



**Testimony by Kathy Hobbs, Executive Director  
Ohio Rural Broadband Association  
Substitute H.B. 402  
November 29, 2018**

Chairman Beagle, Vice Chairman McColley, Ranking Member Williams, and Members of the Senate Public Utilities Committee, thank you for the opportunity to testify in support of Substitute H.B. 402, The Ohio Telecom Modernization Act. My name is Kathy Hobbs, and I am Executive Director of the Ohio Rural Broadband Association (ORBA).

ORBA is a consortium of 33 small local exchange telephone companies, all members of the Ohio Telecom Association, serving approximately 60,000 access lines in predominately northwest areas of Ohio. By contrast, in 2013, these small companies totaled 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.

The purpose of my testimony is to support Sub. H.B. 402 and stress why the passage of this legislation is important to the small telephone companies in Ohio. This bill would improve Ohio's regulatory structure, eliminate competitive advantages among carriers and promote fair competition in an open market.

These small companies have been very progressive in developing new 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 small 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However, we are still faced with unnecessary, outdated regulatory burdens that impact our operational decisions, causing delays in providing customers the services that they want and demand.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 rapidly changing telecommunications marketplace. Today, you have heard how our landline business has been dramatically altered. We are faced with intense competition, but Ohio's local exchange carriers still have regulatory obligations that our competitors do not, which puts us at a distinct competitive disadvantage.

Sub. H.B. 402 is an attempt to reduce retail service requirements placed on the telecom companies and would help reduce several existing inequalities by modernizing regulation over

Basic Local Exchange Service (BLES) pricing and remove Ohio filing requirements for various programs that duplicate federal standards already in place. Sub. H.B. 402 does not impact any wholesale requirements that exist under federal or state law.

The pricing flexibility included in Sub. H.B. 402 is of number one importance to the small companies. Currently, we have limitations on our ability to raise rates in Ohio, which often results in penalties to the small telephone companies. Under current law, companies are limited to a \$1.25 increase in rates per year. 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 Federal Communications Commission (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.

Sub. H.B. 402 amends the PUCO's authority, allowing all companies, upon a competitive showing, to increase local rates from \$1.25 to \$2.00, per year for four years. After that, if the General Assembly fails to act on a PUCO report required by the bill, then companies could apply

for full pricing flexibility. Additionally, pricing flexibility language will permit the small local exchange companies to meet rate eligibility requirements in order meet the federal benchmark. However, the Commission may order the increase to be phased in over a period not to exceed three years.

With this proposed pricing flexibility, I do not 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 managerial, financial, customer and competitive needs. There are many alternative voice service providers in Ohio - the last thing a company wants to do is lose a valued customer.

Sub. H.B 402 is a positive step in encouraging competition and to allow market forces to guide the provisioning of telecommunications services. On behalf of the small telephone companies, we strongly support the passage of Sub. H.B. 402 to continue much needed reform in Ohio's telecommunication policies and allow us to continue to invest in Ohio to meet our customers' demands.

Thank you again, Mr. Chairman, for the opportunity to provide testimony before the committee today.

**Ohio Rural Broadband Association Member Companies:**

Arcadia Telephone Company (TDS)  
Arthur Mutual Telephone Company  
Ayersville Telephone Company  
Bascom Mutual Telephone Company  
Benton Ridge Telephone Company  
Buckland Telephone Company  
Champaign Telephone Company  
Chillicothe Telephone Company  
Columbus Grove Telephone Company (Consolidated Communications)  
Conneaut Telephone Company (GreatWave)  
Continental Telephone Company (TDS)  
Doylestown Telephone Company  
Farmers Mutual Telephone Company  
Fort Jennings Telephone Company  
Germantown Independent Telephone Company (Consolidated Communications)  
Glandorf 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 (Consolidated Communications)  
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