



January 26, 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: Saluda Mountain Telephone Company d/b/a RiverStreet Networks Annual
Report to the Joint Legislative Commission on Governmental Operations

Dear President Berger and Speaker Moore:

On behalf of Saluda Mountain Telephone Company d/b/a RiverStreet Networks, 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 336.973.6164.

Sincerely,

/s/ Tim Tribble
Regulatory & Reporting Administrator
RiverStreet Networks

Attachment

cc: North Carolina Utilities Commission (Docket No. P-76 Sub 53E)

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**Saluda Mountain Telephone Company
d/b/a
RiverStreet Networks**

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

January 26, 2017

Saluda Mountain Telephone Company 2016 Annual Report to the General Assembly

Saluda Mountain Telephone Company d/b/a RiverStreet Networks (Service) is an incumbent local exchange carrier (ILEC) that provides telecommunications services in its franchised area within Polk County and Henderson County, both of NC. Saluda Mountain is regulated by the North Carolina Utilities Commission (NCUC).

Saluda Mountain elected a form of deregulation as allowed by North Carolina General Statute § 62- 133.5(h) effective on December 3rd, 2016. 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

Competition in the telecommunications is strong across the state. The Federal Communications Commission (FCC) publishes periodic reports on the status of voice telephone services. The most recent report was published in November 2016. “This report summarizes the information collected about telephone services as of December 31, 2015. 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 49% of wired telephone service in North Carolina is provided by competitors to ILECs.² The FCC’s report also states that there were 9,725,000 wireless connections in North Carolina compared to 3,732,000 wired connections (served by both ILECs and competitors).²

¹ “Voice Telephone Services: Status as of December 31, 2015” Federal Communications Commission Industry Analysis and Technology Division Wireline Competition Bureau November 2016, at page 1.

² Id., at Table 1.

Saluda Mountain experienced competition and a decline in the number of customers. In addition to line loss due to competition, Saluda Mountain experienced loss due to an aggressive clean-up of uncollectibles and more stringent non-pay treatment shortly after the acquisition of the company from TDS Telecom.

Saluda Mountain started the year with 1206 access lines and ended the year with 1165 access lines. This was a loss of 3.4% of its access lines.

Service Quality Analysis

Saluda Mountain monitors how it is serving customers relative to the service quality objectives set forth in NCUC Rule R9-8. These objectives deal mainly with measuring the company's effectiveness in responding to customers, timeliness in delivery of service as well as timeliness in resolution of service affecting issues. During 2016, with only minor exceptions, Saluda Mountain consistently met or exceeded the objectives established by Rule R9-98.

Based on company records there were no customer complaints filed with the NCUC during 2016.

Local Exchange Rate Analysis

Prior to Service's election to operate under North Carolina General Statute § 62- 133.5(h) effective on December 3rd, 2016, the company's local exchange rates were regulated under the NCUC's NC Price Regulation Plan. This plan allowed Saluda Mountain to adjust rates in accordance to a specific set of rules which governed percentage of increase, required Tariff filings, notification to the customer, etc. Allowable rate increases depended upon category of service, change in GDP-PI (Gross Domestic Product – Percent Increase), and overall resulting percentage change in revenue.

In May of 2016, while under this price regulation, Saluda Mountain did increase the rate for standalone basic residential service according to the guidelines in the Price Regulation Plan and with NCUC approval. With the increase, Service's rate still remained below the FCC rural benchmark rate for voice service for 2016.

No further adjustments were made to the rate for standalone basic residential service after the election in December for 2016.