 1.4 percent decline among all of the rural ILECs.

The trend of business access lines has been relatively stable from 2002 to 2012, fluctuating in response to the business cycle during the period. Residential lines have consistently trended downward for all the individual ILECs and the CLECs in the aggregate over the same ten-year period. The composition of ILEC and CLEC access lines served has also undergone a noticeable shift since 2002. As of December 2012, total ILEC business lines were 42 percent of total ILEC lines served, compared to 27 percent in 2002. CLEC business access lines were 95 percent of total CLEC access lines served in 2012, compared to 64 percent in 2002.

2. CLEC Market Composition

Table 3-1 shows the distribution for 2011 and 2012 of the number of CLECs by ranges of residential access lines served. Only two CLECs reported more than 20,000 residential access lines in 2012. Together, they serve 65 percent of residential access lines in Florida provided by CLECs. By comparison, in 2011 there was only one CLEC reporting that many lines representing 35 percent of the market.

For the last two years, there have been no CLECs with between 10,000 and 20,000 residential customers. Forty-six additional CLECs had fewer than 10,000 residential customers in 2012. This compares to 55 CLECs from a year earlier. Most of these carriers had less than 1,000 residential customers. Among the CLECs offering service in Florida in 2012, 52 offered service only to business customers.

²⁹ VoIP connections reported by CLECs and cable companies are not included in wireline CLEC market share analyses.

Table 3-1. Summary of CLEC Residential Access Line Providers

Number of Lines	2011		2012	
	# of Providers	% of Total CLEC Res Lines	# of Providers	% of Total CLEC Res Lines
20,000 or more	1	35	2	65
10,000 – 19,999	0	0	0	0
1,000 – 9,999	12	54	7	28
Less than 1,000	43	11	39	7

Source: Responses to FPSC data requests (2012-2013)

B. Wireline Market Share and Access Lines

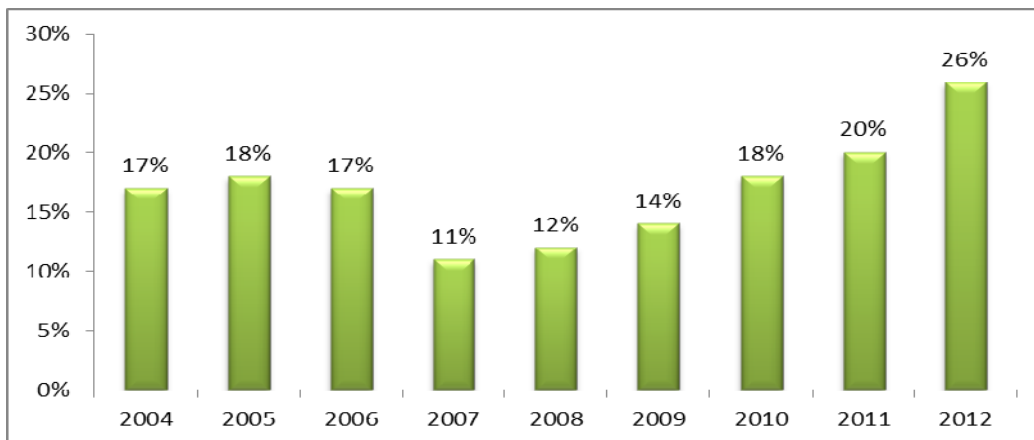
Data collected for this year’s edition of the report are as of December 31, 2012. Figures and tables are arranged to provide market share (expressed as a percentage) and actual line counts (presented as raw numbers). Market share data are presented first, followed by actual line counts.

1. CLEC Market Share

a. Florida

Calculations based on responses to the Commission’s data request indicated the overall CLEC wireline market share was 26 percent as of December 2012, an increase from 20 percent in 2011. Figure 3-1 provides the CLEC wireline market share percentages for total access lines (combined residential and business lines) from 2004 through 2012.

Figure 3-1. Florida CLEC Wireline Market Share

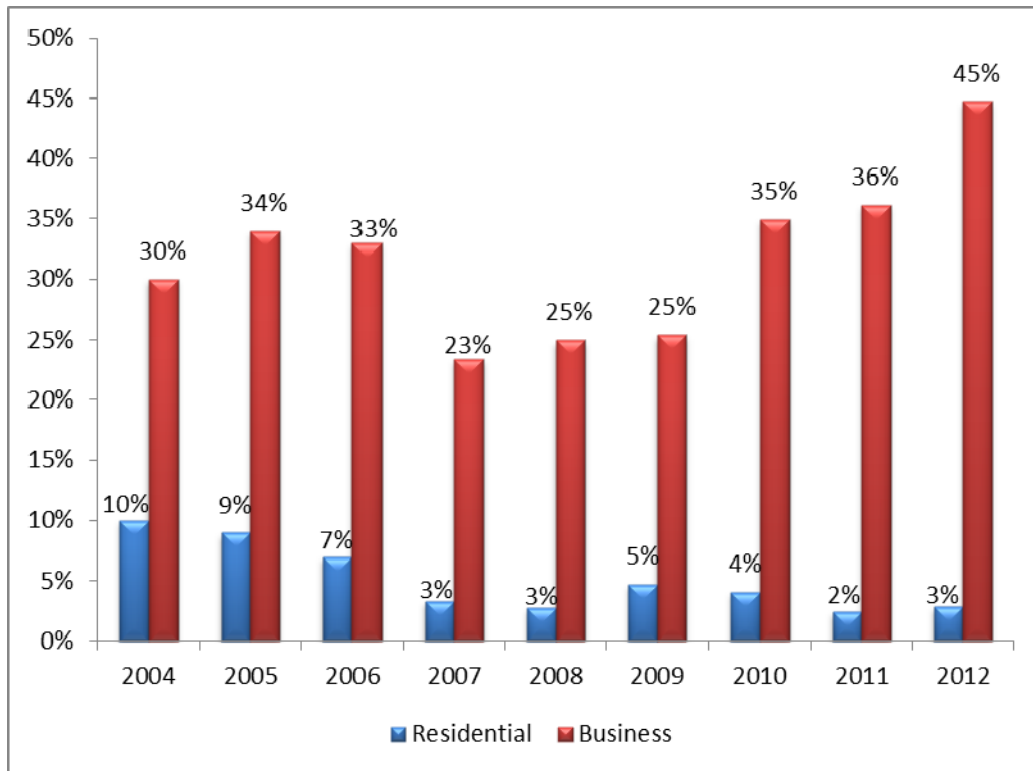


Source: Responses to FPSC data requests (2005-2013)

Figure 3-2 shows the CLEC residential and business market shares for 2004 to 2012.

- CLEC residential market share increased to 3 percent as of December 2012.
- CLEC business market share increased to 45 percent in 2012.

Figure 3-2. Florida Residential & Business CLEC Market Share



Source: Responses to FPSC data requests (2005-2013)

b. National

The FCC reports Florida’s CLEC market share at 44 percent as of June 2012.³⁰ The FCC started including VoIP subscriber lines in the market share calculations with its December 2008 Local Competition Report. The inclusion of VoIP subscriber lines account for the majority of the difference in market share totals calculated by the FPSC compared to those reported by the FCC.

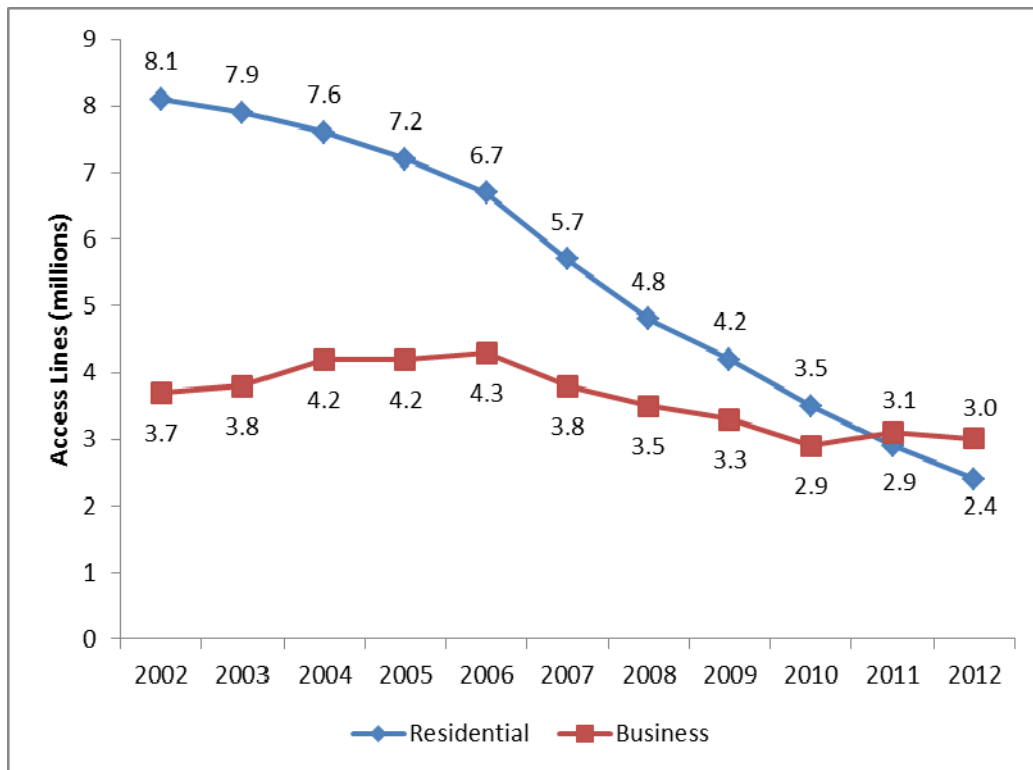
2. Access Line Overview

Local exchange companies were serving approximately 5.4 million lines in Florida as of December 31, 2012, a decline of 6.4 million lines from June 30, 2002. As Figure 3-3 illustrates,

³⁰ FCC, “Local Telephone Competition: Status as of June 30, 2012,” June 2013, Table 9, http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0621/DOC-321568A1.pdf, accessed on June 13, 2013.

the number of residential lines has declined every year since 2002. The number of business lines has varied within a relatively narrow range since 2002, generally lagging the business cycle. Business lines decreased approximately 123,000 in 2012. Last year was the first time since the FPSC has been producing this report that total (ILEC and CLEC) business access lines exceed total ILEC and CLEC residential access lines. This year, the gap between the number of residential and business access lines widened.

Figure 3-3. Florida Access Line Trends



Source: Responses to FPSC data requests (2003-2013)

Table 3-2 displays the residential and business access line counts for ILECs and CLECs from 2010 to 2012. Between December 2011 and December 2012:

- Total access lines in Florida decreased by 10 percent.
- ILEC residential and business access lines each decreased by 17 percent.
- Total CLEC access lines increased by 18 percent.
- ILEC business access lines accounted for 42 percent of total ILEC lines in December 2012, compared to 27 percent in June 2002.
- CLEC business access lines accounted for 95 percent of total CLEC lines in December 2012, compared to 64 percent in June 2002.

Table 3-2. Florida Access Line Comparison

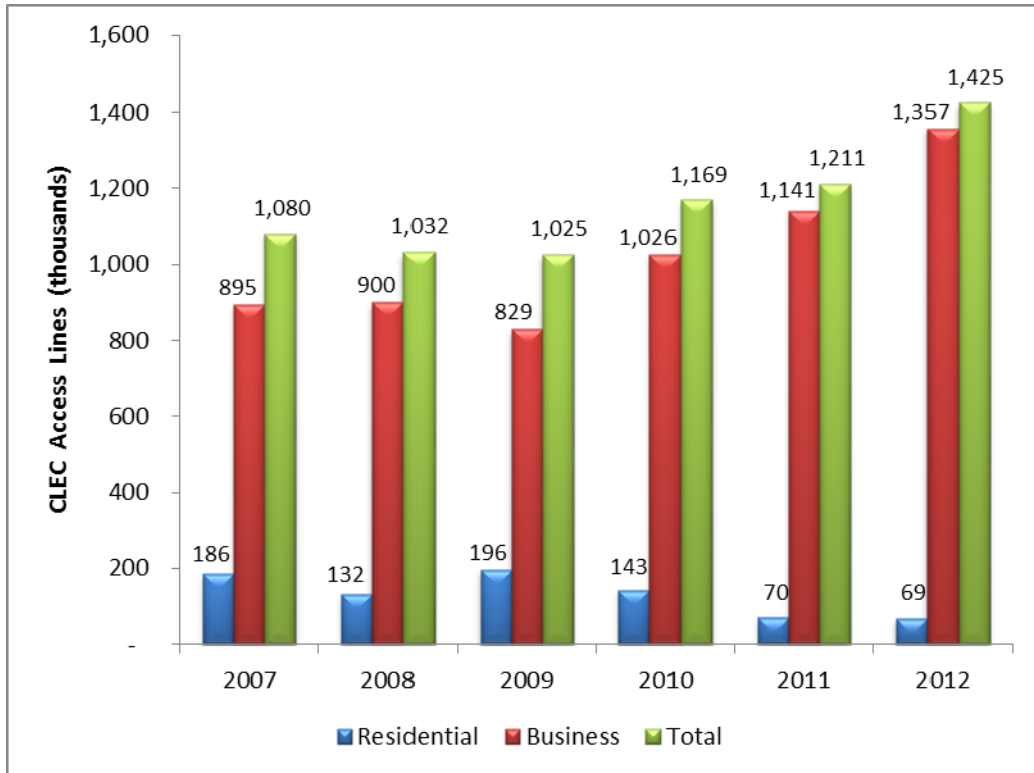
	2010			2011			2012			Change from 2011
	Res	Bus	Total	Res	Bus	Total	Res	Bus	Total	
ILECs	3,360,755	1,906,314	5,267,069	2,809,826	2,013,846	4,823,672	2,334,184	1,675,328	4,009,512	<17%>
CLECs	142,873	1,025,993	1,168,866	70,259	1,140,816	1,211,075	68,659	1,356,555	1,425,214	18%
Total	3,503,628	2,932,307	6,435,935	2,880,085	3,154,662	6,034,747	2,402,843	3,031,883	5,434,726	<10%>

Source: Responses to FPSC data requests (2011-2013)

Figure 3-4 graphically displays CLEC residential and business access line counts from 2007 to 2012.

- CLEC residential access lines decreased by 1,600 from December 2011 to December 2012, a 2 percent decrease.
- CLEC business access lines increased by approximately 216,000 from December 2011 to December 2012, a gain of 19 percent.

Figure 3-4. Florida CLEC Lines



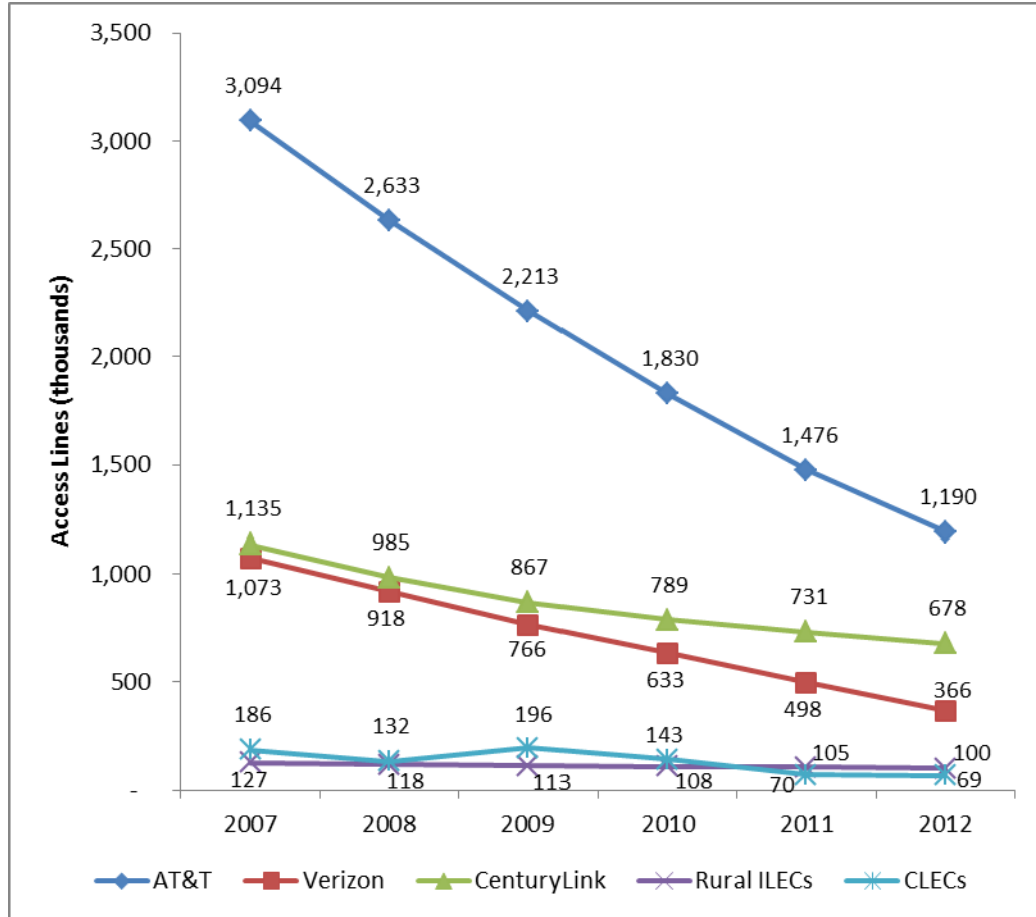
Source: Responses to FPSC data requests (2008-2013)

C. Competitive Market Trends

1. Residential Access Line Trends

Figure 3-5 displays the residential access line trends separately for AT&T, Verizon, CenturyLink, the rural ILECs, and aggregate CLECs. Each individual ILEC and the CLECs in aggregate reported a decline in residential access lines from December 2011 to December 2012.

Figure 3-5. Florida Residential Line Trends by ILECs and CLECs



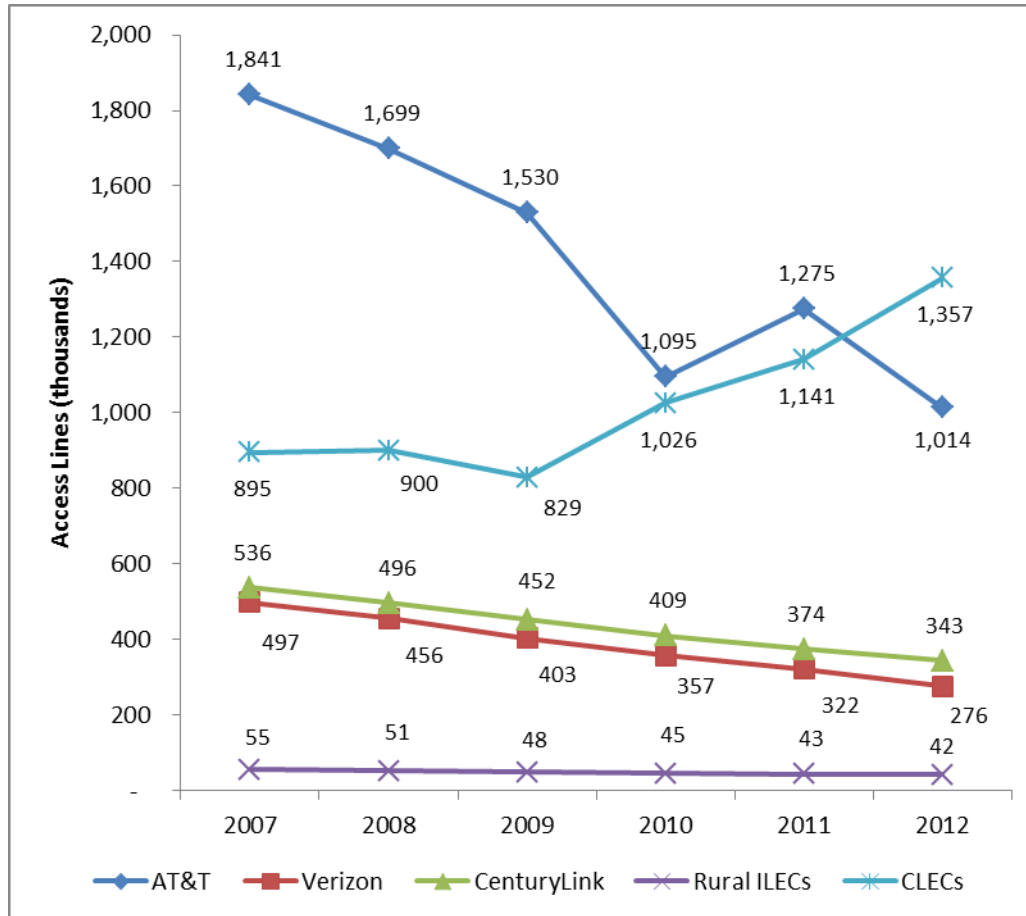
Source: Responses to FPSC data requests (2008-2013)

ILEC residential access lines declined for AT&T and CenturyLink at approximately the same rate in 2012 as in 2011. By comparison, Verizon and the rural ILECs experienced a slight increase in the rate of residential access line loss from last year. CLECs experienced the least decline in residential access lines for 2012, 2 percent, however, this compares with a 51 percent loss in 2011.

2. Business Access Line Trends

Figure 3-6 displays the business line trends for AT&T, Verizon, CenturyLink, the rural ILECs, and CLECs. ILEC business access lines generally trended downward in the last five years with the exception of AT&T last year. CLEC business access lines increased by 11 percent in 2011 and by 19 percent in 2012.

Figure 3-6. Florida Business Line Trends by ILECs and CLECs



Source: Responses to FPSC data requests (2008-2013)

D. Competitive Market Analysis and Statutory Issues

Section 364.386, F.S., contains four specific issues the Commission is required to address in its annual report on telecommunications competition. These issues emphasize analysis of the impact of competition and regulatory changes on the telecommunications market.

1. The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.

The total number of access lines in Florida decreased by 10 percent in 2012. CLEC lines increased 18 percent between December 2011 and December 2012 and total CLEC market share in Florida increased to 26 percent in 2012 from 20 percent in 2011. In addition, Florida wireless subscribers increased by June 2012 to 18.2 million (handsets in service)³¹ and residential VoIP subscribership rose to nearly 2.7 million by December 2012.³² This data suggests that CLECs, VoIP, and wireless carriers are able to provide functionally equivalent services to residential and business customers at rates, terms and conditions acceptable to consumers. The number of CLECs offering a variety of services also indicates the availability of functionally equivalent services at comparable terms. Other services offered by the 97 CLECs that reported providing local service include:

- Bundles including services other than local voice (48 CLECs)
- VoIP (54 CLECs)
- Broadband Internet access (33 CLECs)
- Fiber to end users (11 CLECs)³³
- Video service (6 CLECs)

The majority of CLECs reported no barriers to competition or elected not to respond in the comment portion of the survey. A few carriers noted concern over the inability to charge rates that are competitive with ILEC rates, due to the cost of wholesale service. Other complaints relate to wholesale billing errors, delays in number porting, and concerns regarding the future arbitration of IP-to-IP interconnection.

Conclusion: The majority of CLECs did not report any significant barriers to competition. Subscribers to CLEC, VoIP, and wireless services continued to increase in 2012, reflecting the opportunity for customers to seek out services from providers other than traditional ILECs. Many CLECs reported offering a variety of services and packages comparable to those offered by ILECs. All of these factors contribute to the conclusion that competitive providers are able to offer functionally equivalent services to both business and residential customers.

2. The ability of consumers to obtain functionally equivalent services at comparable rates, terms, and conditions.

Customers may obtain functionally equivalent services via wireline telephony, wireless telephony, or VoIP. The primary focus of this report is the provision of wireline telecommunications by ILECs and CLECs, which submit responses to the FPSC's annual data

³¹ Ibid, Table 18.

³² Responses to FPSC data requests 2011 and 2012.

³³ Carriers that resell fiber loops provided by other carriers were not included.

request. As of December 31, 2012, 97 CLECs reported providing local voice service in contrast to 117 CLECs as of December 31, 2011, continuing the gradual decline in the number of CLECs providing service. CLECs can offer service through resale of an ILEC's or a CLEC's wholesale services, by using its own facilities, by leasing portions of its network from an ILEC, or a combination of any of these methods. According to the FCC, 44 percent of the total Florida access lines are provided by companies other than ILECs.³⁴

ILEC business lines fell 17 percent in 2012, almost matching the rate of growth in CLEC business lines. This suggests that business customers have the ability to find reasonable pricing packages with CLECs and are taking advantage of these options. These options also include cable and in some cases, wireless providers. Residential ILEC lines decreased 17 percent in Florida in 2012, while nationally, wireless-only households continued to grow, reaching 36 percent through June 2012.³⁵ As reported in Chapter IV of this report, there are approximately 2.7 million interconnected residential VoIP subscribers in Florida.³⁶ These and other factors demonstrate that customers are able to find comparable services at reasonable prices through wireless, CLEC, and VoIP providers.

Conclusion: CLEC business lines increased offsetting ILEC business line losses in 2012. This suggests that business customers are finding comparably priced packages and functionally equivalent services with a variety of providers, which includes CLECs, cable providers, and wireless providers. Residential lines have maintained a steady decline and wireless-only households continue to grow consistent with the trend over the past several years. Providers are coping with the changing market by modifying the way consumers pay for their services and bundling pricing among wireline, wireless, and television services, further increasing customers' ability to select the services, providers, and pricing plans they prefer.

3. The overall impact of competition on the maintenance of reasonably affordable and reliable high-quality telecommunications services.

The FCC reported that 93.7 percent of Florida households had telephone service in 2012, lower than the national penetration rate of 95.9 percent.³⁷ As shown in Figure 3-7, the Florida telephone penetration rate has consistently been below the national penetration rate and the gap has varied from as little as one percent in 2003, to as much as 2.7 percent in 2009; it has roughly doubled in the past five years. The gap persists despite successful efforts in recent years by Florida carriers and the FPSC to make Lifeline and Link-Up benefits more accessible to eligible

³⁴ FCC, "Local Telephone Competition: Status as of June 30, 2012," June 2013, Table 12, http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0621/DOC-321568A1.pdf, accessed on June 13, 2013.

Note: The referenced access lines consist of switched access lines as well as VoIP subscriber lines.

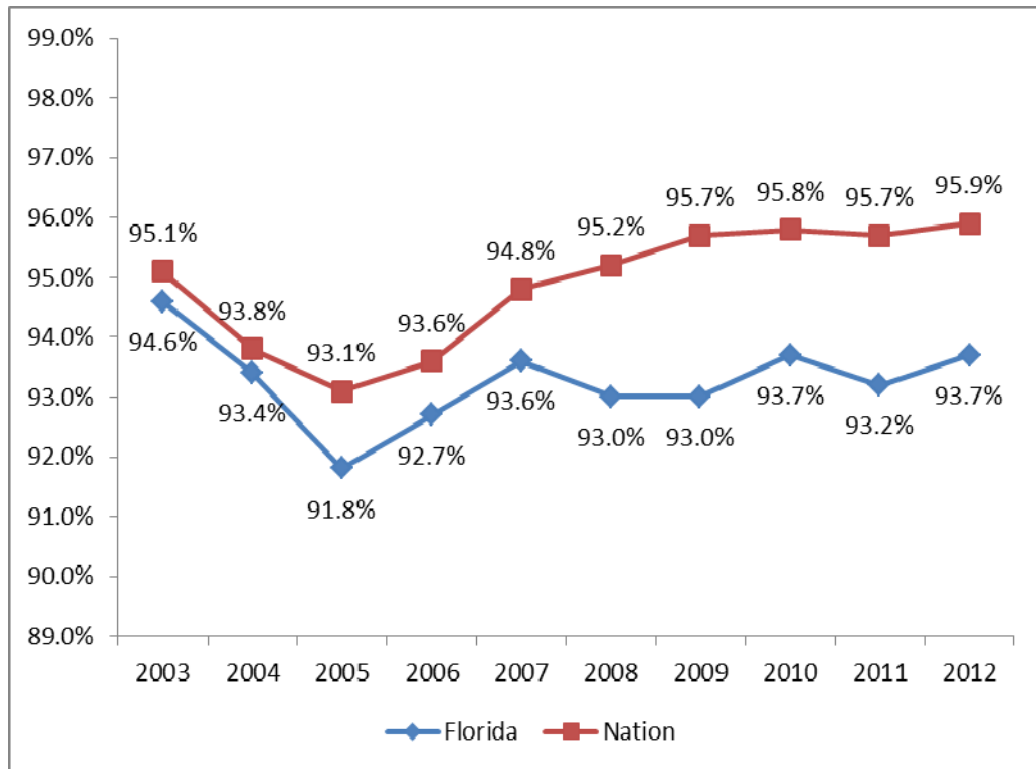
³⁵ Stephen J. Blumberg, Ph.D., Julian V. Luke, "Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, January – June 2012" December 2012, p. 6, <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201212.pdf>, accessed on April 30, 2013.

³⁶ Responses to FPSC Local Competition Data Request for 2012.

³⁷ FCC, "Telephone Subscribership in the United States as of July 2011," December 2011, Table 3 for historical data, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-311523A1.pdf, accessed on May 19, 2013; FCC, "Universal Service Monitoring Report," released March 2013, CC Docket Nos. 98-202, 96-45, Section 3, Table 3.8 for current data, http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0403/DOC-319744A1.pdf, accessed on May 19, 2013.

low-income consumers. The majority of Florida residents have a choice among several non-ILEC providers, with 10 or more providers available in 84 percent of Florida zip codes.³⁸ According to the FCC, there are no zip codes in Florida without at least one CLEC or non-ILEC VoIP provider.³⁹

Figure 3-7. Telephone Service Penetration: Florida vs. Nation



Source: FCC, Telephone Subscribership & Universal Service Monitoring Report

The Centers for Disease Control (CDC) released a report on wireless substitution for the period January-June 2012 and found that 35.8 percent of adults live in wireless-only households.⁴⁰ While state-specific data on wireless-only households was not provided in the most recent CDC report, an October 2012 report containing state-level data noted that Duval County had the highest wireless-only penetration rate in Florida at 41.3 percent.⁴¹ The CDC report found 8.8 percent of Florida adults living in households with only a wireline phone. It also found that 2.1 percent of Florida adults living without any form of telephone service.⁴² This

³⁸ FCC, “Local Telephone Competition: Status as of June 30, 2012,” June 2013, Table 21, http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0621/DOC-321568A1.pdf, accessed on June 13, 2013.

³⁹ Ibid.

⁴⁰ Stephen J. Blumberg, Ph.D., Julian V. Luke, “Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, January – June 2012” December 2012, p. 1, <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201212.pdf>, accessed on April 30, 2013.

⁴¹ Stephen J. Blumberg, Julian V. Luke, “Wireless Substitution: State-Level Estimates from the National Health Interview Survey, 2010-2011,” October 12, 2012, Table 2, <http://www.cdc.gov/nchs/data/nhsr/nhsr061.pdf>, accessed on May 31, 2013.

⁴² Ibid.

data suggests that most Florida households are able to afford telephone service and have access to a variety of service providers, including ILECs, CLECs, VoIP, and wireless. This data also supports the fact that many consumers choose to subscribe to more than one type of telephone service.

Historically, regulatory reliability standards have applied to landline telecommunications service making it the most reliable telecommunications service. Reliability in landline networks is no longer insured as many states, including Florida, eliminated service quality standards. Given the continued growth of interconnected VoIP and wireless-only households, and the continued erosion of landline access lines, it appears that the reliability of these alternatives is acceptable to consumers. Moreover, mobility, pricing, and the demand for data-based services are consumer preference factors that may be changing how consumers view reliability.

Conclusion: Based on the continued growth of interconnected VoIP and wireless-only households and the ongoing erosion of landline access lines, network reliability of non-ILEC providers appears to be sufficient. The telephone penetration rate of 93 percent supports the conclusion that Florida residents are able to afford telephone service. The number and variety of competitive choices among all types of service providers suggest that competition is having a positive impact on the telecommunications market in Florida.

4. A listing and short description of any carrier disputes filed under Section 364.16, F.S.

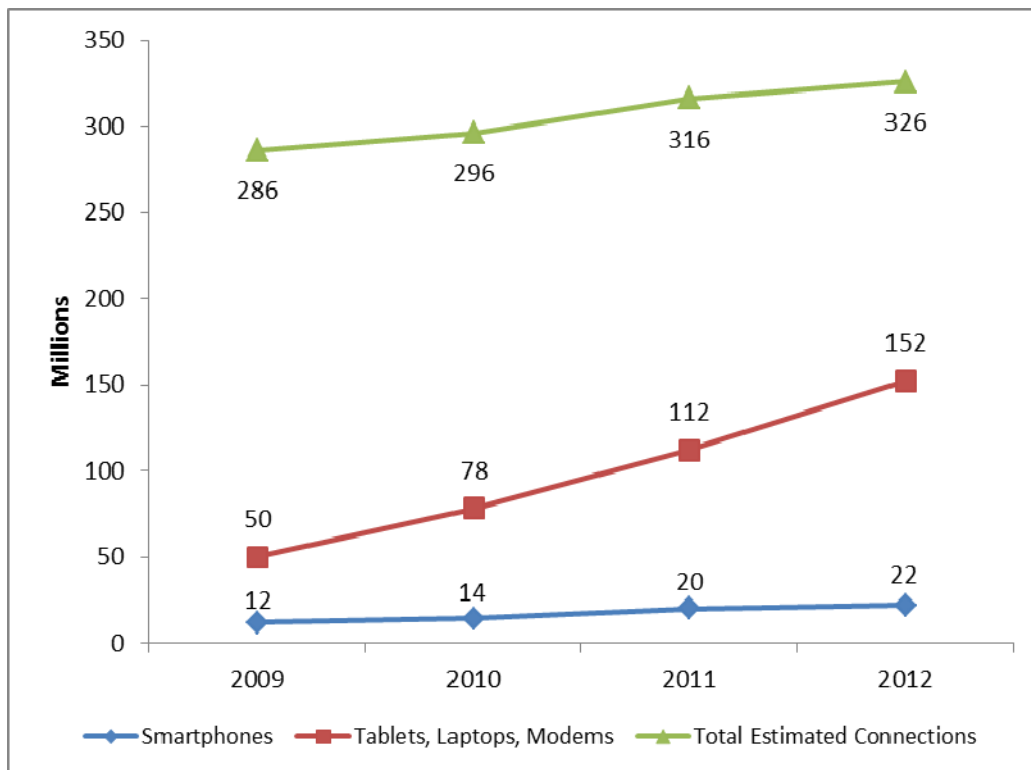
Conclusion: This information can be found in Appendix B. The number of docketed and informal intercarrier complaints remained relatively stable in 2012.

Chapter IV. Wireless, VoIP, and Broadband

A. Wireless

Wireless devices have evolved from voice-only handsets to multi-functional devices primarily utilized for their data and text capabilities. Today, Smartphones, cell phones, and other wireless devices are nearly ubiquitous, resulting in increased household wireless substitution. Figure 4-1 shows that total household wireless connections topped 326 million in 2012, which is greater than the current population of the United States.⁴³ The latest CDC figures report that 38.2 percent of all households were wireless-only in 2012, up from 34.0 percent in 2011.⁴⁴ During the same timeframe, the number of households with both landline and wireless service declined from 53.4 percent in 2011 to 50.8 percent in 2012.⁴⁵

Figure 4-1. Smartphones, Tablets, & Other Devices vs. Total Connections



Source: CTIA – The Wireless Association’s Semi-Annual Wireless Survey

⁴³ Census Bureau, U.S. Department of Commerce, population estimate for December 31, 2012 of 315,085,365 <http://www.census.gov/popclock/>, accessed on June 4, 2013.

⁴⁴ Stephen J. Blumberg, Ph.D., Julian V. Luke, “Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July – December 2012: June 2013, p. 6, <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201306.pdf>, accessed on June 18, 2013.

⁴⁵ Ibid.

1. Devices and Usage

At the end of December 2012, 87 percent of American adults had at least one cell phone, and 45 percent had Smartphones.⁴⁶ The average length of a wireless phone call remains steady at under 2 minutes, though down slightly at 1.80 minutes in June 2012, from 1.83 minutes in June 2011.⁴⁷ Monthly minutes of usage, which peaked at 769 minutes in 2007, declined to 615 minutes in 2012.⁴⁸ By June 2012, annualized minutes of usage nationwide had increased 3 percent to 2.32T (trillion) minutes, from 2.251T minutes for the previous year.⁴⁹

While voice usage seems to have flattened out over the past few years, total usage and revenues have not. Ninety-eight percent of owners of Smartphones utilize their devices to take pictures, followed by text messaging at 96 percent, and accessing the Internet at 93 percent.⁵⁰ For cell phone users, the percentages are 82 percent, 80 percent, and 56 percent, respectively.⁵¹ By June 2012, 184.3 billion text messages were being sent monthly.⁵² Smartphone users spent 4 out of 5 mobile minutes using applications.⁵³

To meet increased data demands of consumers, wireless carriers have continued to make investments in their networks. By December 2012, the number of 4G users was up 273 percent, to 33.1 million. In all, 3G and 4G enabled devices were in use by 97.7 percent of U.S. smartphone users.⁵⁴

Data usage currently accounts for 38.6 percent of wireless revenue, amounting to \$68.3 billion industry-wide by June 2012. As Figure 4-2 shows, total wireless revenues have continued to climb to over \$180 billion as companies and customers find new ways to use their many devices.⁵⁵ The average monthly wireless bill for the same period of time was \$47.16.⁵⁶

⁴⁶ Brenner, Joanna Pew Internet: Mobile. Pew Internet & American Life Project January 31, 2013, <http://www.pewinternet.org/Commentary/2012/February/Pew-Internet-Mobile.aspx>, accessed on April 30, 2013

⁴⁷ CTIA “Semi-Annual Wireless Industry Survey by CTIA,” released October 11, 2012; http://files.ctia.org/pdf/CTIA_Survey_MY_2012_Graphics-final.pdf, accessed on April 30, 2013.

⁴⁸ FCC, “Annual Report and Analysis of Competitive Market Conditions With Respect to Mobile Wireless, Including Commercial Mobile Services,” FCC 13-34, released March 21, 2013, Chart 20, p. 169 http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-13-34A1.pdf, accessed on April 30, 2013.

⁴⁹ CTIA “Semi-Annual Wireless Industry Survey by CTIA,” released October 11, 2012; http://files.ctia.org/pdf/CTIA_Survey_MY_2012_Graphics-final.pdf, accessed on April 30, 2013.

⁵⁰ Maeve Duggan, Pew Research Center’s Internet & American Life Project, Summer Tracking Survey, August 7 – September 6, 2012. N=1,262 smartphone owning adults ages 18 and older. Margin of error is +/- 3.2 percentage points for results based on smartphone owners.

⁵¹ Lee Rainie, Maeve Duggan, “Cell Phone Activities 2012” November 25, 2012, <http://pewinternet.org/Reports/2012/Cell-Activities/Main-Findings.aspx>, accessed on May 1, 2013.

⁵² CTIA “Semi-Annual Wireless Industry Survey by CTIA” dated 10/11/2012; printed from http://files.ctia.org/pdf/CTIA_Survey_MY_2012_Graphics-final.pdf, accessed on April 30, 2013.

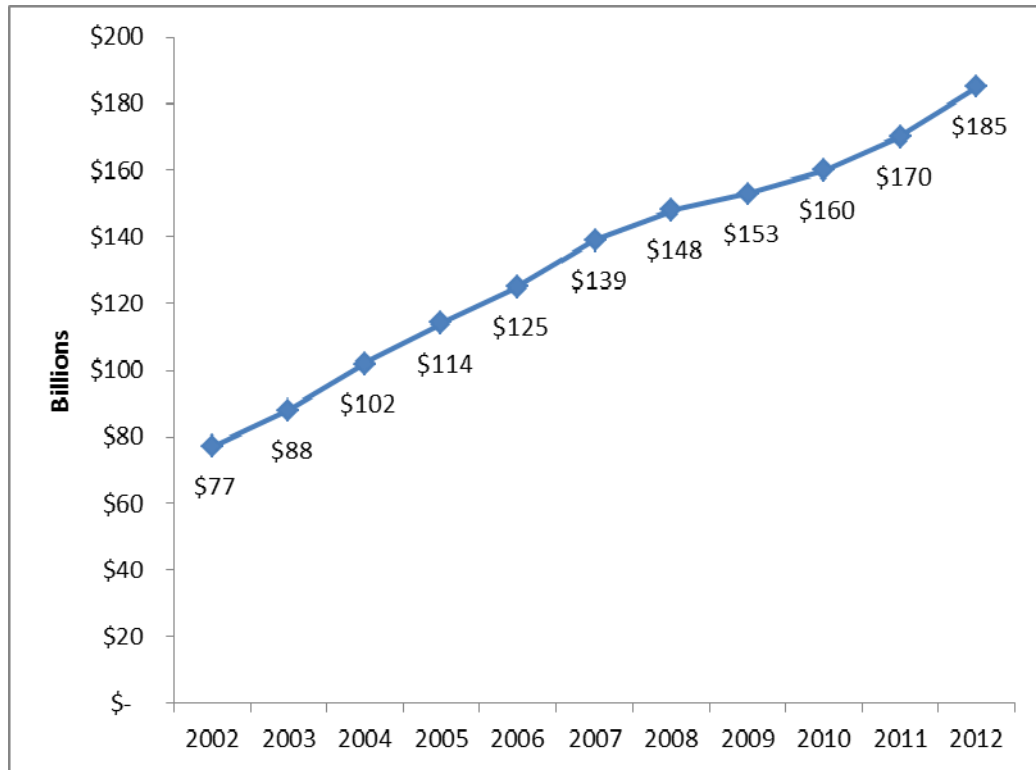
⁵³ ComScore, “2013 Mobile Future in Focus,” February 2013, http://www.comscore.com/Insights/Presentations_and_Whitepapers/2013/2013_Mobile_Future_in_Focus, accessed on April 30, 2013.

⁵⁴ Ibid.

⁵⁵ CTIA “Semi-Annual Wireless Industry Survey by CTIA” dated 10/11/2012; printed from http://files.ctia.org/pdf/CTIA_Survey_MY_2012_Graphics-final.pdf, accessed on April 30, 2013.

⁵⁶ Ibid.

Figure 4-2. Total 12-Month Wireless Service Revenues



Source: CTIA – The Wireless Association’s Semi-Annual Wireless Survey

The CDC reports that the number of wireless-only homes continues to grow. Growth during 2012 was about the same during the last four years.⁵⁷ According to the CDC:

- Hispanic and Latino households had the highest percentage of wireless-only households with 50.5 percent. This represented a 4 percent increase from 2011.
- The age group showing the highest wireless substitution growth during 2012 was the 35-44 year old demographic which grew 7 percent, from 36.8 percent to 43.5 percent.⁵⁸
- Sixty-two percent of those between the ages of 25 and 29 live in wireless-only households, representing the largest segment of such consumers.⁵⁹

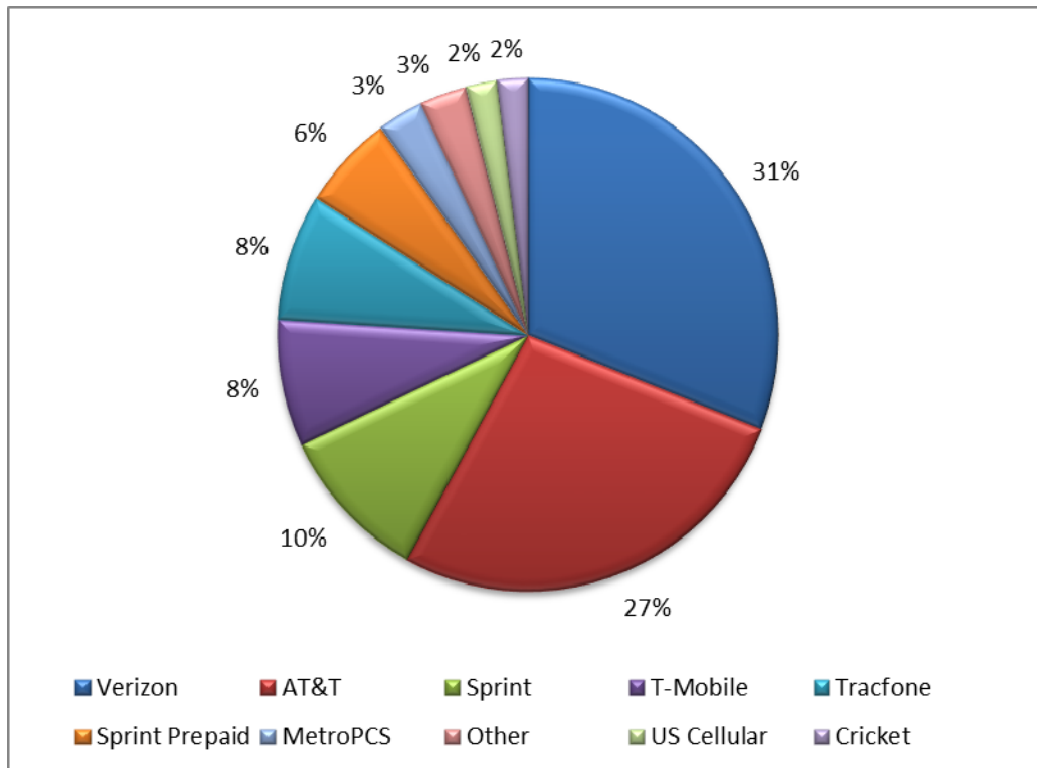
⁵⁷ Stephen J. Blumberg, Ph.D., Julian V. Luke, “Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July – December 2012” June 2013, p. 6, <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201306.pdf>, accessed on June 18, 2013.

⁵⁸ Ibid, page 8.

⁵⁹ Ibid.

As Figure 4-3 shows, four carriers share 76 percent of the U.S. wireless market: Verizon, AT&T, Sprint, and T-Mobile. Verizon leads with 31 percent of total subscribers, followed by AT&T's 27 percent, Sprint at 10 percent, T-Mobile and Tracfone with 8 percent, and Sprint Prepaid with 6 percent. An additional 6 percent is made up of MetroPCS and smaller companies, and US Cellular and Cricket each have 2 percent of the market.⁶⁰

Figure 4-3. U.S. Network Operator Share of Total Mobile Market



Source: Comscore

2. Florida Trends

In Florida, the number of wireless handsets in service reached a total of 18.2 million.⁶¹ Overall growth of wireless phone subscription in Florida has mirrored the national trend as the market reaches saturation. Since the end of 2003, wireless handsets in service in Florida have exceeded wireline subscriptions.

⁶⁰ ComScore, "2013 Mobile Future in Focus," February 2013, http://www.comscore.com/Insights/Presentations_and_Whitepapers/2013/2013_Mobile_Future_in_Focus, accessed on April 30, 2013.

⁶¹ FCC, "Local Telephone Competition: Status as of June 30, 2012", June 2013, Table 18, http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0621/DOC-321568A1.pdf, accessed on June 13, 2013.

B. Voice over Internet Protocol (VoIP)

As in prior years, the number of Florida residences and businesses subscribing to VoIP services increased.⁶² The FCC's most recent data reports approximately 32.6 million interconnected residential VoIP subscribers and nearly 6.6 million business subscribers nationwide as of June 2012.⁶³ This represents nearly a 16 percent increase of total interconnected VoIP subscribers nationwide since June 2011.⁶⁴ Data collected by the FPSC shows an estimated 2.7 million residential interconnected VoIP service subscribers in Florida as of December 2012.⁶⁵

1. National Market Analysis

Cable companies have continued to maintain their dominance in the VoIP market while traditional wireline carriers, such as AT&T and Verizon, make gains as more consumers take advantage of their fiber-based services. Other ILECs and CLECs have also experienced an increase in VoIP subscribership.

a. Facilities-Based VoIP Providers

ILECs, CLECs, and cable companies all provide interconnected VoIP services. However, cable companies dominate the facilities-based residential VoIP market with an estimated 27 million residential VoIP subscribers as of June 2012.⁶⁶ More recent data is available from publicly traded carriers. Comcast, the largest cable provider, had 9.7 million VoIP subscribers at the end of 2012, a four percent increase over the previous year.⁶⁷ Time Warner Cable and Cablevision Systems, the nation's second and third largest cable providers, had an estimated 5.2 million and 2.4 million VoIP subscribers, respectively.^{68, 69} Time Warner's VoIP subscribership increased by almost 11 percent since 2011 while Cablevision Systems remained relatively unchanged.

⁶² See *Glossary*. Facilities-based VoIP services are generally provided over private managed networks and more closely emulate traditional telephone service reliability. Over-the-Top VoIP service is provided over the public Internet.

⁶³ FCC, "Local Telephone Competition: Status as of June 30, 2012," Table 10 and Table 11, June 2013, http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0621/DOC-321568A1.pdf, accessed on June 13, 2013.

⁶⁴ FCC, "Local Telephone Competition: Status as of June 30, 2011, Table 9, June 2012, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-314631A1.pdf, accessed on June 13, 2013.

⁶⁵ Responses to FPSC Local Competition Data Request 2013.

⁶⁶ FCC, "Local Telephone Competition: Status as of June 30, 2012," Table 10, June 2013, http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0621/DOC-321568A1.pdf, accessed on June 13, 2013.

⁶⁷ Comcast Corporation, Comcast Reports Fourth Quarter and Year End 2012 Results, February 12, 2013, http://files.shareholder.com/downloads/CMCSA/2450357090x0x635133/a7b4ad9f-cb76-4369-9837-ffe25effea71/CMCSA_News_2013_2_12_General_Releases.pdf, accessed on April 29, 2013.

⁶⁸ Time Warner Cable, Inc., Form 10-K, Fourth Quarter 2012 Results, January 31, 2013, <http://ir.timewarnercable.com/files/TWC%20Q4%202012%20Earnings%20Release%20FINAL.pdf>, accessed on April 29, 2013.

⁶⁹ Cablevision Systems Corporation, Fourth Quarter and Full Year 2012 Results, February 28, 2012, <http://www.cablevision.com/pdf/news/022812.pdf>, accessed on April 29, 2013.

All of the large cable companies continue to experience growth in VoIP subscribership; however, the rate of growth has significantly decreased. Between 2007 and 2009, the number of residential VoIP subscribers more than doubled. However, in 2010 cable VoIP providers began reporting slower yearly subscriber growth rates. This decrease can be partially attributed to consumers completely abandoning their home phones for wireless phone service.⁷⁰

Wireline telephone companies continue to deploy facilities-based VoIP services over fiber-based facilities. While AT&T and Verizon continue to show losses in traditional voice access lines, both companies reported gains with their other services offerings. AT&T reported approximately 2.9 million U-verse voice subscribers at year-end 2012. This represents a 26 percent increase from the previous year.⁷¹ Verizon reported approximately 3.2 million FiOS Digital Voice subscribers as of December 2012, an approximate 68 percent increase from the previous year.⁷²

b. Over-the-Top VoIP Providers

Over-the-top providers offer low-priced stand-alone interconnected VoIP service.⁷³ The service quality of these VoIP Providers varies because calls are transmitted over the public Internet rather than private managed IP-based networks. The price advantage over the bundled services offered by facilities-based VoIP providers has allowed the over-the-top VoIP providers to attract customers. Vonage, 8x8, Inc., Skype, Google, and magicJack are a few of the leading over-the-top VoIP providers. Some of these companies have also introduced mobile VoIP services that take advantage of consumers' mobile broadband connections to offer service. The adoption of mobile VoIP services is rapidly increasing. It is anticipated that between 2010 and 2015 the number of mobile VoIP subscribers will increase 10-fold.⁷⁴

Reliable information on subscribership is not widely available for over-the-top providers. Some available data suggest that certain market segments are performing better than others. The data also suggests that the market may be maturing due to slower growth rates. For instance, despite having a 19 percent increase in VoIP subscribers in 2011, 8x8, Inc., which almost exclusively focuses on the business market, reported a slightly lower percentage of growth at 17 percent for 2012.⁷⁵ Vonage reported approximately 2.4 million subscribers at year-end 2012.

⁷⁰ PRWeb.com, December 24, 2012, <http://www.prweb.com/pdfdownload/10267567.pdf>, accessed on April 29, 2013.

⁷¹ AT&T 2012 Annual Report, http://www.att.com/Investor/ATT_Annual/2012/downloads/ar2012_annual_report.pdf, accessed on April 29, 2013.

⁷² Verizon Investor Quarterly Fourth Quarter, January 22, 2013, http://www22.verizon.com/investor/DocServlet?doc=vz_4q_quart_bulletins_2012.pdf, accessed on April 29, 2013.

⁷³ The phrase "over-the-top VoIP" refers to a VoIP service that requires a consumer to obtain broadband access from another company.

⁷⁴ Andrew Burger, "Report: Mobile VoIP Growing Exponentially, but Revenues Remain Small," *Telecompetitor*, October 20, 2011, <http://www.telecompetitor.com/report-mobile-voip-growing-exponentially-but-revenues-remain-small/>, accessed on April 30, 2013.

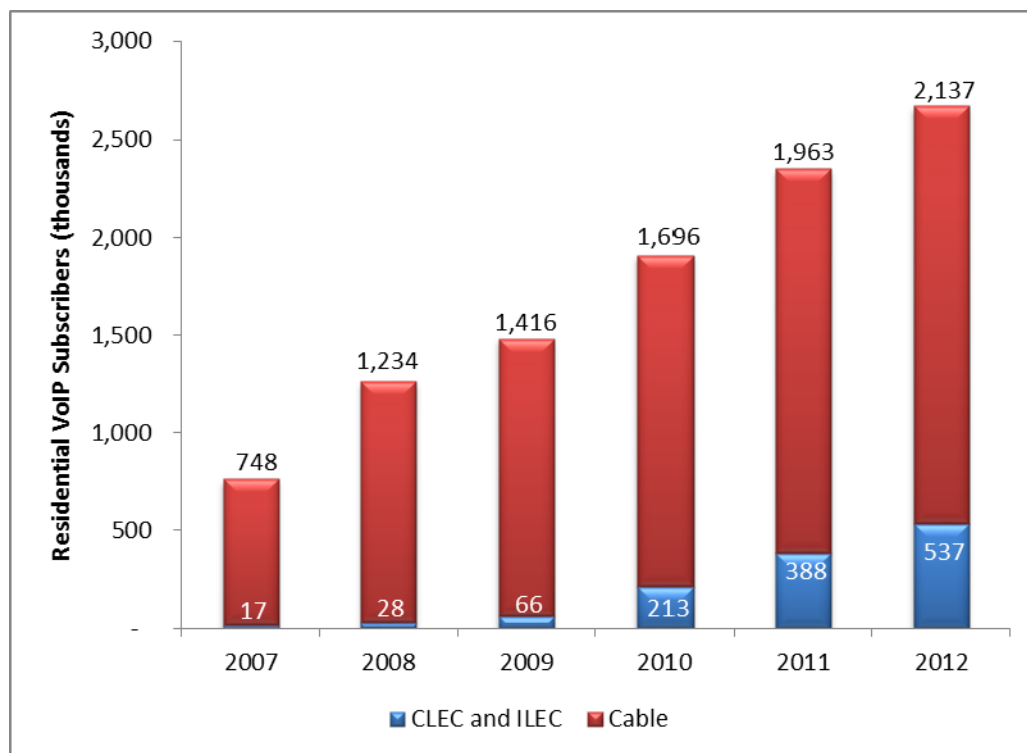
⁷⁵ 8x8, Inc. Form 10-K Annual Report 2012, <http://investors.8x8.com/secfiling.cfm?filingID=1136261-12-328>, accessed on May 24, 2013.

This represents a decline of more than 15,000 subscribers since 2011 and more than 45,000 subscribers since 2010.⁷⁶

2. Florida Market

Limitations exist in determining an accurate estimate of VoIP subscribers in Florida because the Commission does not have jurisdiction over VoIP services. However, the FCTA reported residential VoIP line data for its six largest member providers and a number of CLECs and ILECs voluntarily responded to the Commission's data request. Based on a review of available data, there are an estimated 2.7 million residential interconnected VoIP subscribers in Florida. Figure 4-4, shows the number of residential interconnected VoIP subscribers in Florida by provider type, as of year-end 2012.

Figure 4-4. Florida Residential Interconnected VoIP Subscribers



Source: Responses to FPSC data requests (2008-2013)

⁷⁶ Vonage Annual Report 2012, http://files.shareholder.com/downloads/VAGE/2493284242x0x657310/eb12df26-506c-4a30-add0-942aec74d7a8/VG_AR12_1_.pdf, accessed on May 24, 2013.

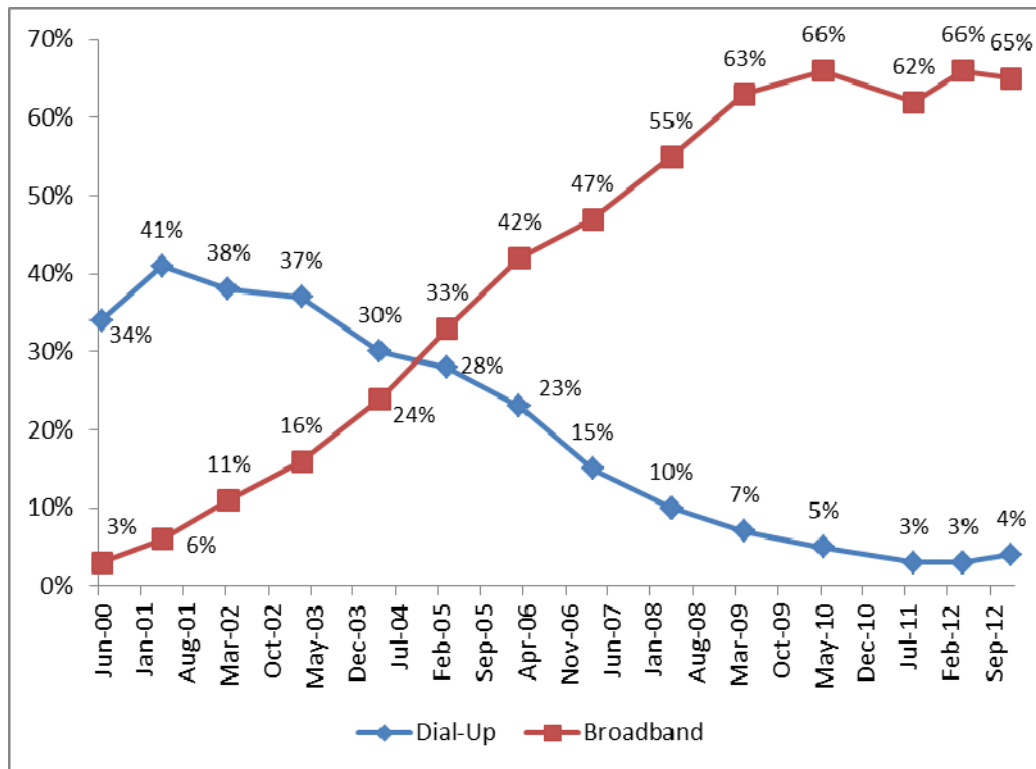
C. Broadband

1. National Broadband Trends

According to a recent survey report by the Pew Internet and American Life Project, as of December 2012, sixty-five percent of adults currently have broadband connections within their homes.⁷⁷ Having a broadband connection strongly affects how frequently an individual uses the Internet. Broadband users typically use the Internet more frequently than dial-up users. This difference can be attributed to the “always on” broadband connection.

Figure 4-5 illustrates the percentage of American households who had Internet access, via broadband and dial up, over the past twelve years. High-speed access to the Internet at home has risen steadily in recent years, while dial-up has steadily decreased. For instance, in 2001, only 4 percent of households had broadband accounts, compared to 65 percent in 2012.⁷⁸ Thirty-four percent of households had dial-up in 2001 compared to four percent in 2012. Figure 4-5 also displays that between 2009 and 2012 the percentage of households with broadband and or dial-up connections has remained relatively level at 65-70 percent.

Figure 4-5. Broadband and Dial-Up Adoption



Source: Pew Research Center's Internet & American Life Project surveys

⁷⁷ Brenner Joanna, Rainie, Lee, “Pew Internet: Broadband,” December 9, 2012, <http://www.pewinternet.org/Commentary/2012/May/Pew-Internet-Broadband.aspx>, accessed on April 30, 2013.

⁷⁸ Ibid.

Demographic groups that are less likely to have broadband connections within their homes include minorities, those without a college education, and low income individuals.⁷⁹ Notable differences in broadband adoption in 2012 included:

- Men (65 percent) are just as likely as women (66 percent) to have home broadband.
- African American survey participants subscribed to broadband services at a rate of 53 percent, compared to Hispanics at 49 percent, and whites at 70 percent.
- Households with an annual household income of over \$75,000 subscribe to broadband at a rate of 89 percent, compared to 79 percent with incomes of \$50,000 to \$74,999, 69 percent with incomes of \$30,000 to \$49,999, and 46 percent for households with incomes that are less than \$30,000.
- Seventy-five percent of adults age 18 to 29 have broadband connection within their homes, compared to 74 percent age 30 to 49, 62 percent age 50 to 64, and 41 percent of adults 65 and older.
- Of the respondents with a college degree, 85 percent have access to broadband at home compared to 27 percent without a high school diploma.⁸⁰

The Pew survey also found that roughly one in five American adults (18 percent) do not use the Internet at all. Among those adults who do not use the Internet, almost half indicated that they do not use the Internet because it is not relevant to their lives.⁸¹

The National Telecommunications and Information Administration (NTIA) published a report in May 2013 on broadband availability in the United States.^{82,83} According to NTIA's report, between June 2010 and June 2012, national broadband availability increased at all advertised speed levels with the greatest rates of change occurring at higher speed tiers beginning with 25 Mbps or greater. Approximately 93 percent of Americans have access to advertised wireline broadband at speeds of at least 3 Mbps and 6 Mbps, while 91 percent have access to speeds of at least 10 Mbps, and 78 percent at 25 Mbps.⁸⁴

2. Florida Broadband Trends

According to the most recent FCC report, 51 percent of households in Florida have a fixed broadband connection with download speeds of at least 3 Mbps and 74 percent have fixed

⁷⁹ Ibid.

⁸⁰ Ibid.

⁸¹ Ibid.

⁸² NTIA, "U.S. Broadband Availability: June 2010-2012, A Broadband Brief," May 2013, http://www.ntia.doc.gov/files/ntia/publications/usbb_avail_report_05102013.pdf, accessed on May 17, 2013.

⁸³ NTIA identifies broadband as "available" if it can be deployed to a business or consumer within a specific timeframe and without an extraordinary commitment of resources. This definition does not include actual broadband subscribers.

⁸⁴ Ibid.

broadband connections of 200 kbps or greater.⁸⁵ The FCC also reported that cable modem services accounted for approximately 60 percent of non-mobile broadband connections in Florida with download speeds greater than 2000 kbps.⁸⁶ Mobile broadband connections accounted for 62 percent of all Florida broadband connections with download speeds in excess of 200 kbps.⁸⁷

According to the NTIA, Florida is ranked 9th out of all states based on the percentage of population with access to broadband speeds of 10 Mbps or greater. For speeds greater than or equal to 25 Mbps, Florida ranks 12th. Ninety-eight percent of Floridians have the availability to download speeds at ≥ 10 Mbps and approximately 91 percent have availability to speeds at ≥ 25 Mbps.⁸⁸

⁸⁵ FCC, “Internet Access Services: Status as of June 30, 2012,” released May 2013, Table 13 and Table 14, http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0520/DOC-321076A1.pdf, accessed on May 21, 2013.

⁸⁶ Ibid, Table 16.

⁸⁷ Ibid.

⁸⁸ NTIA, “U.S. Broadband Availability: June 2010-2012, A Broadband Brief,” May 2013, http://www.ntia.doc.gov/files/ntia/publications/usbb_avail_report_05102013.pdf, accessed on May 17, 2013.

Chapter V. State Activities

A. *Intercarrier Matters*

1. **Verizon v. Bright House Access Charge Complaint**⁸⁹

In 2011, Bright House Networks, Florida, filed a complaint against Verizon Florida for failure to pay intrastate access charges on telecommunications traffic originating on Bright House's VoIP network. Verizon contended because the traffic originated on a VoIP system, the traffic was inherently interstate in nature and not appropriate for intrastate access compensation. During the pendency of the complaint, the FCC issued a Notice of Proposed Rule Making, finding that it had not declared VoIP-originated traffic to be inherently interstate in nature.

On May 1, 2012, Bright House Networks filed a Notice of Voluntary Dismissal, with prejudice, of its complaint. The Commission acknowledged the voluntary dismissal with prejudice in Commission Order No. PSC-12-0254-FOF-TP.

2. **AT&T v. Express Phone Adoption Dispute**⁹⁰

This dispute relates to Express Phone's allegation that AT&T Florida failed to honor Express Phone's request to adopt the interconnection agreement (ICA) between AT&T and another CLEC. Express Phone contended that the alleged failure would violate the federal Telecommunications Act of 1996. An evidentiary hearing was held May 3, 2012. On July 17, 2012, the Commission adopted the staff's recommendation that Express Phone could not adopt an alternative ICA when it failed to materially comply with its existing ICA.

On August 28, 2012, Express Phone filed a complaint for declaratory and injunctive relief in the U.S. District Court, Northern District of Florida. Express Phone alleges that the Commission's decision was contrary to 47 U.S.C. §252(i) and 47 C.F.R. §51.809, and that the order is arbitrary and capricious. The parties filed their briefs in the first quarter of 2013 and are awaiting the Court's decision.

3. **AT&T v. Halo Complaint and Petition for Relief**⁹¹

On July 25, 2011, AT&T Florida (AT&T) filed a Complaint and Petition for Relief (Complaint) against Halo Wireless, Inc. (Halo). In the Complaint, AT&T alleges that Halo has violated the terms of the parties' ICA by terminating traffic to AT&T, which was not originated on a wireless network, in order to avoid the payment of access charges to AT&T. A hearing on the case was held July 12, 2012. By Order No. PSC-12-0593-FOF-TP, issued October 31, 2012,

⁸⁹ Docket No. 110056-TP – Complaint against Verizon Florida, LLC and MCI Communications Services, Inc. d/b/a Verizon Business Services for failure to pay intrastate access charges for the origination and termination of intrastate interexchange telecommunications service, by Bright House Networks Information Services (Florida), LLC.

⁹⁰ Docket No. 110087-TP – Notice of adoption of existing interconnection, unbundling, resale, and collocation agreement between BellSouth Telecommunications, Inc. d/b/a AT&T Florida d/b/a AT&T Southeast and Image Access, Inc. d/b/a NewPhone, Inc. by Express Phone Service, Inc.

⁹¹ Docket No. 110234-TP – Complaint and petition for relief against Halo Wireless, Inc. for breaching the terms of the wireless interconnection agreement, by BellSouth Telecommunications, LLC d/b/a AT&T Florida.

the Commission found that Halo materially breached the terms of the parties' Interconnection Agreement by sending landline originated traffic, inserting incorrect charge number data, and failing to pay for interconnection facilities ordered by Halo and authorized AT&T to discontinue further performance under and to terminate the parties' Interconnection Agreement. Additionally, the Commission ordered that Halo is liable to AT&T for non-local access charges on the non-local landline traffic Halo delivered to AT&T, as well as interconnection facilities charges for facilities ordered by Halo.

4. Qwest Discrimination Complaint⁹²

Qwest Communications Company, LLC (Qwest), filed a complaint against a large number of CLECs on December 11, 2009, regarding rate discrimination in connection with the provision of intrastate switched access services. Qwest sought relief from all parties for engaging in unlawful rate discrimination. Specifically, Qwest alleged that by extending contracts to other interexchange carriers for switched access, advantages were withheld from Qwest. The complaint further alleged that all parties failed to abide by their pricelists, and charged Qwest more for switched access than other similarly situated interexchange companies. The Commission addressed several procedural filings in this docket and a hearing on the issues was held October 23-25, 2012. During the process, Qwest and a number of CLECs settled their disputes on these issues; as a result only 5 CLECs remained as respondents to the complaint at the time of the hearing.

On May 1, 2013, the Commission issued Order No. PSC-13-0185-FOF-TP, finding that the Commission retained authority under Chapter 364.16, F.S., to hear the complaint. The Commission found that that Qwest failed to demonstrate that it was similarly situated to AT&T and thus was not eligible for AT&T's contract terms. The Commission also found that the CLECs abided by their price lists and did not engage in any unlawful anticompetitive behavior against Qwest regarding these switched access contracts. On May 16, 2013, Qwest filed a Motion for Reconsideration of the Commission's decision.

5. AT&T v. Digital Express Adoption Dispute⁹³

On June 5, 2012, Digital Express, Inc. (Digital) filed a Notice of Adoption of an existing interconnection, unbundling, resale, and collocation agreement between BellSouth Telecommunications, Inc. d/b/a AT&T Florida d/b/a AT&T Southeast (AT&T Florida) and New Talk, Inc. (New Talk ICA) On July 9, 2012, AT&T Florida filed a Response in Opposition to Digital's adoption of the New Talk ICA. Order No. PSC-12-0598-PCO-TP, on November 1,

⁹² Docket No. 090538-TP – Amended Complaint of Qwest Communications Company, LLC against MCImetro Access Transmission Services (d/b/a Verizon Access Transmission Services); XO Communications Services, Inc.; tw telecom of florida, l.p.; Granite Telecommunications, LLC; Broadwing Communications, LLC; Access Point, Inc.; Birch Communications, Inc.; Budget Prepay, Inc.; Bullseye Telecom, Inc.; DeltaCom, Inc.; Ernest Communications, Inc.; Flatel, Inc.; Navigator Telecommunications, LLC; PaeTec Communications, Inc.; STS Telecom, LLC; US LEC of Florida, LLC; Windstream NuVox, Inc.; and John Does 1 through 50, for unlawful discrimination.

⁹³ Docket No. 120169-TP – Notice of adoption of existing interconnection, unbundling, resale and collocation agreement between BellSouth Telecommunications, Inc. d/b/a AT&T Florida d/b/a AT&T Southeast and Image Access, Inc. d/b/a NewPhone, Inc. by Digital Express, Inc.

2012, established procedural dates and set this docket for an administrative hearing on April 18, 2013.

On February 8, 2013, Digital and AT&T filed a Joint Motion for Abatement, stating that the parties have reached an agreement to request an abatement of this docket until all appeals have been resolved in Docket 110087-TP, Notice of adoption of existing interconnection, unbundling, resale, and collocation agreement between BellSouth Telecommunications, Inc. d/b/a AT&T Florida d/b/a AT&T Southeast and Image Access, Inc. d/b/a NewPhone, Inc. by Express Phone Service, Inc. In support of their Joint Motion, the parties argue that the issues in this docket are substantially similar to the issues in Docket 110087-TP, which is currently on review to the United States District Court, Northern District of Florida as Case No. 1:12-cv-00197-MP-GRJ.

6. Budget PrePay, Inc. d/b/a Budget Phone v. AT&T Dispute⁹⁴

Budget PrePay, Inc. d/b/a Budget Phone filed a complaint against AT&T Florida on August 28, 2011 for “imposing an unlawful restriction on the resale of bundled local and long distance cash back promotions” and “engaging in actions that are preferential, discriminatory and anti-competitive as AT&T seeks to impair competition, enhance its competitive position and gain a competitive advantage through an inappropriate intra-corporate transaction and/or tying arrangement with its affiliate long distance company.” On September 17, 2012, AT&T filed its Answer and Counterclaim to the Budget Complaint.

On February 6, 2013, pursuant to Rule 28-106.204, F.A.C., the Parties filed a Joint Motion to Dismiss Complaint and Counterclaim (Joint Motion to Dismiss with Prejudice) in which the Parties “request that their respective claims be dismissed with prejudice, that each party bear its own costs and fees, and that this docket be closed.” Commission Order No. PSC-13-0128-FOF-TP granted the dismissal on March 15, 2013.

7. Nexus v. AT&T Promotional Credit Complaint⁹⁵

On November 18, 2010, Nexus Communications, Inc. (Nexus) filed its Complaint and Petition for Relief seeking to recover cash back promotional credits from AT&T. On November 24, 2010, AT&T filed its Answer and Affirmative Defenses.

On February 28, 2011, the parties filed a Joint Status Report and Proposed Motion to Abate. A second status report was filed by Nexus on January 10, 2013, stating that the parties had agreed in principle to the terms of a final settlement. On May 29, 2013, Nexus filed its Motion to Dismiss, with prejudice, stating that all issues presented in the instant case had been resolved.

⁹⁴ Docket No. 120231-TP – Complaint of Budget Prepay, Inc. against BellSouth Telecommunications, LLC d/b/a AT&T Florida.

⁹⁵ Docket No. 100434-TP – Complaint and petition for relief by Nexus Communications, Inc. against BellSouth Telecommunications, Inc. d/b/a AT&T Florida for dispute over interpretation of interconnection agreement regarding cash back promotions.

8. CompSouth Petition for Rulemaking on Expedited Complaints⁹⁶

On July 31, 2012, the Competitive Carriers of the South, Inc. (CompSouth) filed a Petition to Initiate Rulemaking to Revise and Amend Portions of Rule 25-22.0365, F.A.C, to revise portions of the Expedited Dispute Resolution Rule to “enable quicker resolution of cases where a consumer is without service or suffers impaired service as a result of a dispute between telecommunications carriers.”⁹⁷ A rule development workshop was held on November 15, 2012. The parties are currently discussing proposed rule language.

9. Wholesale Performance Measurement Plans

Wholesale performance measurement plans provide a standard against which the Commission can monitor performance over time to detect and correct any degradation in the quality of service ILECs provide to CLECs. The Commission adopted performance measurements for AT&T in August 2001, for CenturyLink in January 2003, and for Verizon in June 2003. Trending analysis is applied to monthly performance measurement data provided by each ILEC.

AT&T is the only ILEC that is required to make payments to CLECs when certain performance measures do not comply with established standards and benchmarks. AT&T’s approved Performance Assessment Plan consists of 47 measurements, of which 24 measurements have remedies applied to them. For the calendar year 2012, AT&T paid approximately \$263,820 in remedies to CLECs, a decrease of 75 percent from 2011.

CenturyLink’s 2012 Performance Measurement Plan contained 36 performance measures designed to ascertain if the ILEC is providing nondiscriminatory service to CLECs. For the 2012 calendar year, CenturyLink’s monthly compliance with established standards ranged from 87.8 percent to 92.2 percent.

On February 1, 2013, CenturyLink filed proposed revisions to its Performance Measurement Plan as a result of a negotiated settlement in Nevada. The revisions included eliminating 3 measures (leaving a net of 33 measures) and revising several others. The Commission approved these revisions on May 14, 2013, and they are scheduled to go into effect with the July 2013 reporting month.

Verizon’s current Performance Measurement Plan contains 29 measures. For the calendar year 2012, Verizon’s monthly compliance with approved standards ranged from 81.1 percent to 92.2 percent. The previous year, Verizon’s compliance ranged from 82.4 percent to 92.5 percent.

⁹⁶ Docket No. 120231-TP – Petition of the Competitive Carriers of the South, Inc., to initiate rulemaking to revise and amend portions of Rule 25-22.0365, Florida Administrative Code.

⁹⁷ *Petition* at page 1.

B. Lifeline

In order to comply with new FCC requirements (discussed in Chapter VI) and keep the Lifeline application process uncomplicated, the FPSC created an on-line Lifeline application for consumers participating in Supplemental Nutrition Assistance Program (SNAP), Medicaid, or Temporary Assistance for Needy Families (TANF). When the applicant completes the application making all the necessary attestations, certifications, and the electronic signature, the FPSC computer automatically makes a query to a Florida Department of Children and Families Web services interface to confirm current participation in SNAP, Medicaid, or TANF. The real-time response will verify participation in at least one of the programs, but does not identify the program. A positive response will generate an automatic e-mail to the appropriate Lifeline provider advising it that an approved Lifeline application is available for retrieval on the FPSC Web site. A negative response will cause a letter to be sent to the applicant stating his/her participation in SNAP, Medicaid, or TANF could not be confirmed and offering staff assistance with any questions.

C. Telephone Relay Service

Section 427.704, Florida Statutes, charges the Commission with the responsibility of overseeing the administration of a statewide telecommunications access system to provide access to Telecommunications Relay Services (TRS) by persons who are deaf, hard of hearing, deaf-blind, speech impaired, or others who communicate with them.

Based on a competitive bid evaluation process, the Commission awarded a new relay provider contract to AT&T, effective June 1, 2012, for a period of three years ending May 31, 2015. The contract contains options to extend the contract for four additional one-year periods, and requires mutual consent by both parties to extend the contract. The AT&T contract remained in effect during year one of the contract period.

States must seek recertification of their Relay programs from the FCC every five years. The state certification process is intended to ensure that TRS is provided in a uniform manner throughout the United States and territories. On September 25, 2012, the Commission submitted Florida's recertification application to the FCC, which contained documentation that Florida meets or exceeds all of the applicable mandatory minimum standards set forth in Code of Federal Regulations Section 64.604. The FCC's review process involves the issuance of public notices and letter orders of certification reviews between May and July 2013.

On June 3, 2013, the Commission issued Order No. PSC-13-0240-PAA-TP approving, as modified by the Commission, Florida Telecommunications Relay, Inc.'s (FTRI) 2013-2014 budget and maintaining the \$0.11 monthly surcharge per access line. Specifically, the Commission ordered that an annual budgeted operating revenue of \$8,771,408 and annual budgeted expenses of \$10,110,295 for fiscal year 2013-2014, effective July 1, 2013, be established. FTRI's projected \$1,338,887 revenue shortfall will be covered through FTRI's existing reserve account.

D. Florida Broadband Grant Projects

The Florida Department of Management Services received federal grant funding in January 2010 for \$2.5 million to develop a broadband map for Florida and broadband planning for the state. In September 2010, the Department was awarded an additional \$6.3 million, for a total amount of \$8.8 million, to extend the mapping project through 2014 and initiate four additional broadband projects. The four projects are library technology assessments, E-rate assistance, broadband grants assistance, and regional broadband planning.

1. Broadband Mapping

Efforts to maintain the map are ongoing, focusing on building Florida's database for household broadband availability and broadband use by anchor institutions. The most recently compiled data will be submitted for the national broadband map in October 2013.⁹⁸ Data will be updated bi-annually through the end of 2014. The Broadband Mapping team also assisted the Department of Education and the State Legislature with analysis of the broadband coverage and availability for all the public schools in Florida to assist with digital learning capability in the 2013 legislative session.

2. Library Technology Assessment

This project inventoried and reported on Florida's 180 public libraries and was completed by the end of the 2nd quarter of 2012. The assessment helped to identify libraries whose broadband needs are the greatest.

3. E-rate Assistance

In 2011, comparably populated states such as California, New York, and Texas received more E-rate funding than Florida.⁹⁹ In an effort to improve Florida's benefit from the program, the E-rate assistance team, which now also serves as the State E-rate Coordinators, provided technical training seminars throughout the state to assist potential applicants and served as a technical resource on multiple school and library E-rate applications, including follow-up assistance and application monitoring. Per a Universal Service Administrative Company (USAC) directive, the Department of Management Services must be the applicant for all funding requests that utilize the state master contracts. The team certified all of the applications and is in the process of handling any USAC review inquiries. The project is funded through 2014.

⁹⁸ The Florida broadband map can be accessed online at <http://map.broadbandfla.com/>.

⁹⁹ FCC, "Universal Service Monitoring Report, CC Docket 98-202, 2012 (data received through October 2012)," March 2013, <http://www.fcc.gov/document/fcc-releases-2012-universal-service-monitoring-report>, accessed on May 24, 2013.

4. Grants Assistance and Resource Development

In fiscal year 2010, Florida ranked 48th in federal program grant funds per capita.¹⁰⁰ The Resource Development team is focusing on matching up eligible community anchor institutions with federal programs that will support and fund broadband related technology. The current program focus is the new HealthCare Connect Fund, which falls under the Universal Service Fund umbrella and funds broadband capacity and infrastructure. The team will assist with the application process for all eligible applicants. The team also recently assisted community anchor institutions in seeking funding to expand the service area of Broadband Technology Opportunities Program projects in rural areas.

5. Regional Broadband Planning

This project will develop and provide Florida communities with a broadband planning process, tool kits, and training to local communities and regions who wish to develop broadband plans as part of their economic development efforts. This two-year project is approximately 50 percent complete and will soon enter the pilot phase in South Central and Southwest Florida, including Polk, Charlotte, Lee and Collier counties.

¹⁰⁰ U.S. Census Bureau, Economics and Statistics Administration, U.S. Department of Commerce, “Federal Aid to States for Fiscal Year 2010,” Figure 5, issued September 2011, <http://www.census.gov/prod/2011pubs/fas-10.pdf>, accessed on June 20, 2012.

Chapter VI. Federal Activities

A. Universal Service

The FPSC monitors and participates in ongoing proceedings at the FCC and with the Federal-State Joint Board on Universal Service (Joint Board). Florida consumers pay significantly more into the federal Universal Service Fund (USF) than what is returned to eligible service providers in Florida.¹⁰¹ While Florida was a net recipient of low income support programs in 2009 and 2010, this trend was reversed in 2011 when contributions exceeded receipts. Table 6.1 shows Florida's estimated contribution and receipts for 2011. More recent data regarding the assessment factor is available from the FCC.¹⁰² The assessment factor is the rate at which carriers can assess end-users for the Federal universal service program. In 2012 the assessment factor, ranged from a high of 17.9 percent in the first quarter to a low of 15.7 percent in the third quarter.¹⁰³

Table 6-1. 2011 Federal Universal Service Programs in Florida
(Annual Payments and Contributions in Thousands of Dollars)

	2009	2010	2011		
	Estimated Net	Estimated Net	Payments to Service Providers	Estimated Consumers Contributions	Estimated Net
High-Cost	(\$215,511)	(\$211,439)	\$54,708	\$261,019	(\$206,311)
Low Income	6,431	2,146	112,350	113,357	(1,007)
Schools & Libraries	(49,183)	(41,568)	76,928	144,554	(67,626)
Rural Health Care	(3,189)	(5,395)	572	9,130	(8,558)
Total ¹⁰⁴	(\$273,936)	(\$263,152)	\$244,557	\$534,994	(\$290,437)

Source: FCC Universal Service Monitoring Report, Tables 1.12 Table 1.13.

¹⁰¹ FCC, "Universal Service Monitoring Report," CC Docket No. 98-202, released March 25, 2013, Table 1.12, http://transition.fcc.gov/Daily_Releases/Daily_Business/2013/db0403/DOC-319744A1.pdf, accessed on May 16, 2013.

¹⁰² FCC, Contribution Factor & Quarterly Filings - Universal Service Fund (USF) Management Support, <http://www.fcc.gov/encyclopedia/contribution-factor-quarterly-filings-universal-service-fund-usf-management-support>, accessed on May 16, 2013.

¹⁰³ The assessment factor is applied to interstate and international telecommunications revenues. Mobile wireless carriers and interconnected VoIP providers also required to contribute, however they may use the interim safe harbor percentages to estimate the interstate portion of their revenues.

¹⁰⁴ The total contribution in this table includes approximately \$107 million in administrative expenses for the Universal Service Administrative Company.

1. High-Cost Reform

Towards the end of 2011, the FCC adopted an Order to modernize its existing high-cost fund to explicitly support deployment of broadband to unserved areas.¹⁰⁵ As part of this reform, the FCC began to phase out the existing high-cost support programs and began funding through the two new high-cost programs, the Connect America Fund (CAF) and the Mobility Fund. The CAF focuses on supporting and expanding fixed broadband availability and voice service. The distribution of support has been divided into two phases.

Phase I provides an immediate one-time infusion of funds to bring broadband to unserved areas. While the FCC capped Phase I the fund at \$300 million, only \$115 million in support was accepted by carriers. Carriers in Florida received \$722 thousand in CAF Phase I support.¹⁰⁶ This support was target to 121 census blocks in six counties where carriers agreed to the deployment criteria established by the FCC.¹⁰⁷

Phase II, once implemented, will provide ongoing support to deploy and maintain broadband and voice service in high-cost areas at rates comparable to urban areas. In Phase II, the FCC provided for up to \$1.8 billion in support to be distributed each year, over a period of five years. The FCC intends on using a combination of a forward-looking cost model and competitive bidding to award support. In 2012, the FCC continued the process of refining its forward-looking cost model.

The FCC also created a Mobility Fund that will provide up to \$300 million in one-time support to accelerate deployment of networks for mobile voice and broadband services in unserved areas. To receive support, carriers had to participate in an auction process and make certain deployment commitments.¹⁰⁸ In October 2012, the FCC released the detailed information regarding the winning bidders.¹⁰⁹ The three largest wireless carriers did not participate in the auction. In Florida, there were no “winning” bids. As a result, none of the eligible wireless carriers that offer service in Florida will receive any of \$300 million in support to expand service in Florida. The FCC will have an ongoing Mobility Fund support program. It will provide support of up to \$500 million per year targeted to areas where services would be unavailable absent federal support.

2. Low Income Reform

Support distributed from the low-income programs has been the primary driver in the increase in the overall size of the federal universal service program from 2008 to 2012. During

¹⁰⁵ Several states, NASUCA, NARUC, and the state members of the USF Joint Board challenged the FCC’s USF/ICC Order. Oral argument has been scheduled for November 13, 2013.

¹⁰⁶ FCC, Connect America Fund Phase I Interactive Map, <http://www.fcc.gov/maps/connect-america-fund-caf-phase-i>, accessed on May 16, 2013.

¹⁰⁷ Ibid.

¹⁰⁸ Specifically, carriers had to deploy networks to provide 3G or better mobile voice and broadband services.

¹⁰⁹ FCC, Public Notice, DA 12-1566, released October 3, 2012, http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db1003/DA-12-1566A1.pdf, accessed on May 16, 2013.

this time, these programs tripled in size from \$803 million to \$2.4 billion.¹¹⁰ On February 6, 2012, the FCC released an Order to protect against waste, fraud, and abuse of the Federal Lifeline program.¹¹¹ Because of the reforms adopted in this Order, which tightened requirements on recipients, overall demand began to decline during the first and second quarters of 2013.¹¹² The FCC Order adopted a number of reforms, which include:

- Creation of National Lifeline Accountability Database to prevent multiple carriers from receiving support for the same subscribers;
- Phase out of toll limitation service support;¹¹³
- Elimination of Link Up support except for recipients on Tribal lands;¹¹⁴
- Creation of a One-Per-Household rule which restricts Lifeline credits to one per household;¹¹⁵
- Reduction of the Federal universal service fund Lifeline Reimbursement to Lifeline providers from \$10 to \$9.25 per month for each Lifeline customer; and
- Requirement for Lifeline providers to access state or federal social services eligibility databases to determine an applicant's initial and annual program-based eligibility. If a Lifeline provider does not have access to a database, the applicant must provide documentation demonstrating that he/she qualifies for Lifeline under the program-based eligibility requirements.

Consistent with reforms made in the high-cost programs, the FCC selected 14 projects to participate in its Lifeline broadband adoption pilot program in December 2012.¹¹⁶ This program authorizes approximately \$13.8 million in support for rural, urban and suburban projects. The projects will provide data to inform the FCC on how the Lifeline program could be structured to

¹¹⁰ FCC, Universal Service Monitoring Report, CC Docket 98-202, Tables 1.10 and 1.9, various years, <http://transition.fcc.gov/wcb/iatd/monitor.html>, accessed on May 16, 2013.

¹¹¹ FCC, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11, WC Docket Nos. 11-42, 03-109, 12-23, CC Docket No. 96-45, released February 6, 2012, http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-12-11A1_Rcd.pdf, accessed on May 16, 2013.

¹¹² FCC, Contribution Factor & Quarterly Filings - Universal Service Fund (USF) Management Support, <http://www.fcc.gov/encyclopedia/contribution-factor-quarterly-filings-universal-service-fund-usf-management-support>, accessed on May 16, 2013.

¹¹³ Toll limitation service historically has included both toll blocking, which prevents the placement of all long distance and international calls for which the subscriber would be charged, and toll control, which limits to a preset amount the long-distance charges a subscriber can incur during a billing period.

¹¹⁴ Link Up provided qualifying consumers with discounts of up to \$30 off the initial costs of installing a single telecommunications connection.

¹¹⁵ A "household" is considered "any individual or group of individuals who are living together at the same address as one economic unit."

¹¹⁶ FCC, Order, DA 12-2045, released December 19, 2012, http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db1219/DA-12-2045A1.pdf, accessed on May 16, 2013.

promote the adoption and retention of broadband services by low-income households. Florida is among the 21 states affected by these projects. TracFone's pilot program will affect Florida and five other states. It will test the effect of both discounted price and hardware cost on mobile broadband adoption and retention. Throughout TracFone's six-state pilot program, it will not receive more than \$915,000 in support.

3. Rural Healthcare Reform

In December 2012, the FCC expanded its existing Universal Service Rural Healthcare program based on its pilot program expansion, which started in 2006. The FCC's Order implementing these reforms maintains a \$400 million ceiling on the cost of universal service support for broadband health care networks.¹¹⁷ The telecommunications component of the existing Rural Health Care Program will remain available. The new Healthcare Connect Fund will replace the Internet Access component of the existing Rural Health Care Program, which provides a 25 percent discount on Internet Access services. The new Healthcare Connect Fund will help expand access by health care providers to the high-bandwidth connections by:

- Removing limitations on technology and provider type;
- Encouraging consortia among smaller rural health care providers and urban medical centers;
- Increasing fiscal responsibility by requiring participants to contribute 35% of the costs;
- Allowing health care providers to construct broadband networks when that is cost effective; and
- Covering upgrades to higher speed service required for health care applications.

In addition, the FCC established a new pilot program to test expanding broadband healthcare networks to skilled nursing facilities. Up to \$50 million in support will be available from the fund over three years for these competitively-awarded pilots programs.

4. Contribution System Reform

In April, the FCC initiated a proceeding to consider modernizing how Universal Service fund contributions are assessed and recovered.¹¹⁸ Currently, USF is paid for by an assessment on the interstate and international revenues of carriers, as well as Voice over Internet Protocol (VoIP providers). The FCC has acknowledged that the current contribution system has given rise to uncertainty, inefficiency, and market distortions. Outdated rules and loopholes mean that services that compete directly against each other may face different treatment. Among the

¹¹⁷ FCC, Report and Order, FCC 12-150, released on December 21, 2012, http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-12-150A1.pdf, accessed on May 16, 2013.

¹¹⁸ FCC, Further Notice of Proposed Rulemaking, released April 30, 2012, http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db0501/FCC-12-46A1.pdf, accessed on May 16, 2013.

options the FCC is considering is a change to assess contributions based on either total revenues (i.e., interstate and intrastate), connections, numbers, or a hybrid approach (of connections and revenues).

B. Next Generation 911

On February 22, 2012, Congress enacted the Next Generation 911 (NG911) Advancement Act of 2012 as part of the Middle Class Tax Relief and Job Creation Act of 2012.¹¹⁹ Part of the Act directs the FCC to issue a report containing recommendations for the legal and statutory framework for NG911 services.¹²⁰ In general, NG911 systems would enable the public to transmit text, images, video and data to a 911 public safety answering point.

On December 13, 2012, the FCC released another notice seeking comments regarding rules relating to the build out of text-to-911 service.¹²¹ The nation's four largest wireless carriers committed to make text-to-911 available to their customers by May 15, 2014, with significant deployments expected in 2013. The FCC proposed to require that all wireless carriers enable their customers to send text messages to 911 in areas where local 911 call centers are also prepared to receive the texts. The FCC sought comment on whether the May 15, 2014 date is achievable. The FCC also sought comment on an automated "bounce back" error messages to consumers attempting to text 911 in areas where the service is not yet available.

On February 22, 2013, the FCC submitted a report to Congress regarding the legal and statutory framework for NG911 and made recommendations to Congress. Among the FCC's recommendations were that Congress:

- Create incentives for states to become "early adopters;"
- Encourage state-level governance of NG911 deployment but consider the creation of a federal regulatory "backstop";
- Promote a consistent nationwide approach to key elements of NG911 deployment;
- Promote the development of location technologies that will support all NG911 applications regardless of the network or device used by the caller;
- Support establishment at the national level of certain databases that support NG911 routing and security; and

¹¹⁹ Committee Reports, 112th Congress, House Report 112-399, Middle Class Tax Relief and Job Creation Act of 2012, [http://thomas.loc.gov/cgi-bin/cpquery/R?cp112:FLD010:@1\(hr399\)](http://thomas.loc.gov/cgi-bin/cpquery/R?cp112:FLD010:@1(hr399)), accessed on May 16, 2013.

¹²⁰ Ibid, Section 6509.

¹²¹ FCC, Further Notice of Proposed Rulemaking, PS Docket Nos. 11-153 and 10-255, released on December 13, 2012, http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db1213/FCC-12-149A1.pdf, accessed on May 16, 2013.

- Could assist in the elimination of state regulations that are impeding NG911 deployment, while providing incentives for states to modernize their laws and regulations to accommodate NG911.

On May 8, 2013, the FCC adopted a *Report and Order* requiring all CMRS providers and providers that enable a consumer to send and receive text messages to provide an automatic “bounce-back” text message in situations where a consumer attempts to send a text message to 911 in a location where text-to-911 is not available. This capability is to be implemented no later than September 30, 2013.

C. TDM-to-IP Transition

In November 2012, two petitions were filed with the FCC asking it to initiate a rulemaking proceeding to respond to the ongoing transition of voice networks. Specifically, the transition of time-division multiplexed (TDM) facilities to networks based fully on Internet Protocol (IP) and the appropriate regulatory framework that should be applied.

The first petition, filed by AT&T on November 7, 2012, requests that the FCC initiate a proceeding to facilitate industry transition from legacy transmission platforms and services to new services based fully on IP.¹²² AT&T asks the FCC to conduct trial runs of the transition to next-generation services that include retiring TDM facilities and offerings with their replacement of IP-based alternatives in four select wire centers chosen by ILECs choosing to participate. The second petition, filed by the National Telecommunications Cooperative Association on November 19, 2012, seeks to review regulatory rules and requirements, while also seeking to maintain the authority and core competencies of state commissions.¹²³ On December 14, 2012, the FCC released a Public Notice seeking comments from interested parties regarding the two proposals.¹²⁴

Additionally, on May 10, 2013, the FCC’s Technology Transitions Policy Task Force issued a Public Notice soliciting comment on the form and parameters of several proposed trials pending before the FCC. Included in the Notice were the TDM retirement trials requested by AT&T, along with possible trials for IP-based 911 services and trials serving consumers with wireless service in place of wireline service in certain geographic areas.

¹²² AT&T, Petition to Launch a Proceeding Concerning the TDM-to-IP Transition, filed with the FCC on November 7, 2012, http://www.att.com/Common/about_us/files/pdf/fcc_filing.pdf, accessed on May 16, 2013.

¹²³ National Telecommunications Cooperative Association, Petition of the National Telecommunications Cooperative Association for a Rulemaking to Promote and Sustain the Ongoing TDM-to-IP Evolution, filed with the FCC on November 19, 2012, <http://apps.fcc.gov/ecfs/document/view?id=7022064353>, accessed on May 16, 2013.

¹²⁴ FCC, Public Notice, DA 12-1999, released December 14, 2012, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-12-1999A1.pdf, accessed on May 16, 2013.

Appendix A - List of Certificated CLECs as of 12/31/12

**Indicates that the company did not respond to the Commission's data request.

365 Wireless, LLC	Bright House Networks Information Services (Florida), LLC
382 Networks, Inc.	Broadband Dynamics, L.L.C.
**A. SUR Net, Inc.	BroadRiver Communication Corporation
Absolute Home Phones, Inc.	Broadview Networks, Inc.
Access Communications, LLC.	Broadvox-CLEC, LLC
**Access Media 3, Inc.	Broadwing Communications, LLC
Access Networks of Florida, LLC	BT Communications Sales LLC
Access One, Inc.	Budget PrePay, Inc. d/b/a Budget Phone
Access Point, Inc.	BudgeTel Systems, Inc.
Access2go, Inc.	BullsEye Telecom, Inc.
ACN Communication Services, Inc.	Business Telecom, Inc. d/b/a EarthLink Business
Advanced Communications Southeast, Inc.	Cable & Wireless Americas Operations, Inc.
Aero Communications, LLC	Callis Communications, Inc.
Affordable Phone Services, Inc.	Cbeyond Communications, LLC
Airespring, Inc.	Centennial Florida Switch Corp.
ALEC, LLC	CenturyTel Fiber Company II, LLC d/b/a LightCore, a CenturyLink limited liability company
Alternative Phone, Inc.	Cincinnati Bell Any Distance Inc.
American Telephone Company LLC	City of Bartow
Americatel Corporation	City of Daytona Beach
ANEW Broadband, Inc.	City of Gainesville, a municipal corporation d/b/a GRUCom
Assurance Home Phone Services, Inc.	City of Lakeland
Astro Tel, Inc.	City of Leesburg
AT&T Corp.	City of Ocala
ATC Outdoor DAS, LLC	City of Quincy d/b/a netquincy d/b/a netquincy.com d/b/a www.netquincy.com
Atlantic.Net Broadband, Inc.	Clear Rate Communications, Inc.
ATN, Inc. d/b/a AMTEL NETWORK, INC.	Cogent Communications of Florida LHC, Inc.
Backbone Communications Inc.	Comcast Business Communications, LLC d/b/a Comcast Long Distance
Bandwidth.com CLEC, LLC	Comcast Phone of Florida, LLC d/b/a Comcast Digital Phone d/b/a CIMCO, a Division of Comcast Business Services
BCN Telecom, Inc.	Comity Communications, LLC
BellSouth Long Distance, Inc. d/b/a AT&T Long Distance Service	Communications Authority, Inc
BellSouth Telecommunications, LLC d/b/a AT&T Florida d/b/a AT&T Southeast	
Benchmark Communications, LLC d/b/a Com One	
BetterWorld Telecom LLC d/b/a BetterWorld Telecom	
Birch Communications, Inc.	
Birch Telecom of the South, Inc. d/b/a Birch Telecom d/b/a Birch d/b/a Birch Communications	

ComNet (USA) LLC
 Comtech21, LLC
 Conterra Ultra Broadband, LLC
 Convergia, Inc.
 CoreTel Florida, Inc. d/b/a CoreTel
 **Covista, Inc.
 Cox Florida Telcom, L.P. d/b/a Cox
 Communications d/b/a Cox Business
 d/b/a Cox
 Crexendo Business Solutions, Inc.
 **Crown Castle NG East Inc.
 Custom Network Solutions, Inc.
 Dais Communications, LLC d/b/a Dais
 Communications
 Dedicated Fiber Systems, Inc.
 DeltaCom, Inc. d/b/a EarthLink Business
 Dialtone Telecom, LLC
 Digital Express, Inc.
 **DIGITALIPVOICE, INC.
 dishNET Wireline L.L.C.
 DRS Training & Control Systems, LLC.
 DSCI Corporation
 DSL Internet Corporation d/b/a DSLi d/b/a
 VOX3COM
 DukeNet Communications, LLC
 Easy Telephone Services Company
 ElectroNet Intermedia Consulting, Inc.
 Embarq Communications, Inc. d/b/a
 CenturyLink Communications
 ENA Services, LLC
 Enhanced Communications Network, Inc.
 d/b/a Asian American Association
 Entelegent Solutions, Inc.
 Ernest Communications, Inc.
 EveryCall Communications, Inc. d/b/a Local
 USA, All American Home Phone
 Excelacom Light, LLC.
 Express Phone Service, Inc.
 ExteNet Systems, Inc.
 Fast Phones, Inc. of Alabama
 FiberLight, LLC
 First Choice Technology, Inc.
 First Communications, LLC
 FLATEL, Inc.
 Florida Hearing and Telephone Corporation
 d/b/a Florida Hearing and Telephone
 Florida Phone Systems, Inc.
 Florida Telephone Services, LLC
 Fort Pierce Utilities Authority d/b/a
 FPUAnet Communications
 FPL FiberNet, LLC
 France Telecom Corporate Solutions L.L.C.
 Frontier Communications of America, Inc.
 General Computer Services, Inc. d/b/a
 BeCruising Telecom
 Georgia Public Web, Inc.
 Global Connection Inc. of America (of
 Georgia)
 Global Crossing Local Services, Inc.
 Granite Telecommunications, LLC
 **Great America Networks, Inc.
 GRU Communications
 Services/GRUCom/GRU
 GTC Communications, Inc.
 Harbor Communications, LLC
 Hayes E-Government Resources, Inc.
 Home Town Telephone, LLC
 Hotwire Communications, Ltd.
 Hypercube Telecom, LLC
 IBC Telecom Corp.
 IDT America, Corp. d/b/a IDT
 Image Access, Inc. d/b/a NewPhone, Inc.
 inContact, Inc. d/b/a UCN
 iNetworks Group, Inc.
 Integrated Path Communications, LLC
 IntelePeer, Inc.
 Intelletrace, Inc.
 Intellicall Operator Services, Inc. d/b/a ILD
 Interactive Services Network, Inc. d/b/a ISN
 Telcom
 InterGlobe Communications, Inc.
 Internet & Telephone, LLC
 Intrado Communications Inc.
 IPC Network Services, Inc.
 ITS Telecommunications Systems, Inc.
 J C Telecommunication Co., LLC
 Kenarl Inc. d/b/a Lake Wellington
 Professional Centre
 Kissimmee Utility Authority
 Knology of Florida, Inc.
 Latin American Nautilus U.S.A. Inc.
 Level 3 Communications, LLC

Lightspeed CLEC, Inc.
 Lightyear Network Solutions, LLC
 Linkup Telecom, Inc.
 Litestream Holdings, LLC
 Local Access LLC
 Local Telecommunications Services - FL, LLC
 Marco Island Cable, Inc.
 Maryland TeleCommunication Systems, Inc.
 MassComm, Inc. d/b/a Mass Communications
 Matrix Telecom, Inc. d/b/a Matrix Business Technologies also d/b/a Trinsic Communications also d/b/a Excel Telecommunications also d/b/a VarTec Telecom also d/b/a Clear Choice Communications
 **MBC Telecom LLC
 MCC Telephony of Florida, LLC
 McGraw Communications, Inc.
 MCImetro Access Transmission Services LLC d/b/a Verizon Access Transmission Services
 McLeodUSA Telecommunications Services, L.L.C.
 MegaPath Corporation
 Metropolitan Telecommunications of Florida, Inc. d/b/a MetTel
 Miami-Dade Broadband Coalition, Inc.
 Micro-Comm, Inc.
 Mitel NetSolutions, Inc.
 Mobilitie, LLC
 Momentum Telecom, Inc.
 MOSAIC NETWORKX LLC
 MULTIPHONER LATIN AMERICA, INC.
 **Navigator Telecommunications, LLC
 Nebula Telecommunications of Florida LLC
 Nettetalk.Com Inc. d/b/a Nettetalk
 Network Billing Systems, L.L.C.
 Network Innovations, Inc.
 Network Operator Services, Inc.
 Network Telephone Corporation d/b/a Cavalier Telephone d/b/a PAETEC Business Services
 Neutral Tandem-Florida, LLC
 New Edge Network, Inc. d/b/a EarthLink Business
 New Horizons Communications Corp.
 Nexus Communications, Inc. d/b/a Nexus Communications TSI, Inc.
 Norstar Telecommunications, LLC
 North American Telecommunications Corporation
 North County Communications Corporation
 NOS Communications, Inc. d/b/a International Plus d/b/a O11 Communications d/b/a The Internet Business Association d/b/a I Vantage Network Solutions
 O1 Communications East, LLC
 One Voice Communications, Inc.
 OneTone Telecom, Inc.
 Opextel LLC d/b/a Alodiga
 Optical Telecommunications, Inc. d/b/a HControl Corporation d/b/a SH Services LLC
 Orlando Telephone Company, Inc. d/b/a Summit Broadband
 PaeTec Communications, Inc.
 Peerless Network of Florida, LLC
 **PeerTel Communication, LLC
 Phone Club Corporation
 PNG Telecommunications, Inc. d/b/a PowerNet Global Communications d/b/a CrossConnect d/b/a Thr!ve Communications
 Preferred Long Distance, Inc.
 Primus Telecommunications, Inc.
 Protection Plus of the Florida Keys, Inc. d/b/a ENGAGE COMMUNICATIONS
 Public Wireless, Inc.
 QuantumShift Communications, Inc.
 Qwest Communications Company, LLC d/b/a CenturyLink QCC
 RCLEC, Inc.
 Reliance Globalcom Services, Inc.
 ReTel Communications, Inc.
 RightLink USA, Inc.
 Ring Connection, Inc.
 RNK Inc. d/b/a RNK Communications Inc.

Rosebud Telephone, LLC
 Sage Telecom, Inc.
 Sago Broadband, LLC
 Sandhills Telecommunications Group, Inc.
 d/b/a SanTel Communications
 Saturn Telecommunication Services Inc.
 d/b/a EarthLink Business
 **Semnac Technologies, LLC
 Servi Express Caracol d/b/a Telefonica
 Express
 Shands Teaching Hospital and Clinics, Inc.
 **SIP Interchange Corporation
 **SKYNET360, LLC
 Smart City Networks, Limited Partnership
 Smart City Solutions, LLC d/b/a Smart City
 Communications
 SNC Communications, LLC
 Southeastern Services, Inc.
 Southern Light, LLC
 Southern Telecom, Inc. d/b/a Southern
 Telecom of America, Inc.
 Spectrotel, Inc. d/b/a OneTouch
 Communications d/b/a Touch Base
 Communications
 Sprint Communications Company Limited
 Partnership
 STS Telecom, LLC
 Sunesys, LLC
 Sun-Tel USA, Inc.
 T3 Communications, Inc. d/b/a Tier 3
 Communications d/b/a Naples
 Telephone and d/b/a Fort Myers
 Telephone
 Talk America Inc. d/b/a Cavalier Telephone
 d/b/a PAETEC Business Services
 TCG South Florida
 TelCentris Communications, LLC
 Telco Experts, LLC
 TelCove Operations, LLC
 Tele Circuit Network Corporation
 Telecom Management, Inc. d/b/a Pioneer
 Telephone
 TeleDias Communications, Inc.
 Telepak Networks, Inc.
 TelOps International, Inc. d/b/a AmTel
 Telovations Inc.

Telrite Corporation
 Telscape Communications, Inc.
 Terra Nova Telecom, Inc.
 The Other Phone Company, Inc. d/b/a
 Cavalier Telephone d/b/a PAETEC
 Business Services
 **Think 12 Corporation d/b/a Hello Depot
 Touchtone Communications Inc. of
 Delaware
 TQC Communications, Corp.
 Transparent Technology Services
 Corporation d/b/a North Palm Beach
 Telephone Company
 Tristar Communications Corp.
 tw telecom of florida l.p.
 U.S. Metropolitan Telecom, LLC
 Unity III Telecom, LLC
 **Unity Telecom, LLC
 US LEC of Florida, LLC d/b/a PAETEC
 Business Services
 US Signal Company, L.L.C.
 US Telesis, Inc.
 Utility Board of the City of Key West d/b/a
 Keys Energy Services
 Vanco US, LLC
 Velocity The Greatest Phone Company
 Ever, Inc.
 Verizon Florida LLC
 Verizon Select Services Inc.
 VoDa Networks, Inc.
 Voxbeam Telecommunications Inc.
 Wholesale Carrier Services, Inc.
 Wide Voice, LLC
 WiMacTel, Inc.
 Windstream KDL, Inc.
 Windstream Norlight, Inc.
 Windstream NTI, Inc.
 Windstream NuVox, Inc.
 WonderLink Communications, LLC
 WTI Communications, Inc.
 XO Communications Services, LLC
 XYN Communications of Florida, LLC
 YMax Communications Corp.
 Zone Telecom, LLC

Appendix B - Summary of Complaints Filed By LECs

(Calendar Year 2012)

Carrier		Date Opened	Complaint or Docket Number	Description	Date Closed	Resolution
AT&T	Digital Express	6/5/2012	120169-TP	Objection to adoption of interconnection agreement	pending	FPSC approved parties' request for abatement until the conclusion of Docket No. 110087-TP (AT&T/Express Phone, currently on appeal)
Terra Nova Telecom	Verizon Florida LLC	7/5/2012	informal	Delayed installation of CLEC's circuits	7/19/2012	Verizon installed the circuits to customer's satisfaction
CompSouth	AT&T	8/9/2012	informal	Objection to carrier notice of non-impairment pursuant to 47 C.F.R. §51.319	9/10/2012	AT&T withdrew its notice of nonimpairment
Budget Phone	AT&T	8/28/2012	120231-TP	Alleged unlawful restriction on resale of bundled promotions	3/15/2013	FPSC approved parties' joint motion to dismiss
Terra Nova Telecom	Verizon Florida LLC	9/26/2012	informal	billing dispute: both amount billed and dispute process	pending	Verizon agreed to refund certain charges; parties still working out details
Terra Nova Telecom	AT&T	10/1/2012	informal	customer's circuits were taken out of service	10/1/2012	AT&T restored circuits the same day
Southeastern Services	Birch	11/2/2012	informal	Billing dispute over possibly fraudulent international calls	1/25/2013	Parties worked out a settlement

Glossary

Access Line	The circuit or channel between the demarcation point at the customer's premises and the serving end or class 5 central office.
Backhaul	In wireless networks, the connection from an individual base station (tower) to the central network (backbone). Typical backhaul connections are wired high-speed data connections (T1 line, etc.), but they can be wireless as well (using point-to-point microwave or WiMax, etc.).
Broadband	A term describing evolving digital technologies offering consumers integrated access to voice, high-speed data services, video on demand services, and interactive information delivery services.
Circuit	A fully operational two-way communications path.
CLEC	<i>Competitive Local Exchange Company</i> . Any company certificated by the Florida Public Service Commission to provide local exchange telecommunications service in Florida on or after July 1, 1995.
Facilities-based VoIP service	This term refers to VoIP service provided by the same company that provides the customer's broadband connection. Facilities-based VoIP services are generally provided over private managed networks and are capable of being provided according to most telephone standards. While this service uses Internet Protocol for its transmission, it is not generally provided over the public Internet.
FiOS	FiOS is Verizon's suite of voice, video, and broadband services provisioned over fiber optic cable directly to the customer premises. FiOS can currently provide Internet access with maximum download speed of 300 Mbps and upload speed of 65 Mbps.
ICA	<i>Interconnection Agreement</i> . An interconnection agreement is a contract that establishes the rates, terms and conditions that govern the business relationship between telecommunications companies.
ILEC	<i>Incumbent Local Exchange Company</i> . Any company certificated by the FPSC to provide local exchange telecommunications service in Florida on or before June 30, 1995.
Interconnected VoIP service	According to the FCC, it is a VoIP service that (1) enables real-time, two-way voice communications; (2) requires a broadband connection from the user's location; (3) requires Internet protocol-compatible customer premises equipment; and (4) permits users generally to receive calls that originate and terminate on the public switched telephone network.

Intermodal	The use of more than one type of technology or carrier to transport telecommunications services from origination to termination. When referring to local competition, intermodal refers to nonwireline voice communications such as wireless or VoIP.
Internet Protocol (IP)	The term refers to all the standards that keep the Internet functioning. It describes software that tracks the Internet address of nodes, routes outgoing messages, and recognizes incoming messages.
Over-the-Top VoIP service	This term refers to VoIP service that is provided independently from a particular broadband connection and is transmitted via the public Internet. Examples of this service include Vonage and Skype.
Switched Access	Local exchange telecommunications company-provided exchange access services that offer switched interconnections between local telephone subscribers and long distance or other companies. Long distance companies use switched access for origination and termination of user-dialed calls.
Telecommunications Act of 1996 (the 1996 Act)	The federal Telecommunications Act of 1996 established a national framework to enable CLECs to enter the local telecommunications marketplace.
U-verse	U-verse is the brand name of AT&T for a group of services provided via Internet Protocol (IP), including television service, Internet access, and voice telephone service. Similar to Verizon's FiOS service, AT&T's U-verse is deployed using fiber optic cable.
Universal Service	This term describes the financial support mechanisms that constitute the national universal service fund. This fund provides compensation to telephone companies or other communications entities for providing access to telecommunications services at reasonable and affordable rates throughout the country, including rural, insular, high-cost areas, and public institutions.
Universal Service Administrative Company (USAC)	USAC is an independent American nonprofit corporation designated as the administrator of the federal Universal Service Fund by the Federal Communications Commission. USAC is a subsidiary of the National Exchange Carrier Association.
VoIP	<i>Voice over Internet Protocol</i> . The technology used to transmit voice conversations over a data network using Internet Protocol.
Wireline	A term used to describe the technology used by a company to provide telecommunications services. Wireline is synonymous with "landline" or land-based technology.