



FRONTIER COMMUNICATIONS OF THE CAROLINAS LLC

**Annual Report to the North Carolina General Assembly
Joint Legislative Commission on Governmental Operations**

STATE OF THE COMPANY'S OPERATIONS

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Introduction

On January 30, 2012, Frontier Communications of the Carolinas LLC ("Frontier") filed notice with the North Carolina Utilities Commission ("NC Commission") of its election to have its rates, terms and conditions for services determined pursuant to G.S. §62-133.5(h) ("Subsection H").

Under this subsection of the statute, Frontier is required to continue offering stand-alone basic residential lines to all customers who choose to subscribe to that service; and rate increases for that service are limited to the percentage increase over the prior year in the Gross Domestic Product Price Index. The rates, terms, and conditions of Frontier's other retail services – excluding the low-income residential Lifeline program – are not governed by the NC Commission.

The NC Commission does, however, retain jurisdiction over enforcement of federal requirements on Frontier's marketing activities, telecommunications relay service, the Lifeline program, NC state universal service funding (pursuant to G.S. §62-110(f1)), carrier of last resort obligations (pursuant to G.S. §62-110), management of the numbering resources, and rates, terms, and conditions of wholesale services.

Competition

Competition in the communications industry remains intense and continues to increase. Frontier experiences competition from many communication service providers, including cable operators, mobile carriers, long-distance providers, competitive local exchange carriers, and internet providers. Data reported to the Federal Communications Commission ("FCC") indicates that in North Carolina alone, there are 231 wireline telecommunications and Voice over Internet Protocol ("VoIP") providers, and 7 mobile telephone providers.¹ These 238 providers have 13.4 million telephone service subscriptions, of which 9.7 million were for mobile telephone service and 1.8 million were for wireline service by providers other than North Carolina's incumbent local exchange companies.² At the same time, Frontier and the other North Carolina incumbent local exchange companies had 1.9 million wireline telephone service subscriptions, a decline of approximately 10% over the prior year.

Electing regulation under Subsection H of North Carolina's General Statutes has allowed Frontier more flexibility to offer telephone service options and pricing, and to compete in North Carolina's telecommunications market more effectively.

¹ "Voice Telephone Services: Status as of December 31, 2015" issued in November 2016 by the Industry Analysis and Technology Division of the Federal Communications Commission's Wireline Competition Bureau, Supplemental Table 2. Number of Providers Reporting Voice Subscriptions – North Carolina.

² Ibid., Supplemental Table 1. Voice Subscriptions – North Carolina.



Service Quality

Frontier believes its quality of service continues to improve. Although Frontier customer survey results specific to North Carolina are not available, Frontier does track the number of customer complaints filed with the NC Commission and the NC Office of the Attorney General. The number of these complaints has declined in most years since it elected regulation under Subsection H.

Local Exchange Rates

Since election of Subsection H, increases to Frontier's rates for basic residential telephone service have remained below inflation and in most years did not increase at all. Monthly rates for this service are \$20.52 in the Durham area and in Union County, and \$22.12 in the western portion of the state.

Frontier also offers bundled services that include unlimited local and domestic long distance calling, with additional discounts available when a customer also subscribes to other services such as high speed internet or television programming.