

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

AN INQUIRY INTO THE STATE)	CASE NO.
UNIVERSAL SERVICE FUND)	2016-00059

**INITIAL TESTIMONY
OF
KATHY BUCKLEY
ON BEHALF OF VERIZON**

MARCH 7, 2016

Q. PLEASE STATE YOUR NAME, TITLE AND ADDRESS.

A. My name is Kathy L. Buckley and my business address is 4700 MacCorkle Avenue, S.E., Charleston, West Virginia 25304. I am Vice President for State Government Affairs for Verizon.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I received a Bachelor of Science degree in Engineering from West Virginia Institute of Technology in 1982 and a Master's Degree in Business Administration from Marshall University (West Virginia Graduate College) in 1992. I also hold a Master's Certificate in Project Management from George Washington University and a Certificate in Advanced Management from the Fuqua School of Business at Duke University.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.

A. I have worked for Verizon and its predecessor companies in a variety of functions. I began my career in 1982 as a Central Office Engineer and held positions of increasing responsibility in Engineering, Public Relations and External Affairs. In 2000, I was named Director of State Government Relations, and became Vice President – State Government Affairs in 2007. In that role I provided support on regulatory and public policy related matters in West Virginia and the Mid-Atlantic region.

Q. PLEASE SUMMARIZE YOUR CURRENT JOB RESPONSIBILITIES.

A. In December 2015, I was named to my current position. I provide support on regulatory and public policy related matters in the South Central, South East and Great Lakes regions.

Q. HAVE YOU PREVIOUSLY APPEARED BEFORE ANY REGULATORY COMMISSIONS?

A. Yes. I have appeared before the Public Service Commission of West Virginia, the Maryland Public Service Commission and the Public Service Commission of the District of Columbia.

Q. WAS YOUR TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes.

Q. WHAT IS THE SCOPE OF YOUR TESTIMONY?

A. My testimony responds to the questions posed by the Commission's February 1, 2016 Order in this proceeding regarding the Kentucky Universal Service Fund ("KUSF") and its long-term design.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. Verizon supports the goal of assisting low-income consumers so they may have access to affordable telecommunications service and meeting this objective by continuing to use the KUSF program to fund the Kentucky Lifeline program. However, to best benefit *all*

Kentucky customers of communications services, the support of the Kentucky Lifeline program must be balanced with the impact of the per-month surcharge on other customers, which should result in maintaining the KUSF at its current size.

Q. WHAT IS VERIZON'S OVERALL POSITION ON THE KUSF?

A. While Verizon supports the current targeted focus of the KUSF on Lifeline service, the fund should not be expanded. The telecommunications marketplace in Kentucky has changed radically since the KUSF was first established nearly 20 years ago. The stunning growth of intermodal networks and services, like wireless and Voice over Internet Protocol service, has done a great deal to meet the goal of universal service. The popularity of these alternatives to legacy voice services shows that they are helping to assure that consumers have access to basic voice telephone service at reasonable and affordable rates. The KUSF should take into account the competitive and thriving telecommunications market in Kentucky by capping the fund at current levels to balance the support provided with the concerns of customers who are funding the subsidy.

In addition to the KUSF, Kentucky receives Federal Universal Service Fund ("FUSF") dollars, which contribute to Low-Income (Lifeline), High-Cost, Schools and Libraries and Rural Health Care Support programs. In 2014, Kentucky received approximately \$188 million from the FUSF. Of this, \$120 million was in High-Cost Support, \$29 million in Low-Income (Lifeline) Support, \$37 million in Schools and Libraries Support and \$2 million in Rural Health Care Support.¹ The approximately \$55 million per year

¹ Table 1.9, Universal Service Support Mechanisms by State: 2014, Federal Communications Commission's Universal Service Monitoring Report, 2015, https://apps.fcc.gov/edocs_public/attachmatch/DOC-337019A1.pdf.

that Kentucky carriers are slated to receive from the Connect America Fund also will assist providers in building out their networks for advanced services in high-cost areas.²

In light of this existing funding, no further expansion of the KUSF should be contemplated.

Q. WHAT SHOULD HAPPEN WITH THE FUTURE FUNDING LEVELS OF THE KUSF?

A. KUSF funding levels should be capped to ensure that, on balance, the fund benefits customers. Kentucky consumers already are paying more than \$102 million annually into the FUSF³ and more than \$5 million annually into the KUSF.⁴ In considering this tax burden already imposed on Kentucky customers, the Commission should not make any expansions to the current KUSF levels without clear demonstrated evidence that additional funding is needed.

The Commission has recognized that the cost of the KUSF should be kept as small as possible.⁵ These concerns are widely shared. Parties and decision-makers in proceedings around the country – including consumer advocate agencies – have stressed the negative aspects of creating and expanding state universal service funds. For example, the Colorado Consumer Counsel recommended changes that would cut the existing Colorado

² See FCC press release at https://apps.fcc.gov/edocs_public/attachmatch/DOC-335269A1.pdf (go to first link under “Data” and use “State Carrier State” tab).

³ Table 1.9, Universal Service Support Mechanisms by State: 2014, Federal Communications Commission’s Universal Service Monitoring Report, 2015, https://apps.fcc.gov/edocs_public/attachmatch/DOC-337019A1.pdf.

⁴ Kentucky Public Service Commission Order in Case No. 2016-00059, pg. 4 (February 1, 2016).

⁵ Kentucky Public Service Commission Order in Administrative Case No. 355, pp. 29-30 (September 26, 1996).

high-cost fund nearly in half.⁶ In Washington, the Public Counsel concluded that there was no need to establish a new state universal service fund, which would “merely add to the financial burden already borne by consumers for the federal program.”⁷ In 2013, the Texas legislature passed Senate Bill 583, which is decreasing that state’s fund by, among other things, prohibiting companies serving more than 31,000 access lines from receiving support unless they establish need. The D.C. Circuit Court of Appeals cautioned the Federal Communications Commission (“FCC”) that in designing federal universal service support it must “balance the risks of excessive subsidization with the [universal service] principles...[to] consider not only the possibility of pricing some customers out of the market altogether, but the need to limit the burden on customers” who pay for the fund.⁸

Verizon respectfully requests that the Commission move as quickly as possible to establish a long-term plan for the KUSF that caps the fund at the current level, in order to balance the needs of customers receiving support with those of customers paying for that support.

Q. SHOULD THE AMOUNT OF KUSF SUPPORT BE REDUCED?

- A. Verizon does not object to continuing the current level of funding, but if the Commission chooses to implement a short-term solution that decreases the level of support provided to

⁶ See, e.g., *Initial Comments of the Colorado Office of Consumer Counsel*, Docket No. 10R-191T, at 1-2 (Aug. 20, 2010); see also Remarks of Ron Binz, Chairman of Colorado Public Utilities Commission, *Telecommunications in 2010 at the Colorado PUC*, unnumbered slide 14 titled “Impact of Changes to CHCSM”, dated January 6, 2010 and delivered to the Colorado Bar Association, Telecommunications Section.

⁷ See Docket UT-100562 entitled *Policy Statement to Review State Universal Service Policies, Initial Comments of Public Counsel*, Docket UT-100562, at 3-4 (June 16, 2010).

⁸ See *Rural Cellular Association, et al. v. FCC*, 588 F.3d 1095, 1102 (D.C. Cir. 2009).

Lifeline customers, such as one of the solutions proposed in this proceeding by the Attorney General of the Commonwealth of Kentucky or Appalachian Wireless, then Verizon would not object to such a reduction, which also would decrease per-access line surcharges.

Q. HOW SHOULD DISTRIBUTIONS FROM THE KUSF BE REVIEWED TO DETERMINE THE ACCURACY OF THE DISTRIBUTIONS?

A. Verizon does not have a comprehensive proposal at this point, but it urges the Kentucky Finance and Administration Cabinet, which administers the KUSF, to look to the processes of the FUSF for guidance,⁹ such as quarterly reports on the disbursement of universal service support program funds.

Q. WHAT FUTURE PRACTICES SHOULD BE IMPLEMENTED FOR REQUESTING AND RECEIVING SUPPORT FROM THE KUSF, TO ASSURE THE ACCURATE REPORTING OF LINES RECEIVING LIFELINE SUPPORT AND REQUESTED KUSF SUPPORT?

A. Verizon does not have a comprehensive proposal at this point, but the provider filings that are currently made at the Commission could provide one means of evaluation for requests of support from the KUSF. Eligible telecommunications carriers (“ETCs”) are obligated, pursuant to 47 C.F.R. §54.201, to provide annually to state commissions the results of their re-certification efforts for subscribers residing in those states where the

⁹ 47 C.F.R. § 54 – Universal Service, including 47 C.F.R. Part 54, Subpart E. – Universal Service Support for Low-Income Consumers (§54.400 - §54.422), 47 C.F.R. Part 54, Subpart H. – Administration (§54.701 - §54.717) and 47 CFR Part 54, Subpart I. - Review of Decisions Issued by the Administrator (§54.719 - §54.725).

state designated the ETC (FCC Form 555).¹⁰ The annual subscriber counts claimed on this report could be used as a basis to evaluate whether the ETC's reporting of subscribers eligible for KUSF reimbursements is reasonable.

Q. DOES THIS CONCLUDE YOUR INITIAL TESTIMONY?

A. Yes.

¹⁰ Pursuant to the Federal Communications Commission's Report and Order reforming the Universal Service Fund's Lifeline program, *In re Lifeline and Link Up Reform and Modernization*, Report and Order, WC Dkt. 11-42 *et al.*, FCC 12-11 (rel. Feb. 6, 2012), and 47 C.F.R. §54.416, ETCs are required to make and submit to the Universal Service Administrative Company ("USAC") and FCC copies of their annual Lifeline certifications (FCC Form 555).

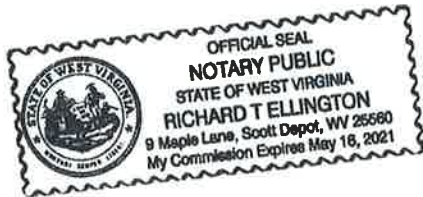
VERIFICATION

The undersigned Kathy Buckley, being duly sworn, deposes and states that she is the Vice President for State Government Affairs for Verizon Wireless, that she has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of her knowledge, information, and belief formed after a reasonable inquiry.



STATE OF WEST VIRGINIA
KANAWHA COUNTY

The foregoing Verification was acknowledged before me on this 7TH of March, 2016, by Kathy Buckley, Vice President for State Government Affairs for Verizon Wireless.




Notary Public

Dated this 7th day of March, 2016.

Respectfully submitted,

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BY: *s/ Luke Morgan*
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