

WEIKLE & Co.

January 29, 2016

The Honorable Phil Berger, Senate President Pro Tempore
The Honorable Tim Moore, House Speaker
North Carolina General Assembly
c/o Joint Legislative Commission on Governmental Operations
Legislative Office Building
Raleigh, NC 27603

Filed via email

Re: Pineville Telephone Company Annual Report to the Joint Legislative
Commission on Governmental Operations

Dear President Berger and Speaker Moore:

On behalf of Pineville Telephone Company, this filing is being made to comply with a requirement found in North Carolina General Statute § 62-133.5(k).

If there are any questions, I can be reached at 704.782.7738 or 704.699.9451 (cell).

Sincerely,

/s/ Jerry Weikle

Jerry Weikle
Consultant to Pineville Telephone Company

Attachment

cc: North Carolina Utilities Commission (Docket No. P-120 Sub 27)

Pineville Telephone Company

**Annual Report to the Joint Legislative Commission on
Governmental Operations**

January 29, 2016

Pineville Telephone Company 2015 Annual Report to the General Assembly

Pineville Telephone Company (Pineville) is an incumbent local exchange carrier (ILEC) that provides telecommunications services in its franchised area within the Town of Pineville, NC. Pineville is regulated by the North Carolina Utilities Commission (NCUC).

Pineville elected a form of deregulation as allowed by North Carolina General Statute § 62-133.5(h) effective on July 1, 2014. This filing is made in response to North Carolina General Statute § 62-133.5(k) which requires an annual report that includes the following:

- (1) An analysis of telecommunications competition by the local exchange company or competing local provider, including access line gain or loss and the impact on consumer choices from the date the local exchange company makes its election to be subject to alternative regulation under the terms of subsection (h) or (m) of this section.*
- (2) An analysis of service quality based on customer satisfaction studies from the date the local exchange company makes its election to be subject to alternative regulation under the terms of subsection (h) or (m) of this section.*
- (3) An analysis of the level of local exchange rates from the date the local exchange company makes its election to be subject to alternative regulation under the terms of subsection (h) or (m) of this section.*

Telecommunications Competition Analysis

Pineville is subject to vigorous competition from one or more competing local providers, as well as numerous wireless service providers. Competition in the telecommunications is strong across the state. The Federal Communications Commission (FCC) publishes periodic reports on the status of local telephone competition. The most recent report was published in October 2014. “This report summarizes the information collected about telephone services as of December 31, 2013. It demonstrates continued growth in subscribership to interconnected VoIP and mobile telephone services and continued decline in subscribership to traditional wired telephone services.”¹ The FCC’s report states that 44% of wired telephone service in North Carolina is provided by competitors to ILECs.² The FCC’s report also states that there were 9,021,000 wireless connections in North Carolina compared to 4,102,000 wired connections (served by both ILECs and competitors).³

In addition, in an Order released on December 14, 2015, the FCC found that Pineville’s service area was 100% overlapped by an unsubsidized competitor (Time Warner Cable) that offers voice

¹ “Local Telephone Competition: status as of December 31, 2013” Federal Communications Commission Industry Analysis and Technology Division Wireline Competition Bureau October 2014, at page 1.

² Id., at Table 9.

³ Id., at Tables 9 and 18.

and broadband services that meet the FCC's service obligations.⁴ Based on that finding, and FCC regulation, the FCC ordered that universal service support payments for Pineville shall be phased down over a two-year period, starting in January 2016. As a result, over the next two years Pineville will lose nearly \$149,000 in support that it has previously received in federal support for the provision of universal telephone service.

Besides the loss of federal universal service support, another effect of competition to Pineville has been a decline in the number of customers. Pineville started the year with 1,315 access lines and ended the year with 1,089 access lines. This was a loss of 17.2% of its access lines.

Service Quality Analysis

Pineville collects a variety of service quality statistics to monitor how it is serving customers. NCUC Rule R9-8 has service quality objectives in place for some local telecommunications service companies. Although Pineville is exempt from these rules, Pineville did measure monthly results and met all objectives during 2015.

Since Pineville is regulated by the NCUC, customers have the opportunity to file complaints with the NCUC. Based on company records there were no customer complaints filed with the NCUC during 2015.

Local Exchange Rate Analysis

Under North Carolina General Statute § 62-133.5(h), Pineville is allowed to increase the rate for standalone basic residential service by no more than the change in inflation. Inflation is measured for this purpose as the change in the Gross Domestic Product Pricing Index. Pineville opted to change the rate for standalone basic residential service effective July 1, 2015 from \$4.77 to \$4.81 based on the change in the Gross Domestic Product Pricing Index.

⁴ In the matter of Connect America Fund, WC Docket No. 10-90, *Order* released December 14, 2015.