

Report to the Joint Utility Review Committee
(Commission on Governmental Operations)

The State of Windstream North Carolina's Operations
In an Open and Competitive Retail Market

January 23, 2014

Background

On July 25, 2012, Windstream North Carolina, LLC, Windstream Concord, Inc. and Windstream Lexcom, Inc. (collectively “Windstream”) elected to be regulated pursuant to N.C.G.S. §62.-133.5(h). In its notification to the North Carolina Utilities Commission (“NCUC”), Windstream stated that its territory was open to competition and that it would (1) continue to offer stand alone basic residential service at rates less or comparable to those rates charged to urban customers for the same service; (2) commit to continue offering stand alone basic residential service; and (3) in the event that stand alone basic residential rates are increased, they will not increase by an amount that exceeds the percentage increase in the Gross Domestic Product Price Index from the previous year.

Pursuant to N.C.G.S. §62.-133.5(k), Windstream is required to file an annual report with the Joint Legislative Commission on Governmental Operations analyzing the level of telecommunications competition, an analysis of the service quality and an analysis of the rate levels since Windstream’s election.

Analysis of Telecommunications Competition in North Carolina

The telecommunications marketplace is vibrant in North Carolina. Customers have multiple choices for their telecommunications services including ILECs, CLECs, cable companies, over the top VoIP providers and wireless. As a result of such competition, as of December 31, 2013 Windstream had approximately 240,000 access lines a declined of 4.0% over the previous year.

- Total wireless connections in North Carolina totaled approximately 9.0 million by December 31, 2012.¹
- As of December 2012, approximately 38.2% of U.S. households relying solely on wireless service for their communications needs.²
- Broadband connections in North Carolina increased approximately 20% and by June 30, 2012, total broadband connections in the state totaled approximately 7.1 million.³
- Approximately 41% of end user lines in the state are served by competitive local exchange carriers.⁴

¹ FCC Local Telephone Competition: Status as of December 31, 2012, Table 18 prepared by the Industry Analysis and Technology Division Wireline Competition Bureau (November 2013)

² <http://www.ctia.org/advocacy/research/index.cfm/aid/10323>

³ FCC Internet Access Services: Status as of June 30, 2012, Table 16 prepared by the Industry Analysis and Technology Division Wireline Competition Bureau (May 2013).

⁴ FCC Local Telephone Competition: Status as of December 31, 2012, Table 12 prepared by the Industry Analysis and Technology Division Wireline Competition Bureau (November 2013)

Quality of Service

In order to remain competitive and retain its customer base, Windstream strives to provide high quality services to its customers. This is evidenced by the low number of service related complaints filed with the Commission or the FCC. In addition, we strive to minimize the number of outages and improve the reliability of our services.

- In 2012, Windstream customers filed no service related complaints with the Commission and in 2013, Windstream customers filed two (2) service related complaints with the Commission.
- In both 2012 and 2013, Windstream customers filed four (4) service related complaints with the FCC.⁵

Rate Analysis

Windstream has not made any rate changes to its stand alone basic residential service since its election to be regulated pursuant to N.C.G.S. §62.-133.5(h).

⁵ Outages that lasted longer than 30 minutes in duration or affected more than 10% of customers or 911 service was not available.