

# WEIKLE & Co.

January 30, 2017

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 30, 2017**

## **Pineville Telephone Company 2016 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 August 2016. “This report summarizes the information collected about telephone services as of June 30, 2015. It demonstrates continued growth in subscribership to interconnected VoIP and mobile voice services and continued decline in subscribership to traditional wired telephone services.”<sup>1</sup> The FCC’s report states that 46% of wired telephone service in North Carolina is provided by competitors to ILECs.<sup>2</sup> The FCC’s report also states that there were 9,869,000 wireless connections in North Carolina compared to 3,748,000 wired connections (served by both ILECs and competitors).<sup>3</sup>

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

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<sup>1</sup> “Voice Telephone Services: Status as of June 30, 2015” Federal Communications Commission Industry Analysis and Technology Division Wireline Competition Bureau August 2016, at page 1.

<sup>2</sup> Id., at Supplemental Table 1. Voice Subscriptions (in Thousands) – North Carolina.

<sup>3</sup> Id.

and broadband services that meet the FCC's service obligations.<sup>4</sup> 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 that started in January 2016. As a result, over 2016 and 2017, Pineville will lose nearly \$149,000 in support that it otherwise would have 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 1,089 access lines and ended the year with 934 access lines. This was a loss of 14.2% 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, many of these objectives were monitored and did meet requirements during 2016.

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 2016.

### **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 not to change the rate for standalone basic residential service during 2016.

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