

Telecommunications

Overview

The Office of the Ohio Consumers' Counsel (OCC) participated in several cases on behalf of customers with basic local telephone (stand-alone, dial-tone only) service during 2013. In one case, Frontier Communications (Frontier) sought approval from the Public Utilities Commission of Ohio (PUCO) for the authority to raise customers' monthly rates by \$1.25 in 223 of its exchanges. In another case, Windstream Western Reserve (Windstream) asked the PUCO to allow it to collect an advance payment for the first month of service from some customers.

Additionally, OCC and the PUCO Staff reached two settlements with Frontier regarding Frontier's failure to meet certain service quality commitments. In those settlements, Frontier agreed to install broadband in two rural areas of Ohio in lieu of paying penalties to the State of Ohio.

Finally, OCC continued to monitor and participate in the activities of the National Association of State Utility Consumer Advocates (NASUCA) of which it is a member. In 2013, NASUCA presented oral arguments in an appeal involving the access recovery charges that consumers eventually will pay.

Frontier increases rates for its basic local service customers

During 2013, OCC represented residential customers on two occasions when Frontier sought the authority to raise rates for customers paying for basic local telephone service.

In 2009, the PUCO granted Verizon North, Inc. (Verizon) the authority to raise the rates it charged customers for basic service in 21 exchanges. Frontier acquired the Verizon territory in Ohio in 2010. In December 2012, Frontier asked the PUCO for authority to raise rates in its remaining 223 exchanges. In a prior agreement, Frontier had committed to not raising residential customers' rates until after it reached an 85 percent threshold for broadband deployment in its territories. Therefore, Frontier filed an addendum in the case limiting these increases (up to \$1.25 per month for basic local service) to only small business customers, and not to residential customers.

OCC asked the PUCO to deny Frontier's request in 13 of the 223 exchanges because the utility had not met the legal requirement of demonstrating that competitive service was available to basic service customers in those areas. The application was automatically approved without any PUCO action.

In May, Frontier filed a letter stating that it had met its commitment to install broadband in 85 percent of its territories. The following month, the utility applied for authority to raise residential basic local service rates by up to \$1.25 per month in the 223 exchanges that were the subject of the 2012 application for small businesses.

OCC asked the PUCO to deny Frontier the authority to increase residential basic local service rates in 12 exchanges. OCC said that Frontier failed to demonstrate that at least two competitive service providers offer service to residential customers in the exchanges, which Ohio law requires as a minimum for considering such applications. OCC advocated that although Frontier's documentation had listed and described several competing services, it did not prove that the competing services were offered in the exchanges.

Again, the application was automatically approved without any PUCO action. The PUCO denied OCC's subsequent request for rehearing.

As a result of the approval of both cases, the \$1.25 monthly increase to Frontier's residential customers took effect in August.

Frontier, Case No. 12-3127-TP-BLS

Frontier, Case No. 13-1528-TP-BLS

Frontier agrees to install broadband in two rural Ohio areas

In January, OCC reached an agreement with Frontier and the PUCO Staff resolving Frontier's failure to meet certain service quality standards. These standards were established as part of a 2009 agreement that allowed Frontier to acquire Verizon's Ohio telephone exchanges and provided that Frontier would pay a \$100,000 penalty to the state if it failed to meet the performance standards. In January, the parties agreed that the penalty funds would be used to bring broadband to an area that was not in the utility's immediate plans for broadband deployment.

The PUCO approved the agreement in February and required Frontier to submit its proposal for a site. Frontier, along with OCC and the PUCO Staff, agreed that Frontier would install broadband to serve approximately 380 households in an area near New Boston, in Scioto County. The selection was made based upon the area's high poverty and unemployment rates and its location in a rural area, comprised mostly of residential and small business customers.

In November, a second failure to meet performance standards caused Frontier to owe an additional \$100,000. Again, OCC, Frontier and the PUCO Staff agreed that, in lieu of Frontier paying the money to the state, an additional site (that had not been part of Frontier's original broadband plans) would be selected for installing broadband. The parties chose a site in Ashland County, which would be equipped to provide broadband service to about 300 households.

As of the end of 2013, the PUCO had not yet approved the second agreement.

Frontier, Case No. 09-454-TP-ACO

Windstream asks to charge both a deposit and an advance payment to some basic service customers

In October, Windstream asked the PUCO to allow the utility to collect an advance payment for basic local telephone service prior to installing the service in situations where customers could not establish credit.

OCC recommended that the PUCO deny Windstream's request. Ohio law allows telephone companies to collect deposits of up to 230 percent of estimated charges for one month of service. Windstream had already included this provision in tariffs filed at the PUCO. OCC maintained that an advance payment was not necessary to demonstrate an applicant's creditworthiness, given that Windstream is allowed to collect a deposit.

On November 27, 2013, the PUCO suspended automatic approval of Windstream's request for 60 days. The PUCO had not ruled on Windstream's request as of the end of 2013.

Windstream, Case No. 13-2159-TP-ATA et al.

NASUCA continues its appeal of Federal Access Recovery Charges

On November 19, 2013, NASUCA presented oral arguments in support of a 2012 appeal to the U.S. Court of Appeals for the Tenth Circuit of a Federal Communications Commission (FCC) Order that impacts Ohio telephone consumers.

The FCC Order established a plan to reduce intercarrier access charges to zero by 2018. Intercarrier access charges are fees telephone utilities charge each other for calls that begin or end in different local calling areas.

In its advocacy, NASUCA repeated its opposition to the Access Recovery Charge. The Charge allows local telephone utilities to bill their customers to compensate them for the money lost due to the elimination of intercarrier access fees.

NASUCA advocated that the FCC did not have the authority to impose new charges on customers to recover the lost revenues of local telephone utilities. This position is supported because the monies lost are intrastate revenues, meaning that they were derived from calls that began and ended within state lines. A decision on the appeal was still pending at the end of 2013.

FCC Order No. 11-161