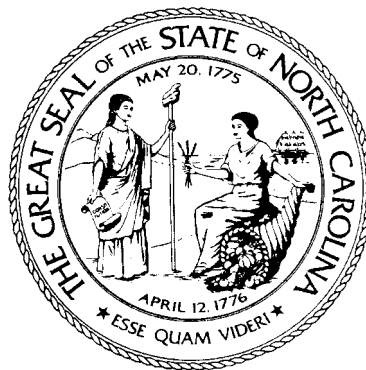


**THE STATUS OF TELECOMMUNICATIONS SERVICE
IN A CHANGING COMPETITIVE ENVIRONMENT
REQUIRED PURSUANT TO SECTION 6.1 OF HOUSE BILL 161**

**DATE DUE: OCTOBER 1, 2013
SUBMITTED: SEPTEMBER 20, 2013**

**RECEIVED BY
THE JOINT LEGISLATIVE
COMMISSION ON GOVERNMENTAL OPERATIONS**



**SUBMITTED BY
THE UTILITIES COMMISSION**



State of North Carolina Utilities Commission

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September 20, 2013

Mr. Timothy Dale
Fiscal Research Division
North Carolina General Assembly
State Legislative Office Building
Raleigh, North Carolina 27601-1030

Dear Mr. Dale:

The Utilities Commission hereby presents an electronic copy of its 2013 Report to the Joint Legislative Commission on Governmental Operations regarding the status of telecommunications service in a changing competitive environment.

The report is being provided pursuant to Section 6.1 of House Bill 161 (Chapter 27 of the 1995 Session Laws) requiring that "[O]n October 1, 1997, and every two years thereafter, the Utilities Commission and the Public Staff shall each provide a report to the Joint Legislative Utility Review Committee [now the Joint Legislative Commission on Governmental Operations] summarizing the procedures conducted pursuant to the provisions of this act during the preceding two years ending on July 1 immediately preceding the report date." Section 6.1 also directs the reports to recommend whether the provisions of House Bill 161 "should be continued, repealed, or amended." As noted in Part VIII of the Report, the Commission is proposing that the General Assembly repeal Section 6.1 of House Bill 161, but recommends that all of the other provisions of House Bill 161 remain in place, without amendment.

Thank you for your assistance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Edward S. Finley, Jr." with a stylized flourish at the end.

Edward S. Finley, Jr.
Chairman

ESFjr/bcp

cc: Christopher Ayers, Executive Director, Public Staff
The Honorable Roy A. Cooper, Attorney General

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PART I.

INTRODUCTION

On April 6, 1995, the General Assembly ratified House Bill 161 (HB 161). Section 6.1 of HB 161 provides that:

On October 1, 1997, and every two years thereafter, the Utilities Commission and the Public Staff shall each provide a report to the Joint Legislative Utility Review Committee [now the Joint Legislative Commission on Governmental Operations] summarizing the procedures conducted pursuant to the provisions of this act during the preceding two years ending on July 1 immediately preceding the report date. The reports shall recommend whether the provisions of this act should be continued, repealed, or amended.

This Report has been prepared and is being submitted in compliance with this Section.

As with previous Reports, the North Carolina Utilities Commission (Utilities Commission or Commission) has not confined this Report to matters arising out of North Carolina's HB 161 alone but has addressed certain matters arising out of federal regulation pursuant to the Telecommunications Act of 1996 (TA96). This is necessary in order to gain a complete perspective on the ongoing evolution in telecommunications regulation.

It has now been more than 18 years since the passage of HB 161, and the regulatory environment in which the Utilities Commission operates in telecommunications has evolved considerably. In addition to intramodal landline competition from competing local providers (CLPs), incumbent local exchange companies (ILECs) under our jurisdiction face intermodal competition from wireless providers, cable providers, and voice over Internet Protocol (VoIP) providers. TA96 vests in the Commission authority to conduct arbitrations with respect to disputed terms and conditions in interconnection agreements and to approve those that have been negotiated; but the Federal Communications Commission (FCC) is empowered to promulgate the general framework in which those arbitrations and many other telecommunications matters take place. Because of provisions in federal and/or state law, the Commission does not regulate wireless service, cable television, long distance service, or broadband service, reflecting a movement toward greater reliance on market forces.

Finally, after submitting these telecommunications reports over the past decade and a half, the Commission believes it is time to reconsider the usefulness of this requirement and to consider abolishing the biennial reporting requirement as outlined in Section 6.1. The last decade and a half have been transformative in the telecommunications industry and there has been a corresponding transformation in the

kind and degree of regulation of that sector that the General Assembly has authorized. The new model for regulation has been universally in the direction of more reliance on market forces and less on traditional forms of regulation. This approach has generally worked well for both providers and their customers. Accordingly, the Commission believes that a biennial report to the General Assembly is no longer necessary. The Commission is respectfully proposing that the General Assembly rescind Section 6.1.

PART II.

REGULATION OF INCUMBENT LOCAL EXCHANGE COMPANIES

There are currently 16 incumbent local exchange companies, or ILECs, in North Carolina¹. Each ILEC, by its choice, is regulated based on one of four different types of regulation: (1) a price regulation plan; (2) rate-of-return; (3) Subsection (h) of G.S. §62-133.5; or (4) Subsection (m) of G.S. §62-133.5.

Price Plan Regulation

Currently, four regulated ILECs in North Carolina operate under a Commission-approved Price Regulation Plan, including: Barnardsville Telephone Company (Barnardsville), Citizens Telephone Company, d/b/a Comporium (Comporium), Saluda Mountain Telephone Company (Saluda Mountain), and Service Telephone Company (Service).

All four Commission-approved price regulation plans contain a section which institutes a self-enforcing penalties mechanism wherein a company's yearly average statewide service results must meet ten service quality objectives to avoid the imposition of monetary penalties.

¹ The Commission notes that on September 2, 2011, Randolph Telephone Company filed a Petition for Authority to Discontinue the Provision of Service in North Carolina. Randolph Telephone Company stated in its Petition that it was seeking authorization from the Commission to transfer all of Randolph Telephone Company's assets to its parent, Randolph Telephone Membership Corporation. Randolph Telephone Company noted that, as of July 31, 2011, Randolph Telephone Company served 3,575 access lines in its only exchange located in Liberty, North Carolina. Randolph Telephone Company affected the transfer as of December 31, 2011. Therefore, Randolph Telephone Company is no longer an ILEC in North Carolina and is not subject to regulation by the North Carolina Utilities Commission.

Further, the following chart summarizes the pricing constraints for basic local residential and business exchange service in each of the four price regulation plans:

Company	Basic Residential Service Basket	Pricing Rules For Basic Residential Service²	Basic Business Service Basket	Pricing Rules For Basic Business Service²
Barnardsville	Moderate	1.5 x inflation / 10%	Moderate	1.5 x inflation / 10%
Comporium	Moderate	1.5 x inflation / 10%	Moderate	1.5 x inflation / 10%
Saluda Mountain	Moderate	1.5 x inflation / 10%	Moderate	1.5 x inflation / 10%
Service	Moderate	1.5 x inflation / 10%	Moderate	1.5 x inflation / 10%

Rate-of-Return Regulation

Two ILECs remain under the traditional form of rate-of-return regulation: Ellerbe Telephone Company (Ellerbe) and Pineville Telephone Company (Pineville).

Subsection (h) Regulation

Nine ILECs have filed a notice with the Commission that they have elected to be regulated pursuant to G.S. §62-133.5(h), also known as Subsection (h) regulation, as follows:

- Verizon South, Inc., d/b/a Verizon North Carolina (Verizon)³ filed its Subsection (h) notice for its Knotts Island exchange on July 21, 2010 (See Docket No. P-19, Sub 277M).
- Frontier Communications of the Carolinas, Inc. (Frontier)³ filed its Subsection (h) notice on January 30, 2012 (See Docket No. P-1488, Sub 1A).
- Carolina Telephone and Telegraph Company, LLC d/b/a CenturyLink (CenturyLink) filed its Subsection (h) notice on March 8, 2012 (See Docket No. P-7, Sub 825M).
- Central Telephone Company d/b/a CenturyLink (CenturyLink) filed its Subsection (h) notice on March 8, 2012 (See Docket No. P-10, Sub 479N).

² Price increases are limited annually, in the aggregate, as presented first in the chart. Price increases for individual rate elements are limited as presented secondly in the chart.

³ On May 13, 2009, Verizon Communications Inc. (Verizon) and Frontier Communications Corporation (Frontier) announced an agreement involving a series of transactions which resulted in the transfer of control of substantially all of the local exchange operations of Verizon South Inc. (Verizon South), a subsidiary of Verizon, in North Carolina to Frontier. By Commission Order dated November 30, 2009, Frontier was designated as the ILEC for the study area of Verizon South, other than the Knotts Island exchange. Further, Frontier was allowed to adopt the price regulation plan of Verizon South, except as to the Knotts Island exchange.

- Mebtel, Inc. d/b/a CenturyLink (Mebtel) filed its Subsection (h) notice on March 8, 2012 (See Docket No. P-35, Sub 96I).
- Windstream Concord Telephone, Inc. (Windstream Concord) filed its Subsection (h) notice on July 26, 2012 (See Docket No. P-16, Sub 181L).
- Windstream Lexcom Communications, Inc. (Windstream Lexcom) filed its Subsection (h) notice on July 26, 2012 (See Docket No. P-31, Sub 145C).
- Windstream North Carolina, LLC (Windstream) filed its Subsection (h) notice on July 26, 2012 (See Docket No. P-118, Sub 86L).
- North State Telephone Company d/b/a North State Communications (North State) filed its Subsection (h) notice on November 30, 2012 (See Docket No. P-42, Sub 137F).

Under Subsection (h) regulation, the Commission cannot regulate the terms, conditions, rates, or availability of a carrier's intrastate retail services; however, the carrier must continue to offer stand-alone basic residential lines to all customers who choose to subscribe to that service and the rate for that service cannot increase by more than the percentage increase for the prior year in the GDP-PI.

Additionally, the Commission maintains regulatory authority over several issues of a Subsection (h) carrier including authority over: (1) arbitration proceedings; (2) the rates, terms, and conditions for unbundled network elements; (3) enforcement of interconnection agreements; (4) enforcement of federal requirements relating to marketing activities; (5) the telecommunications relay service; (6) the Lifeline and Link-Up⁴ programs; (7) universal service funds; (8) carrier of last resort obligations; (9) the management of numbering resources; (10) switched access and intercarrier compensation; and (11) the rates, terms, and conditions of wholesale services.

Subsection (m) Regulation

To date, only one carrier has filed a notice of election to be regulated pursuant to G.S. §62.133.5(m), also known as Subsection (m) regulation. BellSouth Telecommunications, Inc. d/b/a AT&T North Carolina, Inc. (AT&T North Carolina) filed its Subsection (m) notice on October 14, 2011 (See Docket No. P-55, Sub 1013M). AT&T North Carolina had previously filed a Subsection (h) notice on October 5, 2009 (See Docket No. P-55, Sub 1013M) and was regulated as a Subsection (h) carrier between October 5, 2009 and October 13, 2011.

⁴ Effective April 2, 2012, the FCC eliminated the Link-Up program except for consumers located on tribal lands.

Below is a summary of the current regulatory status of the 16 ILECs in the State:

Company Name	Type of Regulation	Docket Number
AT&T North Carolina	Subsection (m)	P-55, Sub 1013M
Barnardsville	Price Regulation Plan	P-75, Sub 63
Centurylink (Carolina)	Subsection (h)	P-7, Sub 825M
Centurylink (Central)	Subsection (h)	P-10, Sub 479N
Comporium	Price Regulation Plan	P-12, Sub 111
Windstream Concord	Subsection (h)	P-16, Sub 181L
Ellerbe	Rate-of-Return	Not Applicable
Frontier	Subsection (h)	P-1488, Sub 1A
Windstream Lexcom	Subsection (h)	P-31, Sub 145C
Mebtel	Subsection (h)	P-35, Sub 96I
North State	Subsection (h)	P-42, Sub 137F
Pineville	Rate-of-Return	Not Applicable
Saluda Mountain	Price Regulation Plan	P-76, Sub 53
Service	Price Regulation Plan	P-60, Sub 73
Verizon (Knotts Island)	Subsection (h)	P-19, Sub 277M
Windstream	Subsection (h)	P-118, Sub 86L

PART III.

ARBITRATIONS AND INTERCONNECTION AGREEMENTS

G.S. §62-110(f1), in pertinent part, authorizes the Utilities Commission to adopt rules it finds necessary as follows:

- (1) To provide for the reasonable interconnection of facilities between all providers of telecommunications services;
- (2) To determine, when necessary, the rates for such interconnection;
- (3) To provide for the reasonable unbundling of essential facilities where technically and economically feasible; and
- (4) To provide for the transfer of telephone numbers between providers in a manner that is technically and economically reasonable.

In addition, Section 251 of TA96 establishes various duties related to interconnection. Section 252 sets out the process for the approval of negotiated interconnection agreements and arbitrations for disputed interconnection agreements. Since 1996, the following negotiation and arbitration results have been achieved:

- 1,342 negotiated interconnection agreements between companies have been approved by the Commission as of July 31, 2013 (not including amendments to existing interconnection agreements); and

- 31 petitions for arbitration have been decided by the Commission with the issuance of a Recommended Arbitration Order.

PART IV.

COMPETING LOCAL PROVIDER CERTIFICATIONS

On July 19, 1995, the Utilities Commission issued an Order in Docket No. P-100, Sub 133 promulgating interim rules for certification and regulation of competing local providers (CLPs) and posing questions for comments on the appropriate regulatory structure for CLPs, resale of local service, and interconnection. After a round of comments and reply comments from interested parties, the Commission adopted a revised and expanded set of provisions as Commission Rules R17-1 through R17-5, on February 23, 1996. These rules establish the basis on which CLPs are regulated. These include a detailed list of items to be considered in the application of a prospective provider for local exchange and exchange access authority and specific requirements on such things as billing and customer notice.

The Commission has since streamlined the certification process. During the certification process, the Public Staff analyzes the application to determine and assure that the applicant is qualified to provide service to the public and that it demonstrates an understanding of the provisions contained in Commission Rules R17-1 through R17-8. When the application has been sufficiently perfected, the Public Staff will so advise the Commission and the Commission will generally issue a certificate without a hearing. However, the Commission retains the option to hold a hearing should the application raise concerns which may adversely affect the public interest.

As of July 1, 2013, there were 174 certified CLPs. Further, based on data published in March 2011 by the FCC⁵, CLPs served 1,324,000⁶ switched access lines in the state as of June 30, 2010. As of that same date, ILECs served 2,850,160 access lines in the state.

PART V.

QUALITY OF SERVICE

A. Service Quality Standards – Retail Docket No. P-100, Sub 99

⁵ The March 2011 Report is the most recent Local Competition Report released by the FCC.

⁶ 176,000 lines were provided via resale, 201,000 lines were provided via unbundled network elements, 126,000 lines were provided via CLP-owned local loops, and 821,000 lines were provided via VoIP subscriptions.

Commission Rule R9-8: Companies are required to file quarterly reports with the Commission which detail monthly results on certain service quality measures as outlined in Commission Rule R9-8.

Subsection (h) ILECs and CLPs and Subsection (m) ILECs and CLPs are not required to adhere to Rule R9-8.

Website Posting of Service Quality Results: On June 3, 2005, the Commission ordered website posting on the Commission's website of service quality results which are updated quarterly and reflect a 12-month average of results. The results for each specific service quality measure are presented in a pass/fail format. The current report, reflecting the 12 months ended June 30, 2013, can be found at www.ncuc.net/consumer/svcqlty.pdf. A copy of the most current report is attached hereto as **Appendix A**.

**B. Service Quality Standards – Wholesale
Docket No. P-100, Sub 133k**

The Commission has adopted service quality measurement plans for AT&T North Carolina, Carolina, Central, and Frontier⁷ (formerly Verizon South, Inc.) to respond to the enactment of TA96 which required ILECs to provide nondiscriminatory wholesale access to CLPs and their retail customers.

Frontier, Carolina, and Central continue to operate under a stipulated interim performance measurement plan approved by the Commission on April 13, 2000.

The Commission originally adopted a Service Quality Measurements (SQM) Plan and Self-Effectuating Enforcement Mechanism (SEEM) Plan effective August 1, 2003 for AT&T North Carolina. In 2005, AT&T North Carolina and a group of CLPs filed a new, stipulated SQM and SEEM Plans for AT&T North Carolina. The Commission approved the stipulation by Order dated October 24, 2005. AT&T North Carolina's new SQM and SEEM Plans became effective on January 1, 2006.

Further, AT&T North Carolina has implemented various new interfaces and system changes in recent years which have necessitated updates to the SQM and SEEM Plans. These updates have been reflected in revised versions of the SQM and SEEM Plans with effective dates of: July 18, 2009; November 14, 2009; April 15, 2010; July 3, 2010; and September 1, 2012.

⁷ Per Ordering Paragraph No. 7 of the Commission's November 30, 2009 Order Granting Certificates and Approving Requests (Docket Nos. P-1488, Subs 0 and 1; P-1489, Sub 1; P-100, Subs 133c and 133k; P-19, Subs 277 and 537; P-574, Sub 2; and P-517, Sub 2), Frontier “. . . shall adopt the Performance Measures in effect for Verizon South, pursuant to the April 13, 2000, Order in Docket No. P-100, Sub 133k, and any subsequent orders for the existing Verizon South study area, other than the Knotts Island exchange (Docket Nos. P-1488, Sub 1, and P-100, Sub 133k).”

On August 31, 2010, AT&T North Carolina filed a Motion to Approve Modifications to its SQM/SEEM Plans. AT&T North Carolina noted that the proposed changes would streamline the SQM/SEEM Plans and that AT&T North Carolina was seeking approval of the proposed SQM/SEEM Plans throughout AT&T's nine-state southeast region. The proposed changes to the SQM/SEEM Plans included the following:

- (1) elimination of Tier 2 remedies paid by AT&T North Carolina to the State of North Carolina;
- (2) increases to Tier 1 remedies paid by AT&T North Carolina to CLPs;
- (3) other SEEM Plan changes to eliminate several provisions that impose penalties on performance for activities that have no impact on the level of service provided to the CLP; and
- (4) miscellaneous changes including modifications, additions, and deletions to the Plans.

The Commission sought comments from interested parties on AT&T North Carolina's Motion. By Order dated October 22, 2010, the Commission granted AT&T North Carolina's Motion in its entirety. AT&T North Carolina's modified SQM/SEEM Plans were effective on January 1, 2011.

In addition, AT&T North Carolina has invoked the force majeure provision of its SEEM Plan three times in the past few years. Under AT&T North Carolina's SEEM Plan, AT&T North Carolina must file a notice of its intent to invoke the force majeure provision of its SEEM Plan. Competing local providers have ten days to file objections or concerns on the notice filing. The notice of force majeure is deemed approved by the Commission effective 30 calendar days after AT&T North Carolina provides the notice. AT&T North Carolina has filed notices of force majeure for the following time periods: January 10, 2011 through January 16, 2011; April 17, 2011 through April 30, 2011; and August 26, 2011 through September 9, 2011. No objections were filed on any of the notices and all of the notices were deemed approved by the Commission after the 30 days expired.

Finally, it should be noted that, although AT&T North Carolina is a Subsection (m) company as discussed in Part II of this Report, the Commission continues to have regulatory authority over the wholesale services provided by AT&T North Carolina to CLPs.

PART VI.

NUMBERING

919/984 Area Code

On March 31, 2012, the 984 area code was placed in-service to meet the demand for telephone numbering resources for the existing 919 area code located in and around Raleigh. The 984 area code is the second all-services distributed overlay approved by the Commission for implementation in the State. The first overlay relief was the 980 area code implemented in the Charlotte area in 2001. The chief disadvantage of implementing an all-services distributed overlay is the requirement of 10 digit dialing for local calls.

After the successful implementation of the 984 area code, numerous misdials occurred when customers dialed 911 rather than 919 when making local calls. The misdialed calls resulted in numerous follow-up calls from area 911 Public Safety Answering Point (PSAP) centers to verify if an emergency call had been placed requiring assistance. The Commission, as well as service providers, responded to the general public through press releases asking telephone users to remain on the line if they dialed 911 in error while attempting to complete a local call.

336 Area Code

The 336 area code, which generally provides coverage for the Greensboro - Winston-Salem - High Point area, is currently projected to exhaust in the second quarter of 2016.

In 2000, Neustar, in its role as the North American Numbering Plan Administrator (NANPA), filed a petition requesting that the Commission approve the Industry's recommended all-services distributed overlay for relief of the 336 area code. At the time Neustar filed the petition, the 336 area code was projected to exhaust by the fourth quarter of 2002. However, with the implementation of Thousands Block Number Pooling and other conservation measures, the relief planning was suspended. Neustar has recently notified the Commission that the 336 area code is currently projected to exhaust in the second quarter of 2016. The 2000 petition is pending before the Commission.

Requests for "Safety Valve" Relief

In the FCC's *Third Report and Order and Second Order On Reconsideration* in CC Docket No. 96-98 and Docket No. 99-200, issued on December 28, 2001, the FCC delegated authority to state commissions to hear claims that a "safety valve" should be applied when the NANPA or Pooling Administrator (PA) denies a carrier's specific request for numbering resources. FCC rules state that a service provider must be within six months of exhaust of its numbering resources and have achieved a

75 percent utilization of its numbering resources in a specified market area (i.e., rate center) before Neustar may grant additional numbering resources. Under the “safety valve” mechanism, a carrier may file a petition with the Commission requesting that the Commission overturn Neustar’s denial of numbering resources. The Commission has granted numbering resources through “safety valve” relief 33 times during the past two years. Generally, the demand for “safety valve” relief is driven by a business client’s internal telecommunications network or special numbering resources formatting requirements.

The deployment of packet switching technology by service providers represents a new dimension of “safety valve” relief. Service providers must establish a Local Routing Number (LRN) for each new packet switch which is specific to a particular location for identification within the North American Numbering Plan for call initialization and completion between customers. The FCC’s December 28, 2001 Order also delegated authority to state commissions to review Neustar denials for LRNs, as necessary. Frontier Communications of the Carolinas, Inc., Windstream Concord, and Windstream North Carolina, LLC have filed petitions with the Commission for additional numbering resources in instances where Neustar has denied requests for LRNs. The Commission has granted each of these petitions. The growing use of packet switching, which is driven by various broadband deployment initiatives, will increase demand for numbering resources across the State.

PART VII.

INTRASTATE SWITCHED ACCESS CHARGES

A long distance provider must pay a local exchange company (LEC) intrastate switched access charges to transport the portion of an intrastate long distance call that begins or terminates on the LEC’s facilities. On November 23, 2009, Sprint Communications Company, L.P., Sprint Spectrum, L.P., and Nextel South Corp. (collectively Sprint) filed a Petition to Reduce Switched Access Rates charged by local exchange companies in North Carolina on an intrastate basis, arguing that those rates are too high and should be reduced. The Commission solicited comments on Sprint’s Petition in Docket No. P-100, Sub 167 (the Access Charge Reform Docket) from interested parties and, on April 14, 2010, established an Access Charges Working Group (ACWG) made up of interested companies and the Public Staff to further examine in greater detail the issues involved in intrastate access charge reform, including the impact on universal service funding. Switched access charges have traditionally provided an implicit subsidy used by carriers to ensure universal service. The ACWG Report revealed widely divergent views on whether switched access charges should be reformed and, if so, how access charges should be amended. The parties to the ACWG suggested that the Commission schedule an evidentiary hearing. The Commission agreed, and, on June 3, 2011, scheduled a hearing to begin on October 18, 2011. The hearing began as scheduled.

On November 18, 2011, the FCC released its Report and Order and Further Notice of Proposed Rulemaking (FCC 11-161, WC Docket No. 10-90) which is known as the Universal Service Fund (USF) / Intercarrier Compensation (ICC) Transformation Order. The USF/ICC Transformation Order provides a comprehensive, uniform, national bill-and-keep framework as the ultimate end state for all telecommunications traffic exchanged with a LEC.

By Order dated December 7, 2011, the Commission requested that the parties file initial and reply comments on the impact of the FCC's USF/ICC Transformation Order on the Access Charge Reform Docket.

Initial comments were filed on March 15, 2012 by AT&T North Carolina and the North Carolina Telephone Membership Corporations (TMCs)⁸, the Competitive Carriers of the South Inc. (CompSouth) and the North Carolina Cable Telecommunications Association (NCCTA), the ILEC Group⁹, the Public Staff, Sprint, and MCI/metro Access Transmission Services, LLC d/b/a Verizon Access Transmission Services, MCI Communications Services, Inc. d/b/a Verizon Business Services and Cellco Partnership and Verizon Wireless (Verizon).

Reply comments were filed on April 16, 2012 by AT&T North Carolina and the North Carolina TMCs, CompSouth and the NCCTA, the ILEC Group, Sprint, and Verizon.

On July 10, 2012, the Commission issued its Order Holding Docket in Abeyance Pending Further Commission Order. In its Order, the Commission concluded it was appropriate to hold the proceeding in abeyance pending action by the FCC on the Further Notice of Proposed Rulemaking, the outcome of various Federal Court appeals, and the decisions on reconsideration requests before the FCC. The Commission asserted that by holding the docket open, the Commission could safeguard the valuable and extensive evidentiary record already compiled in the docket for possible later use.

The Commission further concluded that it was premature to take any action on the issue of originating intrastate access charges at that point in time. The Commission stated that it would continue to monitor the myriad of pending issues stemming from the FCC's USF/ICC Transformation Order including motions for reconsideration before the

⁸ The TMCs include Atlantic Telephone Membership Corporation, Randolph Telephone Membership Corporation, Skyline Telephone Membership Corporation, Star Telephone Membership Corporation, Surry Telephone Membership Corporation, Tri-County Telephone Membership Corporation, Wilkes Telephone Membership Corporation, and The Yadkin Valley Telephone Membership Corporation.

⁹ For purposes of the comments, the ILEC Group included Citizens Telephone Company d/b/a Comporium, Ellerbe Telephone Company, North State Telephone Company d/b/a North State Communications, Barnardsville Telephone Company, Saluda Mountain Telephone Company, Service Telephone Company, Town of Pineville d/b/a Pineville Telephone Company, Frontier Communications of the Carolinas, Inc., Carolina Telephone and Telegraph Company, LLC d/b/a CenturyLink, Central Telephone Company d/b/a CenturyLink, MebTel, Inc. d/b/a CenturyLink, Windstream Concord Telephone, Inc., Windstream Lexcom Communications, Inc., and Windstream North Carolina, LLC.

FCC, the federal court cases, and the FCC's decision resulting from the Further Notice of Proposed Rulemaking.

The Commission concluded that it would continue to monitor the FCC's actions on the issue of the appropriate transition for originating intrastate access charges to the bill-and-keep pricing methodology and would initiate, either on its own accord or in response to a motion, any further proceedings or actions necessary once the FCC released its decision on the issue. In addition, there are several cases pending in the federal courts on the USF/ICC Transformation Order and pending motions for reconsideration before the FCC. Resolution of these outstanding appeals and motions may require further action by the Commission in the docket.

PART VIII.

RECOMMENDATIONS

Section 6.1 of HB 161 requests the Utilities Commission to recommend in each of its Reports "whether the provisions of this act should be continued, repealed, or amended." The Utilities Commission recommends that all of the provisions of House Bill 161 with the exception of Section 6.1 continue without amendment.

However, as noted in the Introduction, the Commission respectfully proposes that the General Assembly repeal Section 6.1 of HB 161 so that the Commission will no longer be required to submit a biennial report concerning telecommunications to the Joint Legislative Commission on Governmental Operations.

PART IX.

APPENDICES

Appendix A: Website Service Quality Report for the 12 Months Ended June 30, 2013

Service Quality Report
Period Covered: July 1, 2012 - June 30, 2013

REPORTING COMPANY	ANSWERTIMES				TROUBLE REPORTS, SERVICE ORDERS, AND CUSTOMER APPOINTMENTS						
	Operator "0"	Directory Assistance	Business Office	Repair Service	Initial Customer Trouble Reports	Repeat Customer Trouble Reports	Out-of-Service Troubles Cleared within 24 Hours	Regular Service Orders Completed within 5 Working Days	New Service Installation Appointments Not Met for Company Reasons	New Service Held Orders Not Completed within 30 Days	
@ Communications, Inc.	N/A	N/A	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	
Access Point, Inc.	DNR	DNR	✗	✗	N/A	N/A	N/A	N/A	N/A	N/A	
ACN Communications Services, Inc.	N/A	N/A	✗	✗	N/A	N/A	✗	N/A	N/A	N/A	
Airspring, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
All American Telecom, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Alternative Phone, Inc.	N/A	N/A	✓	✓	✓	✓	N/A	✓	✓	✓	
Atlantic Telecom Multi. Con., LLC	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	
Barnardsville Telephone Company	N/A	N/A	✓	✗	✓	✓	✓	✓	✓	✓	
BCN Telecom, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Big River Telephone Company, LLC	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Birch Communications, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Birch Telecom of the South, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Broadvox-CLEC	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Budget PrePay, Inc.	N/A	N/A	N/A	N/A	DNR	DNR	DNR	DNR	✓	✓	
BullsEye Telecom, Inc.	DNR	DNR	✓	✓	✓	DNR	DNR	DNR	DNR	DNR	
Business Telecom, Inc.	✓	✓	✗	✗	N/A	N/A	N/A	✗	N/A	N/A	
Capital Communications Consultants, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Cebridge Telecom NC, LLC	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Charter Fiberlink NC - CCO, LLC	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Cincinnati Bell Any Distance, Inc.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Citizens Telephone Company	N/A	N/A	✓	✓	✓	✓	✗	✓	✓	✓	
Common Point, LLC	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
ComTech21, LLC	N/A	N/A	DNR	DNR	✓	✓	✓	✓	✓	✓	
Crown Castle NG East, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Cypress Comm. Operating Co., LLC	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
DeltaCom, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Dialog Telecommunications, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Ellerbe Telephone Company	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	

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Service Quality Report
Period Covered: July 1, 2012 - June 30, 2013

REPORTING COMPANY	ANSWERTIMES				TROUBLE REPORTS, SERVICE ORDERS, AND CUSTOMER APPOINTMENTS						
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Entelegent Solutions, Inc.	N/A	N/A	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	
Ernest Communications, Inc.	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	
EveryCall Communications, Inc.	N/A	N/A	✓	✓	✓	✓	N/A	N/A	✓	✓	
Fast Phones, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Fidelity Comm. Services III, Inc.	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	
Flatel, Inc.	N/A	N/A	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	
France Telecom Corp. Solutions L.L.C.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
FRC, LLC	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Global Connection, Inc. of America	N/A	N/A	✗	✗	✓	✓	✓	✓	N/A	N/A	
Global Crossing Local Services, Inc.	N/A	N/A	✗	✗	✓	✓	DNR	N/A	N/A	N/A	
Granite Telecommunications, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
IDT America, Corp.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Image Access, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
iNETWORKS Group, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Infotelecom, LLC	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Interlink Telecommunications, Inc.	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	
Legacy Long Distance International, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Lightyear Network Solutions, LLC	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	
Linkup Telecom, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
LTS of Rocky Mount, LLC	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Matrix Telecom, Inc.	N/A	N/A	DNR	DNR	✓	✓	✗	DNR	✓	✓	
MCC Telephony of the South	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
McGraw Communications, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
MCImetro Access Trans. Services, LLC	✗	✗	✗	✓	N/A	N/A	N/A	N/A	N/A	N/A	
Metropolitan Tel. of N. C., Inc.	N/A	N/A	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	
Mitel NetSolutions, Inc.	N/A	N/A	N/A	N/A	✓	✓	DNR	DNR	✓	✓	
Mobilite, LLC	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Momentum Telecom, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	

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Service Quality Report
Period Covered: July 1, 2012 - June 30, 2013

REPORTING COMPANY	ANSWERTIMES				TROUBLE REPORTS, SERVICE ORDERS, AND CUSTOMER APPOINTMENTS						
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NET TALK.com, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
New East Telephony, Inc.	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	
New Horizons Communications, Corp.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
NOS Communications, Inc.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
One Voice Communications, Inc.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
OneTone Telecom, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
PaTec Communications, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Piedmont Communications Services, Inc.	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	
Pineville Telephone Company	N/A	N/A	✓	✓	DNR	✓	✓	✓	✓	✓	
PNG Telecommunications, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Preferred Long Distance, Inc.	N/A	N/A	✓	✓	✓	✓	✓	✗	✓	✓	
QuantumShift Communications, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Ready Telecom, Inc.	N/A	N/A	✓	✓	N/A	N/A	N/A	N/A	N/A	✓	
Saluda Mountain Telephone Company	N/A	N/A	✓	✗	✗	✓	✓	✓	✓	✓	
School Link, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Service Telephone Company	N/A	N/A	✓	✗	✓	✓	✓	✗	✓	✓	
SkyBest Communications, Inc.	N/A	N/A	✓	✗	✓	✓	✓	✗	✓	✓	
South Carolina Net, Inc.	N/A	N/A	N/A	✓	✓	✓	✓	DNR	✓	✓	
Spectrotel, Inc.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Springboard Telecom, Inc.	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	
Talk America, Inc.	N/A	N/A	✓	✓	✓	DNR	N/A	N/A	N/A	N/A	
TDPC, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Telco Experts, Inc.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
TelCove Operations, Inc.	✓	✓	✓	✓	N/A	N/A	✓	DNR	N/A	N/A	
Tele Circuit Network Corporation	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	
Teledias Communications, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
The Other Phone Company	N/A	N/A	✓	✓	✓	✓	N/A	N/A	N/A	N/A	
Town of Pineville	N/A	N/A	✓	✓	DNR	✓	✓	✓	✓	✓	

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Trans National Comm. Int., Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
UNICOM Communications, LLC	N/A	N/A	✓	N/A	✓	✓	✓	✓	✓	✓	
Unity Telecom, LLC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
US LEC of North Carolina, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Velocity The Greatest Phone Company Ever, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Victory Communications, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Wave Telecom, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Wilkes Communications, Inc.	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	
WiMacTel, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Windstream Communications, Inc.	✓	✓	DNR	DNR	✓	✓	✗	✓	✓	✓	
Windstream Nuvox, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
XO Communications Services, Inc.	<12	<12	<12	<12	<12	<12	<12	<12	<12	<12	
Yadkin Valley Telecom, Inc.	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	

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The following companies filed letters stating that they either did not provide service in North Carolina or did not provide basic local residential and/or business exchange service to customers in North Carolina during the period covered by this report.

Access Communications, Inc.	G C Pivotal, LLC	Reliance Globalcom Services, Inc.
Access Fiber Group, Inc.	Hotwire Communications, Ltd.	RidgeLink, LLC
ALEC, Inc.	Hypercube Telecom, LLC	Sage Telecom Communications, LLC
ATC Outdoor DAS, LLC	inContact d/b/a UCN	Sage Telecom, Inc.
BalsamWest FiberNET, LLC	IntelePeer, Inc.	SCANA communications, Inc.
Bandwidth.com CLEC, LLC	Inteltrace, Inc.	Sprint Communications Company, L.P.
BellSouth Long Distance, Inc.	Intellicall Operator Services, Inc.	Star Wireless, Inc.
Better World Telecom, LLC	Intellifiber Networks, Inc.	Sunesys, LLC
Broadplex, LLC	Intrado Communications, Inc.	Sungard Network Solutions, Inc.
Broadview Networks, Inc.	IPC Network Services, Inc.	Synergem Technologies, Inc.
BT Communications Sales LLC	Level 3 Communications, L.L.C.	Time Warner Cable Information Services (N. C.), LLC
Buggs Island Telephone Cooperative	LMK Communications, LLC	Touchtone Communications Inc.
Cbeyond Communications, LLC	MegaPath Corporation	tw telecom of north carolina l.p.
Celito CLEC, LLC	Network Innovations, Inc.	Verizon Select Services, Inc.
CND Acquisition Corporation	Network Telephone Corporation	Wholesale Carrier Services, Inc.
Cox North Carolina Telecom, LLC	Neutral Tandem - North Carolina, LLC	Windstream KDL, Inc.
Crexendo Business Solutions, Inc.	NextGen Communications, Inc.	Windstream Norlight, Inc.
Custom Teleconnect, Inc.	Nexus Communications, Inc.	Windstream NTI, Inc.
DukeNet Communications, LLC	North American Local, LLC	Ymax Communications Corp.
EarthLink Business, LLC	Peerless Network of North Carolina, LLC	Zayo Group, LLC
ExteNet Systems, Inc.	Port City Multimedia, Inc.	
Fiber Technologies Networks, L.L.C.	Randolph Telephone Telecommunications, Inc.	

The following companies have not filed a service quality report.

365 Wireless, LLC	PhoneAid Communications Corp.
ANPI Business, LLC	Sidera Networks, LLC
O1 Communications East, LLC	South Carolina Telecommunications Group Holdings LLC

The following companies have opted into Subsection H regulation.

Carolina Telephone and Telegraph Company	Rosebud Telephone, LLC
Central Telephone Company	Smithville Telecom, LLC
DishNet Wireline, LLC	Verizon South, Inc.
Frontier Communications of America, Inc.	Windstream Concord Telephone, Inc.
Frontier Communications of the Carolinas, Inc.	Windstream Lexcom Communications, Inc.
MebTel, Inc.	Windstream North Carolina, LLC
North State Telephone Company	

The following companies have opted into Subsection M regulation.

AT&T Corp.	Madison River Communications, LLC
BellSouth Telecommunications, LLC	North State Communications Advanced Services, LLC
Crosstel Tandem, Inc.	Qwest Communications Company, LLC
Embarq Communications, Inc.	Teleport Communications America, LLC