STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Petition of the Department of Public Service for an Investigation into the Service Quality Provided by Telephone Operating Company of Vermont, Inc. d/b/a Consolidated Communications, Inc.	)))))	Case No. 18-3231-PET

PREFILED REBUTTAL TESTIMONY OF
CLAY PURVIS

ON BEHALF OF THE
VERMONT DEPARTMENT OF PUBLIC SERVCE

JULY 31, 2019

Summary: Mr. Purvis' rebuttal testimony highlights why service quality metrics remain essential to customer satisfaction and why Consolidated has not made a compelling argument to adjust them. Mr. Purvis also discusses the policy rationale behind the Department's recommendation for an enhanced bill credit.

Rebuttal Testimony of Clay Purvis

Q1. Please state your name and occupation.

A1. My name is Clay Purvis. I am the Director for Telecommunications and Connectivity in the Telecommunications and Connectivity Division of the Vermont Department of Public Service ("Department").

Q2. Have you previously submitted testimony in this proceeding?

A2. Yes, I submitted prefiled direct testimony on behalf of the Department in this proceeding on April 26, 2019.

Q3. What is the purpose of your prefiled rebuttal testimony?

A3. The purpose of my rebuttal testimony is to discuss certain salient points of Consolidated Communications of Vermont Company, LLC (formerly Telephone Operating Company of Vermont, LLC) d/b/a Consolidated Communications' ("Consolidated") prefiled direct testimony. I explain why Consolidated has not offered a compelling justification for the Commission to adjust service quality metrics, specifically the Troubles Cleared in 24 Hours ("TC24") metric. I also explain why the 5903 Standards are still important and discuss the policy rationale for the Department's recommendations.

Q4. Please explain the importance of the TC24 metric.

A4. The TC24 metric is an important tool for assessing whether companies that provide local exchange service are responsibly meeting the needs of their customers. Specifically, it serves as an objective standard to ensure that repair outages are resolved within 24 hours, as required by the 5903 Standards. Without the TC24 metric, neither the Department nor the Commission would have the means necessary to assess the service quality performance of a company. Having the ability to measure a local exchange provider's service quality through the TC24 metric is especially important in areas of the state where customers do not have competitive voice service alternatives.

Q5. Is the TC24 metric a realistic and accurate measurement of customer satisfaction?

A5. Yes. The TC24 metric measures local exchange providers on an aspect of service quality that is very important to customers: the speed at which the provider repairs out-of-service telephone lines. As stated in the Department's Petition, between July and September of 2018, complaints regarding service outages from Consolidated customers spiked in tandem with a drastic decline in the TC24 metric. This correlation not only illustrates the importance of the TC24 metric generally, but also serves as an example of its accuracy – when the TC24 metric declines, so does customer satisfaction. Therefore, Consolidated's argument that the TC24 metric is no longer a realistic and accurate measure of customer satisfaction is not merited.

Q6. Are the 5903 Standards outdated in light of increased competition faced by Consolidated?

A6. No. The 5903 Standards continue to serve their purpose and uphold local exchange service providers to deliver a specific level of service quality. Consolidated's claim that the 5903 Standards have contributed to the loss of its customer base over the past 20 years is unfounded because the problem does not lie with the service quality metrics themselves. Rather, Consolidated's loss of its customer base is directly tied to Consolidated and its predecessor's consistent failure to provide adequate service quality in the first place.

The Department recognizes that the telecommunications industry has undergone significant change over the past two decades, including line loss for many incumbent local exchange carriers ("ILECs") such as Consolidated. That said, it is important to note that Consolidated purchased the Vermont network in 2017. As mentioned in my prefiled direct testimony, the Commission approved Consolidated's merger with FairPoint Communications ("FairPoint") in Docket 8881 based partly on its commitment to provide superior service quality through its established system for identifying and remediating areas of a network that experiences consistent out-of-service problems. Consolidated therefore had full knowledge not only of the state of the telecommunications market leading up to 2017, but was also aware of Vermont's regulatory requirements for service quality and the dilapidated state of the Vermont network. As further explained in the rebuttal testimony of Fred Goldstein and Barlow

Keener, it appears that Consolidated performed insufficient due diligence in its decision to purchase the Vermont network.

Furthermore, despite Consolidated's assertions to the contrary, the Draft 2018 Telecommunications Plan does not suggest that Consolidated should be excused from its service quality obligations or that the onus is on regulators to do whatever is necessary to ensure the company's compliance. The Department is, however, committed to continuing to support Consolidated's efforts to obtain external financial resources that will help it directly or indirectly provide service in the high-cost areas of its territory.

Q7. Would relieving Consolidated of the TC24 reporting obligation be the best way to ensure adequate service quality to customers?

A7. No. Relieving Consolidated of its TC24 reporting obligation would likely ensure that Consolidated's service quality would decline. Almost two years after merging with FairPoint, Consolidated has only recently begun to meet the action level TC24 metric of 60%. Consolidated has stated that companies "must balance all projects and timeframes through [their] existing staff," and were the TC24 metric to be withdrawn, it is very likely that the company would no longer balance projects and timeframes to meet the TC24 metric. *See Petition of the Vermont Department of Public Service for a Rulemaking to Amend Commission Rule 3.708 of the Commission's Pole Attachment and Make-ready Rules*, Case No. 19-0252-PET, Consolidated's Initial Comments, Mar. 8, 2019 at 3-4; Consolidated's Reply Comments, June 24, 2019 at 3-4. Rather, based on the company's track record for service quality performance, it is likely Consolidated would cease altogether making timely repairs in those areas that need it most. It is therefore essential to maintain performance obligations in order to ensure that Consolidated has a meaningful regulatory incentive to provide customers with the basic service to which they are entitled.

Q8. Is wireless voice service a competitive voice alternative to wired voice service for purposes of considering changes to the Commission's service quality metrics?

A8. No. As explained in the rebuttal testimony of Fred Goldstein and Barlow Keener, although mobile wireless voice service competes with wired voice service in certain parts of the state, wireless service cannot replace wired service in many areas because wireless voice service is unreliable or nonexistent. Thus, wireless voice service cannot be considered valid competition in primarily rural areas due to the variable nature of service availability throughout carrier's service territories, including Consolidated's territory. The combination of Vermont's sparse population and rugged terrain results in many areas still going unserved, therefore leaving wireless voice services as an unreliable competitive voice alternative to wired services in rural parts of the state.

Furthermore, there is no federal or state requirement that wireless providers serve a given territory. In fact, federal deregulation has effectively permitted wireless carriers to choose the locations they serve and withdraw service from a given location at any time.

Q9. Please explain whether changing the TC24 metric to a "troubles cleared in 48" metric would be beneficial to consumers.

A9. While it is not within the scope of this case, for the sake of argument, changing the TC24 metric to a "troubles cleared in 48" ("TC48") metric would not be beneficial to consumers. Rather, changing to a TC48 metric would simply make it easier Consolidated to meet the metric. Even if Consolidated had more time to meet the troubles cleared metric, the Department is not confident that service quality would improve and subsequently benefit consumers. For example, in the summer of 2018, when the company's performance was at its lowest, even if a TC48 metric existed, Consolidated would not have met the current baseline level of 70% and action level of 60% because it took even longer than 48 hours to make repairs during that time.

The Department would consider supporting a change to the TC24 metric if the baseline and action levels were increased. Increasing the baseline and action levels could potentially provide benefits to those consumers who routinely experience outages in excess of 48 hours. An increase in the troubles cleared percentage levels could also provide Consolidated greater flexibility in how it addresses outages, which could potentially ensure that an overall greater number of outages are repaired in a timely manner.

Q10. Please explain why the Department's proposed $5-per-day bill credit for Consolidated's failure to meet its service quality obligations is reasonable.

A10. The current system of bill credits merely compensates the customer on a pro-rata basis for the cost of the telephone service for each day without service, which does not fully capture the scope of the harm created by prolonged outages. Consolidated asserts that there are rural exchanges where the cost of provisioning service is higher than the Average Revenue Per Unit ("ARPU"), which means that it might be more cost effective to pay the credit than to fix the problem. To the customer, however, the value of telephone service is more specific and significant. During prolonged outages, customers lose telephone access to commerce and livelihoods, and potentially, in emergency situations, face losing their lives. An enhanced bill credit such as the one recommended by the Department would strongly encourage Consolidated to quickly repair lines in exchanges, especially where the company may not have another financial incentive to do so. The record in this case amply demonstrates that Consolidated needs such a strong incentive to meet the service quality standards its customers rightfully expect. Therefore, the enhanced bill credit is reasonable because it is designed to protect customers with no competitive voice alternative. Furthermore, for the reasons stated in the rebuttal testimony of Fred Goldstein and Barlow Keener, the proposed enhanced bill credit is not discriminatory, punitive or arbitrary.

Q11. Does this conclude your rebuttal testimony?

A11. Yes.