

Public Utilities Commission Provider of Last Resort Presentation

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Energy, Utilities and Technology Committee Meeting
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Competition vs. Regulation

- Competitive Market Forces Can Solve Problems Regulators Can't Simply Through Regulation & Penalties
- Regulation of Telecom in Maine is Limited (Most Telecom Services are Already Deregulated)
- Competitive Market Provides Discipline
- Telecom Technology and Telemedicine is Changing Faster Than Regulatory Response at the Federal & State Levels

POLR

- Provider of Last Resort Service (POLR)
 - Most Basic Level of Telephone Service
 - Available To Any Customer Who Wants It
 - Term POLR was Created in 2012 POLR Reform Legislation but ILECs have been Providing Basic Telephone Service since the 1880s
- Minimal Features of POLR Service are Defined in Statute
 - e.g. One party Flat Rate Local Service, Access to 911, Access to Directory Assistance

POLR

- January 7, 2015 PUC POLR Report – Issues for Legislature’s Consideration Included:
 - Limiting Financial Assistance for POLR to Areas that have Limited Competition or Availability of Basic Service Providers
 - Mechanism by which the Obligation of POLR Providers to Offer POLR Service Ubiquitously in Competitive Areas Could be Lifted
 - Theory being – the existence of sufficient number of alternative carriers in those areas fulfills the State’s universal service goals of ensuring comparable, affordable basic service throughout the State
 - The Market, Not Regulators, Would Determine Availability, Price & Service Quality for Services in Those Areas

POLR

- January 7, 2015 PUC POLR Report – Issues for Legislature’s Consideration Included:
 - A Phased-in Approach to Reducing Areas for which there Needs to be a Regulated POLR Provider
 - Legislature Could Authorize Eliminating POLR Obligation Where Consumers have Several Competitive Alternatives (e.g., most populated urban areas)
 - PUC Could Monitor Progress & Gradually Eliminate the Obligation Where Sufficient Competition is Shown to Exist
 - Give Customers Time to Transition
- Current OPA/FP Proposal Has Similar Elements

OPA/FP Proposal

- Would Apply to Fairpoint NNE and Six FairPoint Classic Rural ILECs
- Lifts POLR Obligation in 25 Municipalities based on Population & Availability of Competitive Alternatives
- Confusion: Lifting Regulatory POLR Obligation vs. Abandoning Service
 - This Is Not Abandoning Service
 - FP Needs PUC Approval to Abandon Service
 - In the past 30 years PUC has not received any request from an ILEC to abandon service (have received from CLECs and IXC)
- No Loss of Service to Current Customers

OPA/FP Proposal

- Medical Devices
 - PUC Contacted Four of the Largest Telemedicine Device Manufacturers for Data that Would Help the EUT
 - Three (Medtronic, St Jude & Boston Scientific) Provided Data – Approx. 7,500 Customers Statewide in ME, perhaps 90-95% located from Bangor to southern Maine
 - These Companies Offer Wireline, Broadband & Wireless Options for Connecting their Devices
 - Users are Scattered Throughout Maine including FP, TAM Companies, Cable Companies & Wireless Companies
 - Majority Currently Use Copper Wireline Connections, but Growing Number of Cable/Phone Internet or Cellular Connections; One Manufacturer is Upgrading Devices for Free
 - Don't Know How Many are POLR Only Customers or FP POLR Customers

OPA/FP Proposal

- Process for Potentially Lifting the POLR Obligation in Additional Municipalities after January 1, 2018
 - Establishes 95% & 97% Wireline & Wireless Alternative Coverage & Availability (more on this)
 - Notice Requirements to OPA, PUC & Customers
 - Public Hearings Held by PUC in the Municipalities

OPA/FP Proposal

- Verification Data for Future Lifting of POLR Obligation in Additional Municipalities Beginning January 1, 2018
 - Goal is to Ensure PUC has Data Necessary to Find Sufficient Competition Exists to Lift POLR Obligation
 - FCC Form 477 Data – Some Information is Public (deployment information), Some is Confidential (subscriber information) but Available to State Commissions
 - Modest Limitations with Form 477 Data
 - Cable – in some cases may overstate customers served in a census block
 - Wireless – radially measured signal strength may have pockets due to geography and structures
 - Could Be Helpful to Supplement with Survey of Affected FP Customers in PUC Reporting

OPA/FP Proposal

- Abandonment
 - Makes State Abandonment Process (in Title 35-A MRS § 1104) Track the Stronger Federal Process
- Service Quality
 - PUC has Imposed Penalties for SQ Violations (e.g., \$8 million against one ILEC in one year)
 - PUC's Investigation into SQ Violations Pursuant to POLR SQ Rule Adopted in 2014 is Pending
 - SQ Standards in OPA/FP Proposal are Less Stringent than Current Standards but Emphasis is on Correcting SQ Failure *Before* Imposing Penalties
- Initial POLR Rate is \$20 – Very Close to FP's Current POLR Rate
- Rate Cap – No more than 5% Annually; Could Also Use FCC Glide Path for Increases
- Will Come Back For Legislative Review as Rules are Major Substantive

OPA/FP Proposal

- Reporting Tasks to this Committee
- PUC Report to Legislature December 15, 2016
 - Examine All Laws & Rules Relating to POLR & Determine any Rule Changes Needed to Conform With Provisions of this Act
- PUC Report to Legislature January 15, 2018
 - Impact of Lifting POLR Obligation in 25 Municipalities
 - Effect on Former POLR Customers, Public Safety, the Cost, Features & Availability of Telephone Service, Services to the Hearing Impaired & Broadband Service
- PUC Envisions a Statistical Survey of Customers as Part of this Report to the Legislature
- Opportunity for Legislature to Review Results Before POLR Obligation is Lifted in Additional Municipalities & If Necessary, Make Adjustment to Process