Telephone Industry

Briefing for the Energy, Utilities and Technology Committee by

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Public Utilities Commission

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Key Policy Issues

- Competition pervades all portions of the telephone industry
- Telecom technology has outpaced regulatory response
- Federal policies and law have reduced scope of state regulation

Telecom (and related) Services

- Basic local service (local calls to towns nearby)
- In-state long distance, or toll
- Interstate long distance
- “Data” services including internet and TV
- Broadband
- Bundled packages of many services are becoming the norm
- Ancillary services such as caller ID, conference calling

Technologies

- Analog copper
- Digital copper
- Co-axial cable
- Fiber
- Wireless
- “IP protocol”
  - VoIP
- Satellite

Telecom Service Providers

- ILECs (e.g. FairPoint)
  - Incumbent Local Exchange Carriers
- CLECs (e.g. GWI)
  - Competitive Local Exchange Carriers
- IXCs (e.g. AT&T)
  - Interexchange Carriers
- Cable Companies (e.g. Time Warner Cable)
- Wireless Carriers (e.g. Verizon Wireless)

State Jurisdiction is Limited Over Services

- "Telephone" Service
  - In-state only
- Cable TV
  - Very limited
- Wireless
  - Essentially none
- Internet
  - Essentially none
- Satellite
  - Essentially none

Maine Universal Service Fund - Current

- $8.5 million per year
- Who pays: landline companies, cellulars, CLECs, and cable VoIP companies that paid prior to 2012 (Time Warner, Comcast, Bee Line, Metrocast)
- Who receives: 15 of the 23 ILECs

Uses of the MUSF

- Redistribute to high-cost companies
- Hard-of-hearing community programs ($915,000)
- Public Interest Payphone Program ($50,000)
- Past example: Rural healthcare study ($75,000)
- Past example: $500,000 start-up "loan" to Connect Maine

Regulatory Reform – POLR (1)

- Stakeholder group to evaluate methods for setting POLR rates and MUSF for POLR service
- Commission Report
  - No consensus among stakeholders
  - Recommendations for rate setting and MUSF administration

Regulatory Reform – POLR (2)

- Dramatically different views regarding MUSF support for POLR service
- Significant implications for potential size of MUSF fund
- Issue is socialization of costs of POLR obligation
- Commission Report filed on January 15, 2013

What does the PUC do (1)?

- Set rates for POLR service and access rate
- Protect consumers
  - Complaints, investigations, rules
- Encourage competition in local market
  - Wholesale and access issues

What does the PUC do? (2)

- Program implementation
  - PIP, low-income programs
- Special projects (e.g. PSAP rate case)
- Deal with technology and policy developments (e.g. Rural Exemption cases)
- Takes active role in federal activities
- Approves reorganizations – recently, FairPoint's purchase of Verizon's customers and FairPoint's reorganization in bankruptcy

Major Policy Issues

- Resolve the POLR/MUSF Issues
- Broadband