



## Introduction and Overview

In a year highlighted by legislation that further deregulated the telecommunications industry in Ohio, the Office of the Ohio Consumers' Counsel (OCC) took a leadership role to preserve safeguards for residential telephone customers, especially those with basic local telephone service. The OCC and other advocacy organizations formed a coalition in 2009, the Ohioans Protecting Telephone Consumers (OPTC), to work on the legislation, a more comprehensive review of which appears on Page 10 of this report.

Among other notable achievements, the OCC successfully advocated for increased deployment of broadband services and adherence to service quality standards as part of a negotiated settlement completing a merger between Verizon Communications Inc. and Frontier Communications Corp. As part of the agreement, Frontier will cap basic local service rates until broadband service is deployed in 85 percent of its Ohio service territory.

Many of Ohio's telephone companies are now permitted by law to raise their monthly rates for basic local telephone service by up to \$1.25 each year with a minimal showing of competition. The OCC intervened in several cases filed with the Public Utilities Commission of Ohio (PUCO), asserting that the companies requesting such permission did not meet the requirements for showing minimal competition.

In addition, the OCC advocated for greater scrutiny of carriers wishing to provide wireless Lifeline service to low-income Ohioans.

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## OCC, partners work to preserve telecom customer protections

After the passage of Ohio's new telecommunications law, (*See Page 10*), the Ohioans Protecting Telephone Consumers (OPTC) continued its advocacy for residential customers. The OPTC made significant recommendations to the Public Utilities Commission of Ohio (PUCO) in a rulemaking on important protections for customers, especially those with basic local telephone and Lifeline services. Several key issues were debated as the PUCO considered draft rules proposed by its staff to implement the new law.

The PUCO's new rules became effective in January 2011. The OPTC provided input into the rulemaking process during 2010 by bringing many important issues to the PUCO's attention, several of which the PUCO agreed were necessary. Among these, the OPTC succeeded in preserving the requirement for telephone companies to provide a white pages directory upon a customer's request; standardized notices about the Office of the Ohio Consumers' Counsel (OCC) on disconnection notices; the OCC's role on the State Lifeline Board; and that the PUCO maintain its authority over inside wiring maintenance and security deposit notices, as well as late payment, installation and reconnection charges.

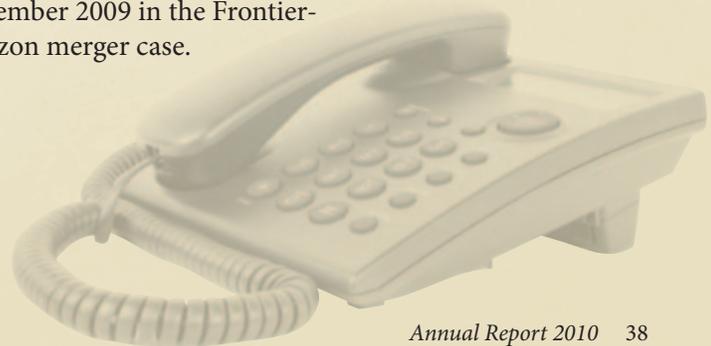
The OCC's advocacy efforts helped preserve several important service standards, including those related to service installation, outages, billing, notice of disconnection,

reconnection and deposits for basic service customers. In addition, the OCC will be included on the newly-created "Select Committee on Telecommunications Regulatory Reform," which will study the effects of the new legislation and issue a report no later than Sept. 13, 2014.

*Case No. 10-1010-TP-ORD*

## Verizon-Frontier merger agreement provides customer benefits

As a result of the Office of the Ohio Consumers' Counsel's (OCC) advocacy, residential customers of Frontier Communications Corp. will have access to broadband service in approximately 85 percent of the company's service territory, as well as improved service quality. These are some of the benefits resulting from an agreement filed in December 2009 in the Frontier-Verizon merger case.



On Feb. 11, 2010, the Public Utilities Commission of Ohio (PUCO) approved the agreement among the OCC, the PUCO Staff, Frontier Communications Corp. and Verizon Communications, Inc.

The agreement required expanded broadband services with no increase in basic service rates. The agreement also required Frontier to meet specific service quality benchmarks. (A detailed analysis of the agreement and its benefits to residential customers can be located on Page 45 of the OCC's 2009 Annual Report.)

Case No. 09-454-TP-ACO

## **OCC opposes AT&T Ohio basic local service rate increases in 16 exchanges**

Citing AT&T Ohio's lack of sufficient proof of available competition in 16 local exchanges, the Office of the Ohio Consumers' Counsel (OCC) asked the Public Utilities Commission of Ohio (PUCO) to deny AT&T's request to increase basic local service rates.

The case was the first involving the authority to raise basic service rates under Ohio's new telecommunications law. According to the statute, a telephone company may receive authority to annually raise its monthly rates for basic local service by up to \$1.25. The company must demonstrate that two other providers compete with the company's basic service in any area of the exchange. The OCC argued AT&T Ohio failed to meet this standard.

The 16 exchanges were located mostly in rural eastern and southern Ohio. Those are areas where increases to basic local telephone rates would mean additional hardship for residential

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*"...[W]hile the telephone companies continue to lobby for decreased regulatory oversight on the basis of increased competition, their telephone service rates continue to rise."*

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*Ron Bridges  
AARP Ohio*

customers given the difficult economic climate in the region.

Because the PUCO did not issue an order rejecting AT&T Ohio's request within 30 days after it was filed, the request was automatically approved based on the new law. AT&T Ohio used its authority to raise basic local telephone rates in the 16 contested exchanges, as well as its remaining exchanges for which it had already been given permission to raise rates. The new rates went into effect in January 2011.

Case No. 10-1412-TP-BLS

## **Wireless Lifeline an option for income-eligible customers**

As more customers use wireless telephone service to communicate, prepaid wireless companies have sought to offer Lifeline service, which was once only provided by traditional landline telephone companies.

Lifeline is a program designed to make local telephone service more affordable and accessible to low-income residential customers. Lifeline is funded by the federal Universal Service Fund, through charges on non-Lifeline customers' monthly local and long-distance telephone bills.

TracFone was approved on a conditional basis in 2009 to offer wireless Lifeline service in Ohio at no cost to customers through its SafeLink program. Cincinnati Bell Wireless (CBW) also was conditionally approved to provide Lifeline in southwestern Ohio in December 2010. Two other companies—Nexus dba TSI and Virgin Mobile—had pending applications to offer wireless Lifeline in Ohio at the end of 2010.

The Office of the Ohio Consumers' Counsel (OCC) intervened in each wireless Lifeline case. The agency had concerns about the low number of free monthly minutes proposed by some companies, as well as the per-minute cost for a customer to purchase additional minutes. This could result in customers exceeding the free minute allocation and facing high cell phone bills. Another concern involved wireless companies not being required to provide the same customer protections as a traditional landline telephone company.

While traditional landline telephone companies typically offer discounts off the monthly service charge for Lifeline customers, most of the prepaid wireless companies use the discount to cover the cost of a wireless handset and a specified number of minutes each month, so customers do not have a monthly service charge. TracFone and CBW both offer plans that include 250 free airtime minutes per month, in addition to other plans.

In November 2010, following recommendations the OCC made in 2009, the PUCO initiated an investigation into policies for these prepaid wireless Lifeline carriers. In December, the OCC, along with a number of low-income advocates,

filed comments recommending the PUCO establish minimum service requirements for prepaid wireless Lifeline service.

*Case Nos. 97-632-TP-COI, 10-614-TP-UNC, 10-429-TP-UNC, 10-432-TP-UNC, 10-2377-TP-COI*

## **Federal Cases**

### **OCC advocates for customers in federal telecommunications cases**

The Office of the Ohio Consumers' Counsel worked with the National Association of State Utility Consumer Advocates (NASUCA) on several important cases before the Federal Communications Commission (FCC) during 2010.

In April, the FCC issued a decision that rejected proposals to increase the amount of money Ohioans pay into the Universal Service Fund. The FCC's decision was based on data provided by NASUCA showing that such increases were unnecessary. The fund was established in 1996 to promote nationwide access to affordable telecommunications services. Telephone customers see a small fee

*"Many of my clients can only afford basic home phone service or basic service and one or two extra services like call waiting. They do not participate in the world of smart phones and broadband Internet. If they have a cell phone, it is reserved for emergency use, with the minutes of use carefully watched."*

*Ellis Jacobs  
Advocates for Basic Legal Equality, Inc.*



*The OCC telecommunications team discusses federal and state issues related to basic telephone service including the authority to raise basic service rates under Ohio's new telecommunications law. Left to right: David Bergmann, Laura Gallegger, Ryan Lippe and Terry Etter.*

on their monthly bills allocated to this fund. The FCC decision was appealed by two states that felt they should receive more funding.

In November, NASUCA filed comments supporting the Open Internet proposal, designed to ensure

that customers' free use of the Internet would be maintained. The FCC issued an order in December upholding this right and stating that owners of a computer network cannot control how customers use it. This decision was appealed by Verizon and another network owner in January 2011.

## **Highlights of OCC achievements in telecommunications during 2010**

- ▶ Preserved customer safeguards in the new telecommunications law for landline customers with basic service only, negotiated a pilot voice mail program for citizens in distress without access to a telephone and negotiated a freeze to Lifeline increases through Jan. 1, 2012.
- ▶ The OCC helped expand the deployment of broadband to 85 percent of Frontier's territory by 2013 and capped telephone rates until broadband benchmarks have been met. Frontier might face up to \$800,000 in penalties if negotiated service quality and performance benchmarks are not met.
- ▶ The OCC intervened in several cases where prepaid wireless companies sought to provide service to Lifeline customers, negotiating agreements which increased the number of free minutes available.