

**PROPONENT TESTIMONY BEFORE  
THE HOUSE PUBLIC UTILITIES COMMITTEE**

**H.B. 402 - The Ohio Telecom Modernization Act**

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**ON BEHALF OF  
OHIO RURAL BROADBAND ASSOCIATION  
MEMBER COMPANIES**

**January 23, 2018**

Chairman Cupp and members of the House Public Utilities Committee, thank you for the opportunity to present testimony today in support of H.B. 402, The Ohio Telecom Modernization Act.

My name is Bruce Mottern, Manager of State Government Affairs for TDS Telecom. The purpose of my testimony is to support H.B. 402 and stress why the passage of this legislation is important to the small telephone companies in Ohio. H.B. 402 would improve Ohio's regulatory structure, eliminate competitive advantages among carriers and promote fair competition in an open market.

TDS Telecom has been doing business in Ohio since 1971. TDS is a holding company for five telephone companies in Ohio: Arcadia, Continental, Little Miami, Oakwood and Vanlue, covering 700 square miles, serving approximately 4,700 customers. On average, TDS serves approximately seven customers per square mile.

I am also the chairman of the Ohio Rural Broadband Association, a consortium of 33 small local exchange phone companies, all members of the Ohio Telecom Association, serving approximately 60,000 access lines in predominately northwest areas of Ohio. In 2013, the small companies had nearly 100,000 access lines. Many of these companies have been pioneers of telecom service. Several have been in existence for more than 100 years. The small companies range in size from 300 to 13,500 access lines and employ more than 500 Ohioans.

These small providers have been very progressive in expanding their service offerings, including improving and expanding broadband services. Several of them have completed or are in the process of completing fiber-to-the-home projects with the capability of offering 1 Gigabit service to their customers. Their networks include more than 3,000 miles of fiber optic cable.

More and more companies continue to diversify their businesses, offering products and services such as wireless, internet and video services. They take great pride in keeping service levels high to better serve their customers. These small companies know their customers and their customers know them. If there is a problem, they respond quickly. Evidence of our high service quality levels is supported by the fact that the Public Utilities Commission receives very few customer service complaints regarding service provided by our companies.

However, we are still faced with unnecessary regulatory burdens that impact our operational decisions, causing delays in providing customers the services that they want and demand. The small companies are constantly evaluating new technologies, expanding services and responding to our customers' needs and competitive challenges. Technology in telecommunications has evolved rapidly over the last decade and current regulations have not kept up with the ever-changing telecommunications marketplace. Today, you have heard how our landline business has been dramatically altered. We are faced with intense competition but yet Ohio's local exchange carriers still have regulatory obligations that our competitors do not, which puts us at a distinct competitive disadvantage.

H.B. 402 would help reduce several existing inequalities by modernizing regulation over Basic Local Exchange Service (BLES) pricing, eliminate unnecessary service standards and remove Ohio filing requirements for various programs that duplicate federal standards already in place. Pricing flexibility is of number one importance to the small companies. We have limitations on our ability to raise rates in Ohio, which often results in penalties to the small telephone companies. Local companies are limited under current law to a \$1.25 increase per year. As Rep. Hill explained in sponsor testimony, local phone rates are set by the PUCO and

carriers must meet a competitive test in order to have an increase in rates approved. The FCC has adopted rules defining eligibility for High Cost Loop Support (HCLS) which is federal support available to small local exchange carriers when the cost to provide the last mile exceeds 115% of the national average. The FCC has also established an urban local rate floor benchmark for residential BLES rates for a company receiving HCLS. If a telephone company eligible for HCLS funding has residential BLES rates below the benchmark, the company's HCLS is reduced on a dollar for dollar basis, in an amount equal to the difference between the residential BLES rate and urban local rate floor times the number of residential access lines.

H.B. 402 amends the PUCO's authority, allowing all companies to increase local rates by \$1.25 or up to 20 percent upon a competitive showing. Additionally, the pricing flexibility will permit small local exchange companies to make upward rate adjustments for basic local exchange service by any amount necessary to meet the federal benchmark. There is a three year phase-in provision to address these rate adjustments if the PUCO deems it necessary to protect the public interest.

With this proposed pricing flexibility, I don't want to leave you with the impression that companies would simply increase rates to increase rates. This flexibility allows companies to manage their businesses based on operational, financial and competitive needs. There are plenty of alternative voice service providers in Ohio - the last thing a company wants to do is lose a valued customer.

Thank you again for the opportunity to provide testimony. On behalf of the small telephone companies, we strongly support the adoption of H.B. 402 to continue much needed reform in Ohio's telecommunication policies.

**Ohio Rural Broadband Association Member Companies:**

Arthur Mutual Telephone Company  
Ayersville Telephone Company  
Arcadia Telephone Company (TDS)  
Bascom Mutual Company  
Benton Ridge Company  
Buckland Telephone Company  
Champaign Telephone Company  
Columbus Grove Telephone Company (Fairpoint)  
Conneaut Telephone Company  
Continental Telephone Company (TDS)  
Doylestown Telephone Company  
Farmers Mutual Telephone Company  
Fort Jennings Telephone Company  
Germantown Independent Telephone Company (Fairpoint)  
Glandorf Telephone Company, Inc.  
Horizon Chillicothe Telephone Company  
Kalida Telephone Company, Inc.  
Little Miami Communication Corporation (TDS)  
McClure Telephone Company  
Middle Point Home Telephone Company  
Minford Telephone Company  
New Knoxville Telephone Company  
Oakwood Telephone Company (TDS)  
Orwell Telephone Company (Fairpoint)  
Ottoville Mutual Telephone Company  
Pattersonville Telephone Company  
Ridgeville Telephone Company  
Sherwood Mutual Telephone  
Sycamore Telephone Company  
Telephone Service Company  
Vanlue Telephone Company (TDS)  
Vaughnsville Telephone Company  
Wabash Mutual Telephone Company