

# Office of the Public Advocate

Briefing to the Joint Standing Committee on Energy, Utilities and  
Technology : Telecommunications

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Tim Schneider

Public Advocate

# Universal Service

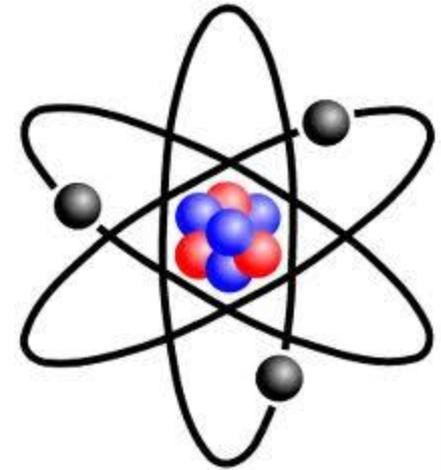
35-A M.R.S § 7101

“The Legislature declares and finds that the 50-year effort to bring affordable, universally available telephone service to the public has served the State well . . . It is the policy of the State that telephone service must continue to be universally available, especially to the poor, at affordable rates.”

“The Legislature further declares and finds that a modern state-of-the-art telecommunications network is essential for the economic health and vitality of the State and for improvement in the quality of life for all Maine citizens.”

# What is POLR Service?

- POLR service is the basic unit of telephone service
- A network that can provide POLR service can and does provide many other services
  - And once a customer takes these services, no longer a "POLR customer"
- The actual number of POLR customers is irrelevant: the existence of a network that can provide POLR service is how we ensure that the universal service obligation is maintained.
- Rate regulation of this service to ensure affordability.



# POLR is what's left.

- 2012 Telecommunications Reform repealed the majority of Maine's telephone laws and regulations.
- Preserved:
  - Rate regulation for POLR service only
  - Service quality reporting and standards
  - Consumer protections



# Universal Service and Cross Subsidies

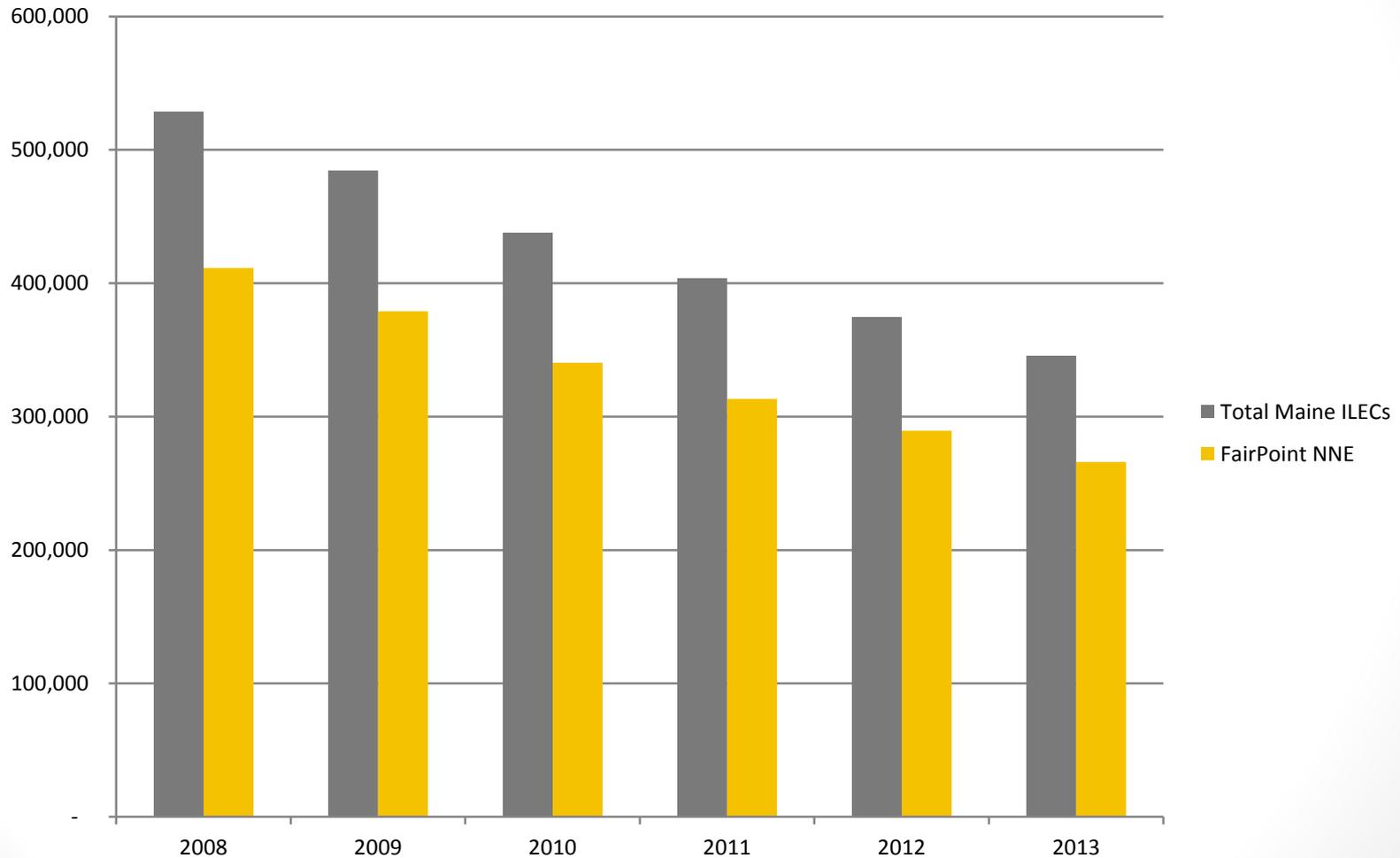


- Residential service at low, uniform prices regardless of location



- Long distance
- Business service
- Urban service
- Ancillary services

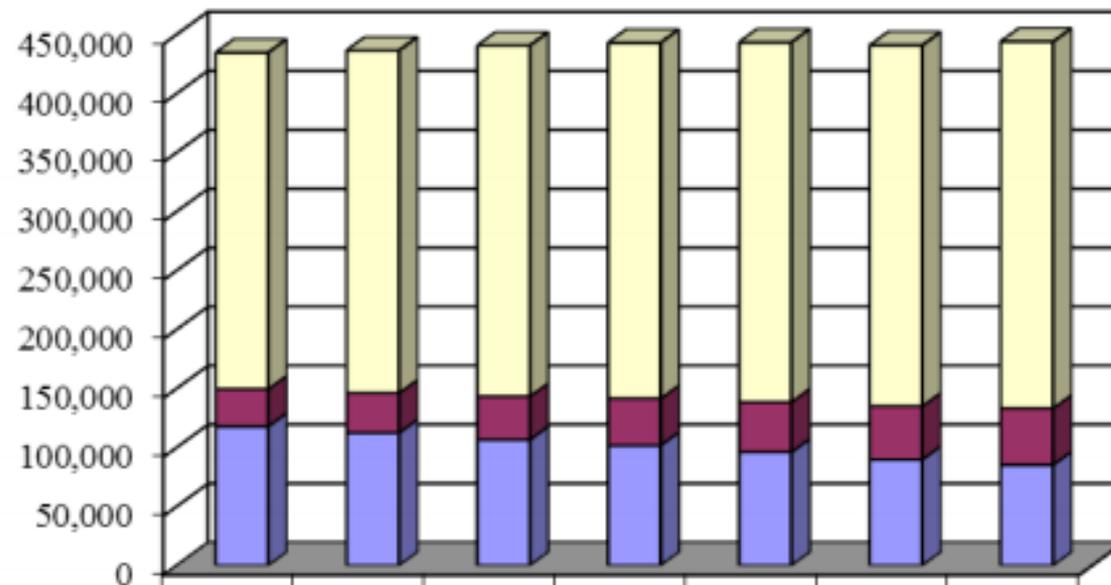
# Retail Access Lines 2008-2013



Source: MPUC 2014 Annual Report p. 7

# Retail Access Lines (National)

**Retail Local Telephone Service Connections, 2010 - 2013  
(In Thousands)**



	Dec 2010	Jun 2011	Dec 2011	Jun 2012	Dec 2012	Jun 2013	Dec 2013
■ Mobile Telephony Subscriptions	285,118	290,318	297,404	301,516	304,838	305,742	310,698
■ Interconnected VoIP Subscriptions	31,768	33,767	36,670	39,760	42,457	45,291	47,953
■ Retail Switched Access Lines	117,884	112,447	106,649	101,832	96,138	89,834	85,280

# Cost of Preserving POLR

- MPUC's telecommunications reform plan assumed that there was some process by which we might determine the amount of subsidy the incumbent telephone companies would need to continue to provide basic telephone service.
  - Forward-looking cost model
  - Residual revenue requirement
- Revenue to be provided by Maine Universal Service Fund (MUSF)
- November 2013, FairPoint Request for \$67 million in funding per year from MUSF
- "Nine Questions" = direct response to this request.

# FairPoint MUSF Decision

- “What support does FairPoint need to provide ubiquitously available POLR service?”
- Forward looking cost model is not useful.
- FairPoint could not provide information to determine what costs it could avoid by abandoning facilities needed to offer POLR service.
- FairPoint did not demonstrate that it was maximizing revenues from unregulated services.
- Using MUSF to fill FairPoint’s revenue gap would create perverse incentives.

# FairPoint MUSF Decision

- “What support does FairPoint need to provide ubiquitously available POLR service?”



# A Predicament

- FairPoint:
  - We are losing money by providing service to a significant number of locations within our service territory that are unprofitable.
  - BUT we are not willing to stop serving (*i.e.* abandon) these locations.
  - BUT we are not going to invest in these locations, because we don't make money there.
  - AND we should not be subject to service quality standards.



# Abandoning the POLR Obligation

- 47 U.S.C. 214(a)
  - “No carrier shall discontinue, reduce, or impair service to a community, or part of a community, unless and until there shall first have been obtained from the [FCC] a certificate that neither the present nor future public convenience and necessity will be adversely affected thereby”
- 35-A M.R.S. 7221(2)
  - “A service provider may petition the commission for authorization to assign its provider of last resort service obligation for a given geographic area to another voice service provider. The commission shall by rule develop a process for identifying and approving replacement service providers, but in no event may a voice service provider be designated as a replacement service provider without the express consent of the voice service provider.”

# De Facto Abandonment?

## Summary of Customer Calls Received by the Office of the Public Advocate During the FairPoint Strike

<b>No phone service</b>	79
<b>No internet service</b>	29
<b>No phone or internet service</b>	18
<b>Outage &gt;10 days</b>	72
<b>Outage &gt;20 days</b>	43
<b>Technicians unable to address</b>	21
<b>Missed service appointments</b>	29
<b>Excessive hold times</b>	39
<b>Billing issues</b>	30
<b>Low hanging wires</b>	6

# What We Learned From the Strike

- Mainers still rely on landlines
  - Areas without alternatives
  - DSL internet connections
  - Preference for powered lines
  - Medical services that require landline connections
  - Alarm systems
  - Older Mainers
  - Wholesale customers (and their customers)
- Existing service quality regime is inadequate to protect consumers

# OPA Cellular Voice Coverage Study

- 5 exchanges in FairPoint's service territory without cable alternatives
  - Bingham
  - Greenville
  - Jackman
  - Rangely
  - Sedgwick
- Evaluate ability to complete a call from a cell phone at locations throughout the exchange.
- Proxy for alternative service options in areas throughout the state unserved by cable.

# Limitations

- Nearly all of the locations tested were outdoors, and thus do not reflect the ability to complete a call or call quality inside a building.
- Testing during a discrete period of time from December 2014 to January 2015.
- Testing focused only on voice calls only:
  - Not internet access
  - Not other services provided by fixed telephone lines.
- No testing of 911 location data.

# Conclusions

- Of the five rural FairPoint exchanges tested in this study, two exchanges—Greenville and Sedgwick—appear to offer the ability to make a voice call from all locations tested.
- Three of the five exchanges tested in this study— Jackman, Bingham and Rangeley—included locations where calls could not be completed on any carrier. In these locations, there is no acceptable alternative to wired voice service.
- The maps depicting 3G and 4G coverage within these exchanges are not an accurate representation of the ability to complete a voice call. Calls were completed in many locations depicted without 3G/4G coverage, and calls could not be completed in some locations said to have 3G/4G coverage. These same maps were used in the MPUC Report.

# Satellite Broadband

- MPUC discussion of satellite broadband is based primarily on a single presentation from HughesNet.
- No evaluation of reliability, effect of latency, access to 911
  - Satellite service cannot satisfy FCC public service obligations
- Voucher proposal offers no assurance that service will continue to be offered and at what price.
- Inappropriate as “straw man” to set cap on state MUSF funding

What is the problem  
we are trying to solve?

