STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Petition of the Vermont 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

REVISED REBUTTAL TESTIMONY OF MICHAEL SHULTZ ON BEHALF OF CONSOLIDATED COMMUNICATIONS

~~September 13~~October 8, 2019

SUMMARY OF TESTIMONY

Mr. Shultz responds to the Rebuttal Testimony submitted on behalf of the Department of Public Service.

**REVISED REBUTTAL TESTIMONY OF
MICHAEL SHULTZ
ON BEHALF OF CONSOLIDATED COMMUNICATIONS**

1. Q. Please state your name, position, and business address.

A. My name is Michael Shultz, Vice President Regulatory & Public Policy, Consolidated Communications ("Consolidated" or the "Company"), 770 Elm Street, Manchester, NH 03110.

2. Q. Have you previously submitted testimony in this proceeding before the Vermont Public Utility Commission (the "Commission" or "PUC")?

A. Yes, I submitted prefiled direct testimony in this proceeding.

3. Q. What is the purpose of your prefiled rebuttal testimony?

A. I will respond to the rebuttal testimony submitted by the Department of Public Service ("Department"). Specifically, I will summarize the service quality improvements implemented by the Company in Vermont since the summer and fall of 2018, and the steps Consolidated has taken to improve service quality, all of which were detailed in Consolidated's Direct Testimony. I will also discuss the competitive environment in Vermont and how that has contributed to landline and revenue loss for the Company in Vermont, and clarify a number of inaccurate statements made by the Department.

4. Q. Do you agree that Consolidated experienced lower than usual results on the cleared in 24 standard (TC24) and longer repair wait times between July 2018 through December 2018?

A. Yes, Consolidated experienced difficulty meeting the Cleared in 24 (TC24) metric during the second half of 2018, which in turn caused extended repair intervals for some of our customers. During this time, we received approximately 313 complaints from the Department related to the repair of telephone service which equals approximately .03% of our customer base. During 2018, October was the month with the most trouble tickets. Assuming each ticket represents an individual customer (which we know is not the case due to repeat tickets), in

October 2018, ~~2.41~~2.28% of customers were impacted, meaning ~~97.59~~97.72% of our customers reported no service issues.

Consolidated recognizes the impact these 2018 issues had on our customers and has taken action to address the situation as detailed below and in the Direct Testimony submitted by the Consolidated witnesses in this proceeding. We remain committed to our goal of providing a timely repair for any customers experiencing service issues, and we think our recent improvement in TC24 results, discussed more below, demonstrates that commitment.

5. Q. Have Consolidated's results on the TC24 service quality metric improved since of the second half of 2018? If so, please describe those improvements.

A. Yes, since the second half of 2018, Consolidated has significantly improved its results on the Docket 5903 TC24 service quality metric. Consolidated's 5903 Quarterly Service Quality filings with the PUC and Department show consistent improvement in the Total TC24 in 2019 as illustrated below compared to a Baseline of 70% and Action Level of 60%.

3Q2018 - Total TC24 = 23%
4Q2018 – Total TC24 = 23%
1Q2019 – Total TC24 = 46%
2Q2019 – Total TC24= 72%
July 2019 – Preliminary – Total TC24 = 65%

As detailed in the June 12, 2019 Direct Testimony of Ryan Whitlock and that of Gabe Waggoner, Consolidated has added additional technician resources in the form of 15 regular full time employees and 28 third party contractor resources along with implementing a new Collective Bargaining Agreement, several processes, resource and equipment improvements that all contribute to the improvement in our TC24 results.

As discussed more below, the TC24 standard has been a challenge for Consolidated's predecessors and will continue to be for Consolidated. This is because Consolidated continues to maintain the same geographic service territory as it has in the past but today has far fewer customers spread more thinly across the same vast service area. This reality makes servicing customers less efficient and more costly, and makes the likelihood of consistently achieving meeting the TC24 metric a significant challenge. In today's highly competitive market, the metrics established 20 years ago in Docket 5903 are no longer appropriate. The Docket 5903 model established in 1999 was reasonable at that time in a monopoly-like environment, where the revenues from the urban areas off-set the additional costs to serve the less populated, large rural areas. However, in 2019, this model no longer works and puts Consolidated at a competitive disadvantage because our competitors are not held to the same standards and requirements nor are they required to serve every address in exchange areas.

6. Q. Has the Company met the 70% Baseline TC24 metric for Residential customers in any month and or quarter in 2019?

A. Consolidated met the TC24 70% Baseline for Residential customers in May and June of 2019 and met the combined Business and Residential Baseline for the second quarter of 2019. These results were filed with the Commission and Department on July 15, 2019.

7. Q. Consolidated has provided testimony that it has added additional full-time technicians and third party technician resources in Vermont. Is this the only reason why there has been an improvement in Consolidated's TC24 metric results? If no, please explain.

A. No, there are several reasons for the improvements in addition to the increased technicians as detailed in our Direct Testimony and summarized here:

1. Continued expansion of broadband capability in Vermont with CAF II and our 2018 project to increase broadband speeds to 100,000 locations not supported by CAF II. This is pushing fiber further out in the network.
2. The new collective bargaining agreement provides for the use of a flexible supplemental workforce and modifications of other pre-existing collective bargaining terms for local technicians, which results in additional hours worked per tech per year to support installation and maintenance efforts.
3. The new collective bargaining agreement also provides local technicians additional training to perform premise installation and maintenance of commercial managed Voice over IP services, work that was previously performed by an outside vendor.

4. Continued refinement of the centralized Dispatch Resource Center to provide coordination, oversight and prioritization of work.
5. New dispatch leadership was introduced in January 2019.
6. New test equipment was deployed to field technicians in Q4 2018 and Q1 2019 to provide enhanced testing capabilities.
7. The Company redesigned the broadband installation process in January 2019 to provide a better overall customer experience.
8. Additional resources were added to departments which support the provisioning and maintenance of services.
9. The merger commitment for capex investment in Vermont also supports TC24 improvement. The money invested is improving the network; we are spending over 14% of Vermont revenues on capex, and an average of $1 million annually is directed to areas with continued service issues.

In the Rebuttal Testimony of Fred Goldstein and Barlow Keener on behalf of the Department, they claim that Consolidated did not conduct adequate due diligence regarding its service quality obligations before acquiring FairPoint in 2017. Goldstein/Keener's comments are misplaced in this proceeding and not accurate, and Consolidated disputes this allegation. Consolidated completed multiple site visits in all NNE states analyzing the network, identifying areas of improvement and areas that were in great shape. In addition, we had Altman Vilandri conduct a market analysis to determine market, consumer and commercial opportunity and requirements needed to meet that opportunity. Consolidated explained in its Direct Testimony its assessment of the various causes for the service quality issues it saw in the second half of 2018. See June 12, 2019 Direct Testimony of Michael Shultz, p. 4-5; June 12, 2019 Direct Testimony of Gabe Waggoner, p. 3-5.

8. Q. Were Consolidated's predecessors challenged with meeting the TC 24 Standard?

A. Yes, Consolidated's predecessors have been challenged with meeting the TC24 metric. Since 2011, when the current reporting structure was implemented, there have been 34 reporting quarters for Consolidated and its predecessor companies related to the Docket 5903 reporting requirements. During this timeframe, there were only 5 quarters where the companies met the TC24 Baseline metric of 70%. The current service quality investigation is related to TC24 on POTS repair service. As competition has increased and traditional POTS wireline voice service has decreased, the Docket 5903 requirements including the TC24 metric have remained the same. This creates an un-level competitive environment in Vermont because, as discussed in our Direct Testimony and summarized below, our primary competitors are not held to the same metrics.

9. Q. The Department of Public Service (July 31, 2019 Rebuttal Testimony of Clay Purvis, p. 2 lines 11-21) states that the TC24 metric is a "realistic and accurate measurement of customer satisfaction." Please explain your position related to this statement.

A. Consolidated disagrees with this assertion by the Department. The TC24 voice repair metric is not a meaningful or realistic measure of customer satisfaction. There are many components to determining customer satisfaction, and troubles cleared is just one component. With respect to reported voice troubles, customers, in our experience, are satisfied when we schedule appointments with them within a reasonable time period and then keep our appointments, which may or may not be within 24 hours of the issue being reported. Other components of customer satisfaction include the type of services being provided, quality of the services being provided, installation ease, customer service and communication, and billing, to name a few.

Consolidated believes that a Cleared in 48 hour metric would be a more realistic and accurate measurement for at least the following reasons. First, the industry has changed since 1999 when the TC24 standard was implemented. The market is now highly competitive in many areas, and therefore, there is no longer a need for regulation in the areas where competition exists. Second, the FCC's policies are shifting us from a TDM (time division multiplexing) legacy phone network to an IP-based network, transitioning customers to broadband and having fewer customers on the old TDM voice network. This means that the services we provide both wholesale and directly to residential and business customers are more complex and diverse than ever before. Third, at the same time, it is important to remember that Consolidated has a statewide service territory. In short, it is inefficient and geographically challenging in a statewide territory to schedule repairs in a way that would consistently prioritize meeting the TC24 voice service metric rather than balancing all of our customer demands for diverse services. The TC48 standard would allow us to manage repair and installation work in a meaningful and economically sustainable way that would also set a realistic completion expectation for customers.

Consolidated disagrees with the Department's speculative assertion that a C48 standard would result in Consolidated "ceas[ing] altogether making timely repairs." See Clay Purvis Rebuttal Testimony, p. 5, line 3. Our goal is to have satisfied customers, which includes providing a timely repair for any customers experiencing service issues. It is in our best interest to continue to make timely repairs and as described above and in Consolidated's Direct Testimony, we have undertaken many steps and improvements to satisfy our customers. Modifying the TC24 to a TC48 will allow Consolidated to meet customer satisfaction goals and provide Consolidated with more flexibility in this increasingly competitive environment.

10. Q. Are all providers of voice services in Vermont subject to the same 5903 metrics including the TC24 metric which is the basis of this investigation? If no, please explain why it is relevant in this proceeding that all companies do not have the same requirements.

A. Consolidated and eight Vermont RLEC's are subject to the Docket 5903 metrics but these companies generally do not compete with each other. Consolidated's competition for voice services in Vermont are from Competitive Local Exchange Carriers (CLECs) like Comcast and Spectrum/Charter, and wireless cellular providers like Verizon and AT&T, which are not subject to the TC24 metric and are not regulated by the State of Vermont or subject to the Docket 5903 requirements.

Since 2015, the following changes have occurred in the telecommunications market in Vermont:

1. Wireless connections in Vermont increased from 522K to 567K(+8.6%);
2. Interconnected VoIP increased from 91K to 130K (+43.9%): and

3. At the same time, retail switched access lines (land lines) decreased from 252K to 197K(-21.8%) from June, 2013[1] through June 2017[2].

Combined, this information demonstrates that 78% of the retail local telephone service connections in this State consist of wireless or interconnected VoIP, representing a technology shift where customers are choosing to subscribe to wireless only or preferring to purchase bundles of services in the residential and business market from cable companies like Comcast who offer fixed VoIP. This shift is due to worldwide trends for new, mobile access to communications tools, and not as the Department claims based on failures of Consolidated's predecessors. See Clay Purvis Rebuttal Testimony, p. 3, lines 8-9.

We are all aware that there is not ubiquitous cell coverage throughout Vermont but that does not change the fact that many residents in Vermont have only cell phones. There is good cell coverage, sometimes by multiple cell carriers in many places in Vermont. Without question, cell service is competition to wireline voice service and the increased usage and reliance on cell service has contributed to a reduction in wireline voice subscribers, especially in the urban, more populated areas. Neither VoIP nor wireless service is subject to TC24 or the other Docket 5903 service quality requirements.

In sum, it is clear that traditional wireline telephone service continues to decline year over year as customers move to cellular and VoIP services. Yet, despite the fact that these competitors are not subject to the Docket 5903 service quality standards, Consolidated must meet service quality metrics from 1999 when the telecommunications industry was much different than it is in 2019. We think the context of the competitive landscape and unequal regulation is a relevant consideration in this proceeding, particularly where the Department seeks to impose more financial obstacles on Consolidated.

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[1] Local Telephone Competition: Status as of June 30, 2013 published by the Federal Communications Commission's Industry Analysis and Technology Division Wireline Competition Bureau dated June 2014.
[2] Supplemental Table 1 Voice Subscriptions available from https://www.fcc.gov/voice-telephone-services-report. Data as of June 30, 2017.

11. Q. Will additional bill credits strongly encourage Consolidated to quickly repair dial tone services?

A. No. Consolidated already strives to have all of our customer's services repaired as quickly as reasonably possible and we expect to continue to do so. As we've discussed here and in our Direct Testimony, the regulatory landscape is not level, our service territory has not changed but the competitive environment has. Customers are discontinuing their wireline voice to go with wireless service. We have a third of the market share and services that are offered are more complex to install and maintain than ever before. Unlike our wireless and other competitors,~~-~~ who can select where they serve, as shown in our annual report, we are losing money to provide service in Vermont.~~we are losing money to provide service in all territories where we must provide service.~~ In addition, there is already an established Commission Rule that provides for customer credits. Adding additional bill credits will not improve service. Instead, additional credits would further pile onto Consolidated burdens not shared by our wireless and VoIP competitors who are allowed to cherry pick the most lucrative markets to serve and with limited or no regulatory burdens.

12. Q. Does this conclude your testimony?

A. Yes.