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1. Attachment to the testimony of Billy Jack Gregg, Director, Consumer Advocate Division of the Public Service Commission of West Virginia

2. Testimony of Joel Lubin, AT&T

3. Michele Farquhar will speak on behalf of John Stanton, CEO, Western Wireless

SURVEY AND COMPARISON
OF
INTRALATA LONG DISTANCE
TELEPHONE RATES
IN
WEST VIRGINIA

SEPTEMBER 1998

Consumer Advocate Division
of the Public Service Commission
of West Virginia
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CONSUMER ADVOCATE DIVISION'S 1998 SURVEY AND COMPARISON OF INTRALATA LONG DISTANCE TELEPHONE RATES IN WEST VIRGINIA

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CONSUMER ADVOCATE DIVISION'S 1998 SURVEY AND COMPARISON OF INTRALATA LONG DISTANCE TELEPHONE RATES IN WEST VIRGINIA

During the last year long distance calling within West Virginia became cheaper but more complicated. As discussed below, the first year of full competition in the intraLATA market in West Virginia resulted in prices to customers falling by over 13%. However, many plans now come with monthly charges and different billing increments. As with other products, customers must be willing to shop and compare prices in order to get the best deal in long distance.

CURRENT RATES

The current rates of some of the largest companies operating in West Virginia are shown on the tables on the following pages. When reviewing this data, please keep in mind the following points:

- Each table shows applicable rates and monthly charges for each company, and the cost to a customer based on different amounts of weekday usage.
- Average intraLATA toll usage in West Virginia is approximately 30 minutes per month. In Table 1 prices of different companies are ranked based on 30 minutes of usage. In Table 2 prices are ranked based on heavy monthly usage of 240 minutes.
- For purposes of this comparison it is assumed that each 30 minutes of usage consists of three, ten-minute calls.
- Some companies are listed more than once so that customers may compare different plans from the same company. Some companies have more plans than listed in this survey.
- Except for Telecom USA and Mountaineer, the rates shown are applicable to customers who affirmatively designate those companies as their primary carrier.

Table 1

COMPARISON OF INTRALATA LONG DISTANCE CHARGES IN WEST VIRGINIA INCLUDING APPLICABLE MONTHLY FEES

Rankings Based on 30 Minutes of Usage

	Company Name	Name of Plan	Rate per Minute	Monthly Access Fee	30 Minutes	60 Minutes	120 Minutes	240 Minutes
1	VarTec	Dime Line	0.10		3.00	6.00	12.00	24.00
2	Network One	Network One	0.11		3.27	6.54	13.08	26.16
3	VarTec	Clear Choice 10	0.10	0.20 per call	3.60	7.20	14.40	28.80
4	Bell Atlantic	Sensible Minutes	0.13		3.90	7.80	15.60	31.20
5	WorldCom	Pure & Simple	0.13		3.90	7.80	15.60	31.20
6	AT&T	One Rate	0.15		4.50	9.00	18.00	36.00
7	Bell Atlantic*	Weekend Choice	0.15	2.95 minimum	4.50	9.00	18.00	36.00
8	Citizens	Simple Rate	0.15		4.50	9.00	18.00	36.00
9	Excel	Dial&Save	0.15		4.50	9.00	18.00	36.00
10	WorldCom	Simply Better	0.15		4.50	9.00	18.00	36.00
11	MCI	Home MCI One	0.12	5.00 minimum	5.00	7.20	14.40	28.80
12	OneStar*	Family Advantage II	0.12	2.00	5.53	9.05	16.40	28.20
13	Sprint	Sense Day	0.20		6.00	12.00	24.00	48.00
14	LCI*	LCI Difference	0.15	3.00	7.50	12.00	18.00	36.00
15	MCI*	One Savings	0.25		7.50	15.00	30.00	60.00
16	WorldCom	First Touch Select	0.09	4.95	7.65	10.35	15.75	26.55
17	AT&T	One Rate Plus	0.10	4.95	7.95	10.95	16.95	28.95
18	Sprint	Sprint Sense Anytime	0.10	4.95	7.95	10.95	16.95	28.95
19	Mountaineer*	Thrifty Call	0.28		8.25	16.50	33.60	66.00
20	Telecom USA*	10-10-321	0.28		8.37	16.74	33.48	66.96
	DEFAULT*	Default	0.35		10.59	21.18	42.36	84.72

NOTES: Bell Atlantic Weekend Choice provides free weekend calling.
One Star has a $2.00 monthly charge on all usage under $20.00
LCI has a $3.00 monthly charge on all usage under $15.00.
Rates for WorldCom Simply Better, MCI One Savings, Mountaineer and Telecom USA are time of day rates applicable to daytime calls. Rates for evenings and weekends are cheaper.
Telecom USA applies a 50% discount to individual calls over 20 minutes.
Default rates apply to customers that do not exercise choice.
All rates rounded to the nearest cent.

Table 2

COMPARISON OF INTRALATA LONG DISTANCE CHARGES
IN WEST VIRGINA
INCLUDING APPLICABLE MONTHLY FEES
Rankings Based on 240 Minutes of Usage

	Company Name	Name of Plan	Rate per Minute	Monthly Access Fee	30 Minutes	60 Minutes	120 Minutes	240 Minutes
1	VarTec	Dime Line	0.10		3.00	6.00	12.00	24.00
2	Network One	Network One	0.11		3.27	6.54	13.08	26.16
3	WorldCom	First Touch Select	0.09	4.95	7.65	10.35	15.75	26.55
4	OneStar*	Family Advantage II	0.12	2.00	5.53	9.05	16.40	28.20
5	MCI	Home MCI One	0.12	5.00 minimum	5.00	7.20	14.40	28.80
6	VarTec	Clear Choice 10	0.10	0.20 per call	3.60	7.20	14.40	28.80
7	AT&T	One Rate Plus	0.10	4.95	7.95	10.95	16.95	28.95
8	Sprint	Sprint Sense Anytime	0.10	4.95	7.95	10.95	16.95	28.95
9	Bell Atlantic	Sensible Minutes	0.13		3.90	7.80	15.60	31.20
10	WorldCom	Pure & Simple	0.13		3.90	7.80	15.60	31.20
11	Bell Atlantic*	Weekend Choice	0.15	2.95 minimum	4.50	9.00	18.00	36.00
12	Citizens	Simple Rate	0.15		4.50	9.00	18.00	36.00
13	Excel	Dial&Save	0.15		4.50	9.00	18.00	36.00
14	AT&T	One Rate	0.15		4.50	9.00	18.00	36.00
15	LCI*	LCI Difference	0.15	3.00	7.50	12.00	18.00	36.00
16	WorldCom	Simply Better	0.15		4.50	9.00	18.00	36.00
17	Sprint	Sense Day	0.20		6.00	12.00	24.00	48.00
18	MCI*	One Savings	0.25		7.50	15.00	30.00	60.00
19	Mountaineer*	Thrifty Call	0.28		8.40	16.80	33.60	67.20
20	Telecom USA*	10-10-321	0.28		8.37	16.74	33.48	66.96
	DEFAULT*	Default	0.35		10.59	21.18	42.36	84.72

NOTES: One Star has a $2.00 monthly charge on all usage under $20.00
Bell Atlantic Weekend Choice provides free weekend calling.
LCI has a $3.00 monthly charge on all usage under $15.00.
Rates for MCI One Savings, Mountaineer and Telecom USA are time of day rates applicable to daytime calls. Rates for evenings and weekends are cheaper.
Telecom USA applies a 50% discount to individual calls over 20 minutes.
Default rates apply to customers that do not exercise choice.
All rates rounded to the nearest cent.

As can be seen from the preceding tables, there are presently a wide range of rates available to long distance customers in West Virginia. Customers seeking rate information from any of the companies listed in this survey should remember the following:

- In order to get the best rate, a customer must exercise choice. The rates shown for each company on the preceding tables are generally available to customers who affirmatively designate that company as primary intraLATA long distance carrier. A customer can designate a company as primary carrier by simply calling that company using the phone numbers listed later in this study.
- Always ask for the lowest rate. When calling different telephone companies, ask directly for the lowest rate available for residential customers. Sales persons will not always voluntarily suggest the best plan.
- Flat rates may be more expensive. In the past year many companies have begun to offer a flat rate option for intraLATA calling. It should be noted that while such flat rates are very attractive and easy to understand, they may be more expensive for a customer who makes most of his or her intraLATA calls during nighttime hours. Comparative rates for evening and night/weekend periods are shown in Appendix III. Customers must first understand their own calling habits in order to make the best deal. For example, WorldCom[1] offers a time of day calling plan called "Simply Better," which produces average rates for weekday calling. However, as shown in Appendix III during evening and night periods, the "Simply Better" plan produces the cheapest rate available.
- Plans with monthly charges favor high usage customers. In order to get flat rates, most companies require a monthly charge. While 9¢ or 10¢ a minute may seem attractive, you

[1]WorldCom offers service under the trade name "First Touch Long Distance."

must always factor in the effect of the monthly charge on your total bill. If you use only a small amount of long distance each month, a cheap per minute rate could actually cost you more because of the monthly charge. As a result, plans with monthly charges are usually more appropriate for high usage customers. For example, as shown on the preceding tables, WorldCom offers a plan called "First Touch Select" which charges $4.95 a month and 9¢ a minute. At the 30 minute usage level this plan appears relatively expensive, ranked sixteenth out of twenty. However, at the high usage level of 240 minutes the WorldCom plan appears relatively cheap, rising to rank third out of twenty.

- Smaller billing increments favor customers. Different companies bill in different increments of time. Generally, the smaller the billing increment, the better it is for the customer. For example, Bell Atlantic bills in 6 second increments. This means that if a call lasts 1 minute and 7 seconds, the customer will be billed for a call lasting 1 minute and 12 seconds. On the other extreme, VarTec bills in one minute increments with a three minute minimum. The same 1 minute and 7 second call on VarTec would result in a customer being billed for a 3 minute call.

CHOOSING A PRIMARY INTRALATA CARRIER

Choosing a primary intraLATA long distance company is as easy as using your phone. A customer must call the company he or she desires as primary carrier, and tell the company representative: **"I want your company as my primary intraLATA long distance carrier in West Virginia."** The customer should also confirm that the long distance company will notify the local phone company of the "primary carrier" designation.

The names, phone numbers and access codes of some of the largest intraLATA carriers are shown below. The access codes for each company are given because, regardless of which company is your primary carrier, you may have as many secondary long distance carriers as you wish for both interLATA and intraLATA calls. In fact, two of the companies listed in the survey - Telecom USA and Mountaineer - promote their service through the use of access codes. You can place a long distance call over a secondary carrier by dialing seven extra digits - usually in the form of "10-10" plus a three-digit ID code for the carrier - before you dial the normal "1" plus the area code plus the phone number.[2]

Company	Phone Number	Access Code
AT&T	800-222-0300	10-10-288
Bell Atlantic	800-544-5662	10-16-500
Citizens	800-921-8101	10-10-096
Excel	800-251-6166	10-10-752
LCI	800-860-2255	10-10-432
MCI	800-333-5000	10-10-222
Mountaineer	800-554-3057	10-10-923
Network One	800-569-0080	10-10-213
OneStar	800-482-0000	10-10-213
Sprint	800-877-7746	10-10-333
Telecom USA	800-621-4230	10-10-321
VarTec	800-335-1515	10-10-811
WorldCom	877-868-2466	10-10-797

The names and numbers of other long distance carriers can be found in the yellow pages of your phone book under "Telephone Companies" or "Telecommunications Services." Although each of these companies will urge consumers to designate that company as the customer's primary long distance carrier, consumers must remember that they have the option of designating a company as either primary or secondary. However, some companies require that you establish an account with them prior to using them, even as secondary carrier. In any case, it will be necessary to dial 10-10-XXX to access a carrier other than your primary carrier on a long distance

[2]The 10-10-XXX codes can also be used at pay phones to access a preferred carrier.

call.

As a final note, customers should be prepared for some degree of frustration in dealing with phone companies over the phone. Almost all of these companies provide access to customer service through a phone "menu," requiring numerous and often confusing choices. Moreover, during numerous cross-check phone calls, Consumer Advocate Division personnel sometimes received confusing and contradicting information. The Consumer Advocate Division encourages customers to arm themselves with the information provided in this survey and to persevere in obtaining the rates that are best for them.

IF YOU DON'T MAKE A CHOICE

If a customer doesn't make a choice, and doesn't affirmatively designate a carrier as primary intraLATA carrier, then the customer will continue to have Bell Atlantic or Citizens as their primary carrier by default. More importantly, the customer will continue to be billed at the higher default rates applicable to customers who do not make a choice. These higher rates are the same for both companies and are as follows:

Day	1st Minute	$0.38
	Each add'l	$0.35
Evening	1st Minute	$0.23
	Each add'l	$0.21
Night	1st Minute	$0.15
	Each add'l	$0.14

Cost of 30 Minutes of Usage under Default Rates

Day (8am -5 pm)	$10.59
Evening (5pm -11 pm)	$6:36
Night (11 pm - 8 am)	$4.23

A Bell Atlantic or Citizens customer who does not designate a primary intraLATA carrier will continue to be charged $10.59 for 30 minutes of daytime usage. On the other hand, if the same customer designates Bell Atlantic or Citizens as primary carrier, the same call would cost only $4.50 or less. **In other words, by simply exercising choice a customer can save over $6.00 on an average monthly bill for intraLATA calls.**

<u>CHANGES IN RATES SINCE 1997</u>

The changes in rates since the Consumer Advocate Division's last survey in August 1997 have been substantial. The average cost of intraLATA calls in West Virginia has dropped by over 13%. Most companies now offer flat rate calling plans for intraLATA calls, many with very low per minute rates of a "dime a minute" or less. These plans can save money for some customers. However, consumers should be aware that almost all of these plans require a monthly charge. This means that if a customer's monthly usage is not very great, the "dime a minute" plan can actually be more expensive than other alternatives.

Shown on the following page is a comparison of the cost of 30 minutes of daytime intraLATA usage carried by different providers during 1997 and 1998, along with the changes in the costs of each provider. The companies are ranked from cheapest to most expensive based on current rates.

Company	Plan Name	1997	1998	% Change
VarTec	Dime Line	$8.10	$3.00	-62.9%
Network One[3]	Network One	$4.50	$3.27	-27.3%
Bell Atlantic	Sensible Min.	$4.50	$3.90	-13.3%
WorldCom	Pure & Simple	$4.50	$3.90	-13.3%
Excel	Dial & Save	$4.00	$4.50	12.5%
AT&T	One Rate	$4.50	$4.50	-
Citizens	Simple Rate	$9.00	$4.50	-50.0%
MCI	Home MCI One	$5.00	$5.00	-
OneStar	Family Advantage II	-	$5.53	-
Sprint	Sense Day	$6.00	$6.00	-
LCI	Difference	-	$7.50	-
Mountaineer	Thrifty Call	$8.25	$8.25	-
Telecom USA	10-10-321	$8.37	$8.37	-
Average		**$ 6.07**	**$ 5.25**	**-13.5%**
Default Rate		$10.59	$10.59	0

The sum total of all of the changes over the past year is an overall **decrease** in average rates of **13.5%**. Consumers should be aware that there may be other special offers or promotions by different companies which will produce different rates than those shown above. There are also more long distance providers in West Virginia than shown above. Consumers are encouraged to call companies in which they are interested and request full information on all available rate plans. Because each individual's calling patterns are unique, it is necessary to shop around in order to find the best plan.

CHANGES IN RATES SINCE 1989

IntraLATA competition in West Virginia began in 1989, and the Consumer Advocate Division issued its first survey of intraLATA long distance rates the same year. Shown below is a comparison of rates charged in 1989 to current intraLATA rates.

[3]Rates for 1997 based on ProCom. Network One purchased ProCom during the last year.

CHANGES IN INTRALATA LONG DISTANCE RATES
1989-1998
Based on 30 Minutes of Weekday Usage by a Residential Customer

Company	1989	Company	1998	$ Change	% Change
C&P	$12.93	Bell Atlantic	$3.90	$9.03	-69.8%
LDTS	$12.27	Network One	$3.27	$9.00	-73.3%
AT&T	$8.82	AT&T	$4.50	$4.32	-49.0%
MCI	$8.70	MCI	$5.00	$3.70	-42.5%
Sprint	$8.25	Sprint	$6.00	$2.25	-27.3%
TFN	$5.82	WorldCom	$3.90	$1.92	-33.0%
		VarTec	$3.00		
		Excel	$4.50		
		Citizens	$4.50		
		OneStar	$5.53		
		LCI	$7.50		
		Mountaineer	$8.25		
		Telecom USA	$8.37		
Average	**$9.46**		**$5.25**	**$4.21**	**-44.5%**

Note: Based on Consumer Advocate Division surveys.
Successor companies are listed where appropriate.

As can be seen, not only have average rates declined by almost 50% since the advent of competition, the number of service providers marketing to residential customers has greatly increased.

Attached as appendices to this study are a discussion of the background of intraLATA competition and frequently asked questions concerning intraLATA long distance service in West Virginia.

For more information, contact Billy Jack Gregg, Gene Lafitte or Carol Smith at 304/558-0526.

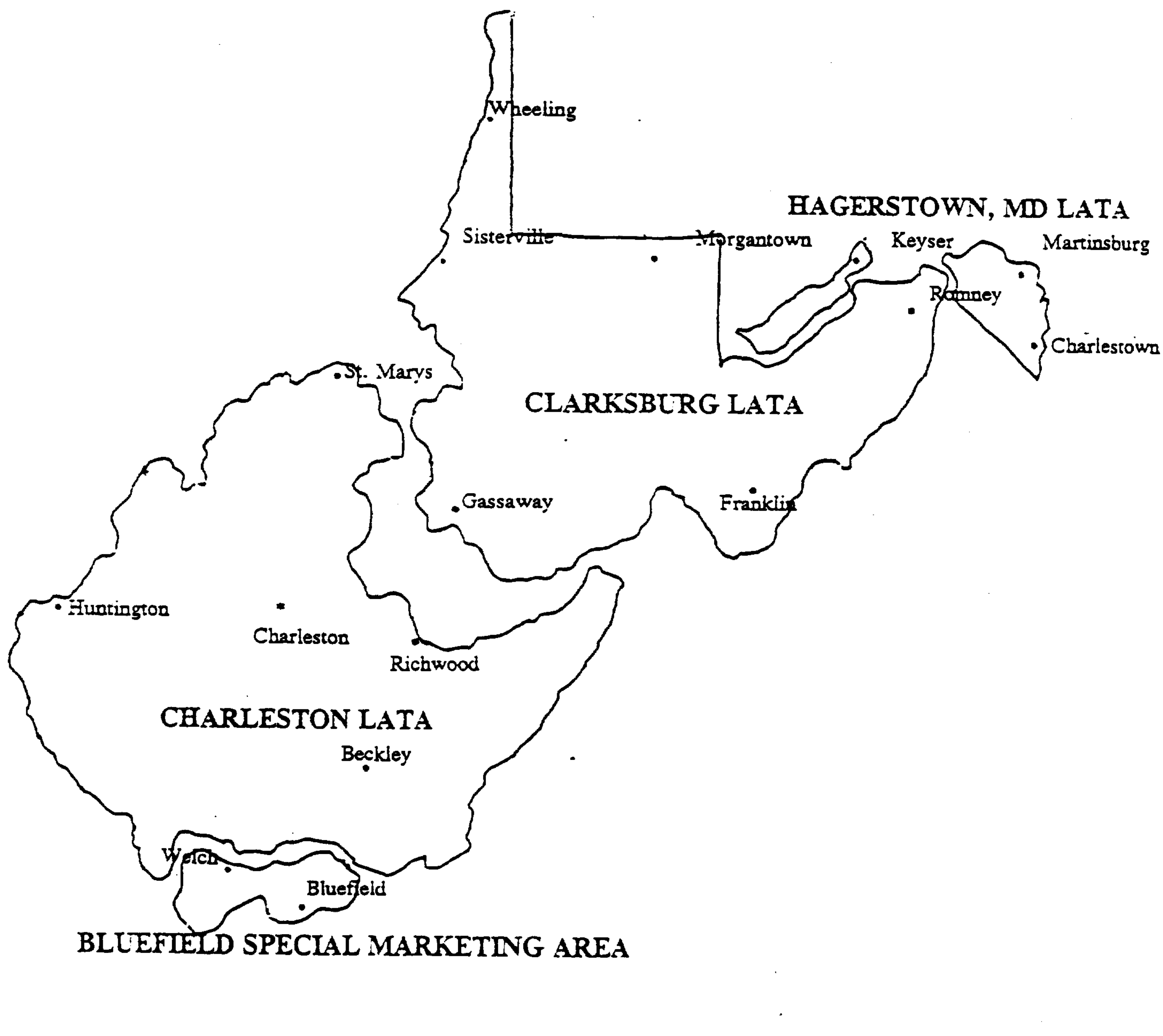
APPENDIX I

BACKGROUND ON INTRALATA COMPETITION

As a part of the breakup of the Bell System in 1984, the entire nation was divided into 164 zones, called **Local Access and Transport Areas (LATAs)**. Under the scheme approved by Judge Harold Greene of the U.S. District Court for the District of Columbia, inter-exchange phone carriers (long distance carriers) could provide service **between** LATAs, but were forbidden from offering local service. Local exchange carriers (local phone companies) could provide local phone service, including long distance **within** LATAs, but were forbidden from offering long distance service **between** LATAs. The issue of whether long distance companies could also offer long distance service within each LATA was left to each state to decide for itself.

As shown on the map on the next page, West Virginia was divided into two principal LATAs, the Charleston LATA and the Clarksburg LATA. In addition, portions of the eastern panhandle were included in the Hagerstown, Maryland LATA, while the sections of Mercer and McDowell counties served by Citizens Telecom were placed in a special LATA called the "Bluefield Special Marketing Area" (SMA). Small portions of West Virginia bordering surrounding states were placed in other LATAs. Bell Atlantic-West Virginia (Bell-Atlantic) was the major local carrier in the Charleston and Clarksburg LATAs, and handled all long distance within those LATAs. Citizens' predecessor, GTE, was the dominant local carrier in the Bluefield SMA and handled all long distance within distance within the SMA.

LATAs* IN WEST VIRGINIA



*Local Access and Transport Area

Since 1985, long distance carriers such as AT&T, MCI and Sprint have handled calls in West Virginia between LATAs and between the SMA and other LATAs. However, from 1985 to 1989 there was a moratorium on long distance competition within the LATAs. Under these arrangements competing long distance companies handled calls between cities in different LATAs, such as between Charleston and Wheeling, or between Beckley and Bluefield, while Bell Atlantic maintained a monopoly on calls inside the LATAs, such as from Charleston to Huntington or Wheeling to Morgantown.

INTRALATA COMPETITION

As a result of a wide-ranging agreement approved in 1988 by the Public Service Commission, Bell Atlantic's monopoly on intraLATA long distance ended on January 1, 1989. Since then, long distance companies have had the opportunity to offer service between all points in West Virginia. However, there was a catch. Bell Atlantic and Citizens retained "1 plus" presubscription rights within their respective LATAs, even after their monopolies on intraLATA calls ended. "Presubscription" is the designation of a particular phone company as your primary long distance carrier. For example, when you dial "1" plus the area code plus the number on an interLATA call, that call is automatically routed to your primary carrier.

Under the rules in effect in West Virginia from January 1, 1989 until August 15, 1997, Bell Atlantic was the presubscribed primary carrier for all long distance calls within the Charleston and Clarksburg LATAs. Citizens was the presubscribed primary carrier within the Bluefield SMA until April 1997. Under this prior arrangement, even if Sprint was your primary interLATA carrier, if you dialed "1-304" plus the phone number on an intraLATA long distance call, the call was automatically routed to Bell Atlantic (or Citizens). In order to route an intraLATA call to

Sprint (or any other carrier), it was first necessary to dial a five-digit access code.[4] For example, if you wanted to call from Charleston to Lewisburg (intraLATA) and wanted Sprint to handle the call, you would dial 10-333-1-304-XXX-XXXX. The "10" tells the phone switch you want to use a secondary long distance carrier. The "333" is Sprint's ID code and tells the phone switch to bill your call through Sprint. If you dialed simply 1-304-XXX-XXXX, the call would be routed to Bell Atlantic.

In October 1995 the Public Service Commission ordered that Bell Atlantic and Citizens' presubscription privilege end by 1997. As a result, it is no longer necessary to dial access codes to use a carrier other than Bell Atlantic or Citizens. Customers in West Virginia can now choose their primary, or "1-plus", carrier for intraLATA long distance calls. **The primary carrier can be the same carrier chosen by a customer for interLATA calls, or it can be an entirely different carrier.** For example, you could choose AT&T as your primary carrier for interLATA calls, and Bell Atlantic as your primary carrier for intraLATA calls.

Presently, numerous companies besides Bell Atlantic and Citizens offer intraLATA long distance service in West Virginia. Some of the largest are AT&T, MCI, Sprint, WorldCom, Excel, VarTec, Network One, LCI, OneStar and Mountaineer Long Distance. AT&T, WorldCom, Sprint and MCI are known as "facilities-based carriers," since they carry some or all of the calls over their own facilities. Excel, VarTec, Network One and Mountaineer Long Distance are "resellers," meaning they buy services from facilities-based carriers at volume discounts, and then resell the service to the public.

In order to choose any of these companies as your primary intraLATA long distance

[4]Effective September 1, 1998, a customer must dial seven digits to access a secondary carrier. These seven digits are usually in the form of 10-10-XXX.

company, customers will have to take action. **Unless a customer requests that a particular company be designated as primary, the customer will continue to have Bell Atlantic or Citizens as primary carrier by default.** Even if a customer desires to retain Bell Atlantic or Citizens as primary intraLATA carrier, it is important to exercise choice. By affirmatively designating Bell Atlantic or Citizens as primary carrier, the customer will qualify for lower toll rates.

APPENDIX II

COMMONLY ASKED QUESTIONS ABOUT IN-STATE LONG DISTANCE

What is a LATA?

When a Federal judge broke up the Bell System in 1984, he divided the United States into 164 zones, called "Local Access and Transport Areas" - LATAs. West Virginia was divided into two principal LATAs: the Charleston LATA and the Clarksburg LATA. Calling from the Charleston LATA to the Clarksburg LATA - for example, from Charleston to Morgantown - is just like making an interstate long distance call: the call will automatically go through your designated primary interstate long distance company. Until 1997, Bell Atlantic and Citizens were the primary carriers on calls within LATA's - for example, from Charleston to Huntington, or Princeton to Welch. West Virginians are now able to choose their own primary carrier for intraLATA long distance calls. Bell Atlantic is still not allowed to connect calls between LATAs or between states.

How do I choose a long distance company as my primary intraLATA carrier?

If you are interested in the rates of several companies, you should make phone calls to those companies and ask for information on the cheapest rate plans available for residential customers. Once you have decided on the company and rate plan that is best for you, call that company and tell them that you want them to be your primary intraLATA carrier. Also tell them exactly which rate plan you are signing up for. Make sure to confirm that they will notify your local phone company of the "primary carrier" designation.

What happens if I don't choose a primary carrier for my intraLATA calls?

If you do not choose a primary carrier, you will continue to be billed the "default" rates of either Bell Atlantic or Citizens. This means you will continue to pay rates that are substantially higher than those available if you make a choice. For example, if you are a Bell Atlantic customer and fail to choose a primary carrier, you would be billed $10.59 for 30 minutes of daytime intraLATA usage. On the other hand, if you choose Bell Atlantic as your primary carrier, the same amount of usage would cost only $3.90, a savings of over 60%!

How much can I save by choosing a primary carrier for intraLATA calls?

Savings will vary from consumer to consumer depending on the number of calls and time of day that calls are made. As an example, the cost of 30 minutes of daytime intraLATA usage with twelve different companies in West Virginia is shown on the chart below. These companies' lowest cost plans are arranged in descending order with the lowest cost company on the top and the highest cost on the bottom:

Cost of 30 minutes of daytime intraLATA usage in West Virginia

VarTec	$3.00
Network One	$3.27
Bell Atlantic	$3.90
WorldCom	$3.90
Citizens	$4.50
Excel	$4.50
AT&T	$4.50
MCI	$5.00
OneStar	$5.53
Sprint	$6.00
LCI	$7.50
Mountaineer	$8.25
Telecom USA	$8.37
Default Rate	$10.59

Can I still use a code to access a secondary long distance carrier? Will using a secondary carrier affect my status with my primary carrier?

You may use as many secondary long distance carriers as you wish by dialing the carrier access code before each call. This is true for both intraLATA and interLATA long distance calls. You can also use access codes at pay phones to reach a carrier you prefer. Access codes consist of seven digits, and are usually in the form "10-10-XXX." Two of the companies listed in the survey - Telecom USA and Mountaineer - promote their service through the use of access codes.

How will I be billed?

Billing varies depending on which company is used. Bills from Sprint, MCI, VarTec and Mountaineer will be included in your local Bell Atlantic monthly bill. AT&T, WorldCom, and Network One bill independently.

Are there other long distance companies which provide intraLATA long distance service in West Virginia?

Yes. The companies mentioned in this article are not an all inclusive list. These are just the largest and/or companies which have advertised their services in West Virginia during the last year. The phone numbers of long distance companies operating in your area are listed in the Yellow Pages of the phone book under "Telephone Companies" or "Telecommunications Services."

Table 1B

EVENING RATES
COMPARISON OF INTRALATA LONG DISTANCE CHARGES
IN WEST VIRGINA
INCLUDING APPLICABLE MONTHLY FEES
Rankings Based on 240 Minutes of Evening Usage

	Company Name	Name of Plan	Rate per Minute	Monthly Access Fee	30 Minutes	60 Minutes	120 Minutes	240 Minutes
1	WorldCom	Simply Better	0.09		2.70	5.40	10.80	21.60
2	VarTec	Dime Line	0.10		3.00	6.00	12.00	24.00
3	Network One	Network One	0.11		3.27	6.54	13.08	26.16
4	WorldCom	First Touch Select	0.09	4.95	7.65	10.35	15.75	26.55
5	OneStar*	Family Advantage II	0.12	2.00	5.53	9.05	16.40	28.20
6	MCI	Home MCI One	0.12	5.00 minimum	5.00	7.20	14.40	28.80
7	VarTec	Clear Choice 10	0.10	0.20 per call	3.60	7.20	14.40	28.80
8	MCI*	One Savings	0.12	5.00 minimum	5.00	7.20	14.40	28.80
9	AT&T	One Rate Plus	0.10	4.95	7.95	10.95	16.95	28.95
10	Sprint	Sprint Sense Anytime	0.10	4.95	7.95	10.95	16.95	28.95
11	Bell Atlantic	Sensible Minutes	0.13		3.90	7.80	15.60	31.20
12	WorldCom	Pure & Simple	0.13		3.90	7.80	15.60	31.20
13	Bell Atlantic*	Weekend Choice	0.15	2.95 minimum	4.50	9.00	18.00	36.00
14	Citizens	Simple Rate	0.15		4.50	9.00	18.00	36.00
15	Excel	Dial&Save	0.15		4.50	9.00	18.00	36.00
16	AT&T	One Rate	0.15		4.50	9.00	18.00	36.00
17	LCI*	LCI Difference	0.15	3.00	7.50	12.00	18.00	36.00
18	Telecom USA*	10-10-321	0.16		4.77	9.54	19.08	38.16
19	Mountaineer*	Thrifty Call	0.19		5.73	11.46	22.92	45.84
20	Sprint	Sense Day	0.20		6.00	12.00	24.00	48.00
	DEFAULT*	Default	0.21		6.36	12.72	25.44	50.88

NOTES: Bell Atlantic Weekend Choice provides free weekend calling.
One Star has a $2.00 monthly charge on all usage under $20.00
LCI has a $3.00 monthly charge on all usage under $15.00.
Rates for WorldCom Simply Better, MCI One Savings, Mountaineer and Telecom USA are time of day rates applicable to evening calls.
Telecom USA applies a 50% discount to individual calls over 20 minutes.
Default rates apply to customers that do not exercise choice.
All rates rounded to the nearest cent.

APPENDIX III

Table 2A

NIGHT/WEEKEND RATES
COMPARISON OF INTRALATA LONG DISTANCE CHARGES IN WEST VIRGINA INCLUDING APPLICABLE MONTHLY FEES
Rankings Based on 30 Minutes of Night/Weekend Usage

	Company Name	Name of Plan	Rate per Minute	Monthly Access Fee	30 Minutes	60 Minutes	120 Minutes	240 Minutes
1	WorldCom	Simply Better	0.09		2.70	5.40	10.80	21.60
2	VarTec	Dime Line	0.10		3.00	6.00	12.00	24.00
3	Network One	Network One	0.11		3.27	6.54	13.08	26.16
4	VarTec	Clear Choice 10	0.10	0.20 per call	3.60	7.20	14.40	28.80
5	Mountaineer*	Thrifty Call	0.13		3.81	7.62	15.24	30.48
6	Telecom USA*	10-10-321	0.13		3.87	7.74	15.48	30.96
7	Bell Atlantic	Sensible Minutes	0.13		3.90	7.80	15.60	31.20
8	WorldCom	Pure & Simple	0.13		3.90	7.80	15.60	31.20
	DEFAULT*	Default	0.14		4.23	8.46	16.93	33.84
9	AT&T	One Rate	0.15		4.50	9.00	18.00	36.00
10	Bell Atlantic*	Weekend Choice	0.15	2.95 minimum	4.50	9.00	18.00	36.00
11	Citizens	Simple Rate	0.15		4.50	9.00	18.00	36.00
12	Excel	Dial&Save	0.15		4.50	9.00	18.00	36.00
13	MCI	Home MCI One	0.12	5.00 minimum	5.00	7.20	14.40	28.80
14	MCI*	One Savings	0.12	5.00 minimum	5.00	7.20	14.40	28.80
15	OneStar*	Family Advantage II	0.12	2.00	5.53	9.05	16.40	28.20
16	Sprint	Sense Day	0.20		6.00	12.00	24.00	48.00
17	LCI*	LCI Difference	0.15	3.00	7.50	12.00	18.00	36.00
18	WorldCom	First Touch Select	0.09	4.95	7.65	10.35	15.75	26.55
19	AT&T	One Rate Plus	0.10	4.95	7.95	10.95	16.95	28.95
20	Sprint	Sprint Sense Anytime	0.10	4.95	7.95	10.95	16.95	28.95

NOTES: Bell Atlantic Weekend Choice provides free weekend calling.
One Star has a $2.00 monthly charge on all usage under $20.00
LCI has a $3.00 monthly charge on all usage under $15.00.
Rates for WorldCom Simply Better, MCI One Savings, Mountaineer and Telecom USA are time of day rates applicable to night/weekend calls.
Telecom USA applies a 50% discount to individual calls over 20 minutes.
Default rates apply to customers that do not exercise choice.
All rates rounded to the nearest cent.

Table 2B

NIGHT/WEEKEND RATES
COMPARISON OF INTRALATA LONG DISTANCE CHARGES
IN WEST VIRGINA
INCLUDING APPLICABLE MONTHLY FEES
Rankings Based on 240 Minutes of Night/Weekend Usage

	Company Name	Name of Plan	Rate per Minute	Monthly Access Fee	30 Minutes	60 Minutes	120 Minutes	240 Minutes
1	WorldCom	Simply Better	0.09		2.70	5.40	10.80	21.60
2	VarTec	Dime Line	0.10		3.00	6.00	12.00	24.00
3	Network One	Network One	0.11		3.27	6.54	13.08	26.16
4	WorldCom	First Touch Select	0.09	4.95	7.65	10.35	15.75	26.55
5	OneStar*	Family Advantage II	0.12	2.00	5.53	9.05	16.40	28.20
6	MCI	Home MCI One	0.12	5.00 minimum	5.00	7.20	14.40	28.80
7	VarTec	Clear Choice 10	0.10	0.20 per call	3.60	7.20	14.40	28.80
8	MCI*	One Savings	0.12	5.00 minimum	5.00	7.20	14.40	28.80
9	AT&T	One Rate Plus	0.10	4.95	7.95	10.95	16.95	28.95
10	Sprint	Sprint Sense Anytime	0.10	4.95	7.95	10.95	16.95	28.95
11	Mountaineer*	Thrifty Call	0.13		3.81	7.62	15.24	30.48
12	Telecom USA*	10-10-321	0.13		3.87	7.74	15.48	30.96
13	Bell Atlantic	Sensible Minutes	0.13		3.90	7.80	15.60	31.20
14	WorldCom	Pure & Simple	0.13		3.90	7.80	15.60	31.20
	DEFAULT*	Default	0.14		4.23	8.46	16.92	33.84
15	Bell Atlantic*	Weekend Choice	0.15	2.95 minimum	4.50	9.00	18.00	36.00
16	Citizens	Simple Rate	0.15		4.50	9.00	18.00	36.00
17	Excel	Dial&Save	0.15		4.50	9.00	18.00	36.00
18	AT&T	One Rate	0.15		4.50	9.00	18.00	36.00
19	LCI*	LCI Difference	0.15	3.00	7.50	12.00	18.00	36.00
20	Sprint	Sense Day	0.20		6.00	12.00	24.00	48.00

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Rates for WorldCom Simply Better, MCI One Savings, Mountaineer and Telecom USA are time of day rates applicable to night/weekend calls.
Telecom USA applies a 50% discount to individual calls over 20 minutes.
Default rates apply to customers that do not exercise choice.
All rates rounded to the nearest cent.

October 29, En Banc
Universal Service

Joel E. Lubin
Regulatory VP - AT&T

Thank you for giving me the opportunity to speak before you today regarding issues of educating the consumer in the telecommunications marketplace. AT&T supports the Commission objective of eliminating customer confusion and better educating consumers about telecommunications issues, in particular Universal Service issues.

Let me also say that in the competitive long distance market, AT&T has every incentive to ensure that it's customers fully understand it's offers and the charges associated with those offers. If our customers are confused, they have choices. We are in business to win customers and to keep them satisfied, not to have them leave because they are confused. For this reason, we provide educational information when new charges are introduced or if charges change, through bill messages or bill inserts. In the case of the charges we have imposed to recover our universal service expenses, we worked closely with regulators and other stakeholders to ensure that our messages to our customers are clear and complete. Our bills include an 800 number for customers to call if they have questions about their bill, and here again, it's in our interest to ensure that our bills are clear and understandable – both because it's what our customers want and deserve, and because it minimizes our costs by reducing the number of calls to our customer care 800 number. We believe that we have taken extraordinary steps to achieve this goal given the existing circumstances surrounding Universal Service.

However, some of the customer confusion over USF implementation is caused by carriers doing different things. This can be significantly mitigated if all carriers assess end users for this expense in the same manner. And it is inevitable that all carriers in a competitive market will recover this expense from their customers, because it is an external cost that is beyond their control and cannot be merely "competed away." Under the existing rule, carriers are assessed USF based on the previous year's revenues, and have complete discretion over the manner in which they recover that assessment as part of their current year's cost structure.

Unfortunately, this means that some carriers who will have less revenue in '98 relative to '97 will have a collection rate higher than the assessment rate. Some seek to recover their assessments through fixed monthly charges, while others recover it through percentage assessments. Some seek to recover their assessments from interstate services only, while others recover it from all services. The FCC has allowed the ILECs to recover their obligations from IXC access charges (ILEC Flowback), thus raising the cost of providing LD service. Some IXCs recover the ILEC Flowback portion from their nationwide average toll rates, while others include it in their end user USF recovery charges. AT&T has decided to charge 93 cents per month to each of its residential accounts, and a 4.1% surcharge to its business customers' interstate revenues. Given that each carrier has its own set of uncollectibles that it must account for, it is not surprising that they would each charge their customers a different rate under the universal service banner. This has resulted in needless customer confusion.

Competitive neutrality is enabled when all carriers are required to use the same assessment and collection rate applicable to all current end user revenues, with simultaneous assessment and recovery of the carrier's USF obligation and no discretion on the part of the carrier as to how recovery will be made as between different classes of customers. This end user surcharge approach removes the potential for the kind of gamesmanship over USF recovery that inevitably fosters customer confusion and dissatisfaction with the entire system. Such an approach, applied fairly and uniformly to all customers, will ultimately lead to customer acceptance (if not approval) and serve to strengthen our universal service support mechanisms.[1]

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[1] Thus, the Commission should require USAC to set the quarterly factor assessed against carriers (as it does today) and require carriers to recover their USF obligation as a line-item on the carrier's retail bill to end users. For example, the Commission could require each interstate telecommunications carrier to submit twice each year to the USF administrator a verified accounting of its retail revenues on a Form 457 Worksheet. The administrator would then estimate the total federal support that will be needed for the following quarter. Based on this estimate, the administrator would then develop a factor that is equal to the ratio of the federal support requirement to total retail revenues for the period. The factor could be adjusted to reflect USAC's uncollectibles and/or Industry growth of current revenues over the revenues submitted on the Form 457 Worksheet. Each telecommunications service provider would then be required to use the factor as a rate element, which is applied to its retail revenues. Specifically, each telecommunications service provider would be required to apply the rate element to the retail revenues of each of its end user customers, with the rate element appearing as a line-item on the end user's monthly bill. The service provider would then submit to USAC the amount of revenues it collects from that rate element.

An alternative to a revenue-based surcharge, the Commission could require both assessment and recovery from interstate service providers via an end user per-line charge, i.e., the carrier owes what it collects from the subscriber based upon the new assessment rate. Here, the denominator of the factor that would be calculated by the administrator would be total lines, including primary, non-primary, business, cellular, pager, etc. A per-line charge has the additional benefit of solving the Internet assessment controversy. With a per-line charge, the customer line, itself, is assessed for universal service, not the services provided over the line.

The Commission can also decide to enforce public policy objectives by varying the per-line factor by customer type. For example, it could decide, among a number of options, to cap the consumer per-line assessment at a $1.00, cap paging lines at 25 cents, or exempt lifeline customers from any assessment at all, and have the business per-line charge make up the difference. Through the common USAC factor, all carriers would be charging their respective customers uniformly. Thus, all customers within the same segment would be charged the same amount, regardless of their service provider.

Whether the Commission implements a revenue or per-line surcharge, the anti-competitive ILEC Flowback would be eliminated. All carriers, including the ILECs will be assessing and collecting their obligations simultaneously from their retail customers. This also eliminates the possibility of carriers gaming the process. From the customer's perspective, the USF charge would be clear, unambiguous, and consistently labeled, eliminating a significant amount of confusion on the topic.

Thank you and I look forward to answering your questions.

En Banc Hearing on Consumer Issues and Education
October 29, 1998, 1 p.m.

Table of Contents

Agenda
En Banc Hearing: Consumer Issues and Education

Purpose: To explore in an open forum the affordability of telecommunications services and consumer-education issues.

Date: Oct. 29th (1 - 5 p.m.). Note: On the morning of Oct. 30th, the Universal Service Joint Board will meet to discuss the upcoming Recommended Decision.

Schedule:

1:00 Welcome by Chairman Kennard and any opening remarks by Federal Commissioners and State Joint Board Members

1:15 Testimony from the panelists

Topic: Ensuring Affordability and Consumer Choice. Panelists will discuss: whether the goal of affordable basic service is being met; whether there are policies that the Joint Board should consider recommending to meet the goal of affordable service; whether, to the extent surcharges are imposed, there are policies that the Joint Board should consider recommending to ensure that rates remain affordable across the country; whether carriers are passing through to consumers cost reductions (e.g., access charge reductions).

1:45 Commissioner questioning of panelists

Alternate federal and state questions. Each Commissioner or Consumer Advocate will be allotted four minutes to ask questions and obtain responses from the panelists.

2:30 *Break*

2:45 Testimony from the panelists (cont'd)

Topic: Consumer education. Panelists will discuss: whether federal and state regulators are adequately informing consumers of the issues surrounding the new competitive marketplace (e.g., slamming and cramming) and the new universal service mechanisms (e.g., Lifeline); consumers' expectations of the benefits they will see from the new competitive environment; whether there are policies that the Joint Board should consider recommending to better educate consumers about the telecommunications issues facing them today; whether there are policies that the Joint Board should consider recommending that encourage better communication between regulators and consumers.

3:30 Commissioner questioning of panelists

Each Commissioner or Consumer Advocate will be allotted four minutes to ask questions and obtain responses from the panelists. Then, the question and answer period will be more unstructured, with the moderator ensuring that all Commissioners and State Consumer Advocates are called on to ask questions.

5:00 Adjourn

Federal Communications Commission
Universal Service Joint Board En Banc Hearing
October 29, 1998
Consumer Issues and Education

Statement of Billy Jack Gregg
Director, Consumer Advocate Division
Public Service Commission of West Virginia

The following are my responses to the questions posed by the Commission:

1. Is the goal of affordable basic service being met?

Yes. Current rates for basic service are affordable and becoming more affordable. Even before the advent of the Telecommunications Act of 1996, the general trend in rates was down. Why? Because transcending any changes in law or regulation, telecommunications continues to be a declining cost industry. Between 1992 and 1997 local rates held steady, while general inflation rose by 15%.[1] At the same time, toll rates came down by 31%, while use of the network increased by 61%, according to the FCC's most recent study of revenues in the telecommunications industry.[2]

In approaching the issues of universal service and access charge reform, the Commission and Joint Board must keep in mind that affordable rates are assumed by Americans as a given. Policies adopted to introduce competition into all areas of telecommunications must not do damage to the level of affordability which has already been achieved.

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[1]GNP Implicit Price Deflator, 4Q 1991 - 4Q 1997.

[2]1997 Telecommunications Industry Revenue Report, FCC Common Carrier Bureau, Industry Analysis Division (Oct. 1998), Table 5.

2. Are there policies the Joint Board should consider recommending to meet the goal of affordable service?

The Commission and the Joint Board must remember that the ultimate goals of the Telecommunications Act of 1996 are lower prices and better telecommunications services for all Americans. The means we have chosen to achieve those goals is competition. However, some seem willing to sacrifice the ultimate goals of the Act - and the affordability we have already achieved - in an attempt to jump-start local service competition. Citing the wording of Section 254 which requires that universal service support be explicit and sufficient, they argue that basic rates must be raised to unaffordable levels and that the federal Universal Service Fund must swell to $20 billion.

I say to you most emphatically that the purpose of including the specific universal service guarantees of Section 254 in the Telecommunications Act was **not** to impose $50 a month basic rates on rural customers, nor to impose 20% universal service surcharges on all customers. On the contrary, the explicit goal of Section 254 is affordable service for all, and rates in rural areas that do not vary appreciably from those available in urban areas. Furthermore, there is no language in Section 254, nor in any other part of the Act, which requires that access charges be reduced and that universal service obligations be raised to pay for such reductions.

What do you at the federal level and we in the states hear concerning the level of rates? By and large, it is not **customers** who are complaining about high rates for services; it is the telecommunications **providers** who are complaining about what they pay to or receive from each other. These companies - both ILEC's and IXC's - have used the advent of the

Telecommunications Act as an excuse to create a new environment which shifts as many costs away from them as possible. The ultimate losers are the end users. The main casualty is affordability.

Policies which the Joint Board should consider to meet the goal of affordability should include the following:

A. First, do no harm. Rates are affordable now. The Telecommunications Act was passed to make rates even more affordable for everyone. Whatever you do, don't make average consumers in this country worse off as a result of your decisions which are supposed to maintain and enhance universal service.

B. Let states take the lead in determining affordability. The cost of living is different in different states, and it stands to reason that affordability will also differ. Each state should be able to determine affordability according to its own standards and experience. Some states have already proposed rate benchmarks for their own purposes. For example, Nebraska has proposed an affordability benchmark of $22, including the Subscriber Line Charge (SLC) and other surcharges, while Wyoming has proposed $25, excluding the SLC and other surcharges. Other states may propose different standards. Some states have rates based on measured rates; others prohibit measured rates. Each state is different. The Commission should ensure that states continue to receive at least the level of federal universal support they currently receive, and let each state plot its own course in determining when and how it will reorganize internal subsidies in local rates, if any. If additional federal support is needed after competition actually begins at the local level, the issue can addressed at that time with the benefit of actual data.

C. Additional universal service support should not flow until competition actually develops. Competition is supposed to drive out the implicit subsidies in existing rates within each state. Great. Let competition do it; regulators shouldn't. Regulators are very bad at replicating the market. There is no harm in devising a universal service support system which can kick in if and when competition actually begins to erode revenues supporting the existing network to unacceptable levels. However, it would be the height of folly for regulators to attempt to wring out perceived implicit subsidies before competition begins. The only result will be insupportably high local rates and/or insupportably high universal service surcharges.

D. Avoid mandatory surcharges, especially fixed per line surcharges. Fixed per line surcharges tend to endure regardless of changes in underlying costs. Witness the Subscriber Line Charge. In spite of numerous reductions in access charges over the past few years, in spite of reductions in the underlying cost of telecommunications, and in spite of the earnings of the companies which receive the SLC, the SLC has remained fixed, immune to changes in the surrounding environment.

E. Be aware of the impact of the totality of your decisions. In determining the affordability of basic service for consumers, it is the totality of rates that is important: local service plus any surcharges or line item charges. You will have accomplished little by defining affordability as an arbitrary dollar figure, if an excessive universal service surcharge must be added to the customer's bill to make the so-called affordable level achievable.

3. To the extent that surcharges are imposed, are there policies that the Joint Board should recommend to ensure that rates remain affordable?

As I have stated above, the real question is whether surcharges should be imposed at all. I emphasize again, the Commission should not impose mandatory surcharges on end-users. However, if surcharges are imposed, the following policies should be followed to ensure that rates remain affordable.

A. Federal surcharges should apply only to services over which this Commission has jurisdiction, namely interstate services. Respecting the well-defined boundaries between federal and state jurisdictions maintains the existing responsibility for federal universal service obligations to the extent possible. It also recognizes that there are large portions of the public which make few, if any, toll calls. Imposing federal surcharges on all telecommunications services - interstate and intrastate - not only violates the jurisdictional prerogatives of the respective states, but also shifts cost responsibility for the network away from heavy users of the network and on to small users, who oftentimes are at the lowest end of the socioeconomic ladder.

B. Surcharges on end-users should not be mandatory. Section 254(d) of the Telecommunications Act is very clear that "every telecommunications **carrier**" - rather than every telecommunications **customer** - must contribute to universal service support mechanisms. So far, the Commission has followed this clear directive of the Act and has continued to impose universal service obligations on carriers, allowing them to recover these costs "in any lawful manner." As a result, almost all carriers have imposed per line or percentage surcharges on customers to recover universal service costs. However, so long as such surcharges are not mandatory. I believe the market will ultimately eliminate them and that universal service costs will be recovered through overall rates, just like any other cost of doing business. However, if surcharges are made mandatory by this Commission, they will be immune to market forces.

C. The Subscriber Line Charge should be reduced or eliminated. If the Commission is tying together the issues of universal service reform and access charge reductions, it must ensure that the Subscriber Line Charge is also reduced. The SLC was instituted in the mid-1980's as part and parcel of the imposition of the new access charge regime created after the break-up of the Bell System. If, as seems likely, the Commission is going to reduce interstate access charges imposed on carriers as part of overall universal service reform, in fairness the Commission must also reduce or eliminate the mandatory SLC currently imposed on all end-users.

4. Are carriers passing through to consumers reductions in cost, such as access charge reductions?

Whether access charge reductions are being passed through is really irrelevant to shopping customers, customers who are willing to change carriers for a better deal. Competition for these customers has driven rates steadily downward. A recent survey by my office showed that since the advent of intraLATA toll competition in West Virginia in 1989, in-state long distance rates have decreased over 44%.[3] Moreover, rates have fallen over 13% in the past year

[3] I have attached a copy of the study for the convenience of the Commission and Joint Board.

with the introduction of one-plus competition. These rate decreases took place in spite of minimal access charge reductions.

On the other hand, default customers, patient customers, customers who do not shop and who make a minimal number of long distance calls, are still being billed at rates that have changed little in ten years. These customers tend to be the poor, the elderly, and the less well educated. Without a verifiable requirement that all access charge reductions be passed through to all customers, long distance companies will continue to do the economically rational thing: keep the savings if they can; cut rates to competitive customers if they have to; and otherwise soak customers who do not exercise choice.

If the Commission is concerned that interstate access rate reductions are not benefiting all customers, it should do what several states have done: require that all access charge reductions be flowed through to customers on a proportionate basis. However, as long as the Commission takes a "hands off" approach on the issue of flow-through of access charge reductions, it can expect companies to continue to act in their own economic self-interest, and can expect continued controversy.

I appreciate the opportunity to appear here today, and will be happy to entertain any questions you might have.

BIO OF BILLY JACK GREGG

Billy Jack Gregg has been a lawyer for over 24 years, and has served as Director of the Consumer Advocate Division of the West Virginia Public Service Commission since the office was created in 1981. As Consumer Advocate, Mr. Gregg represents West Virginians in all major proceedings affecting rates for electricity, gas, telephone and water. Prior to this position, Mr. Gregg was the Senior Staff Attorney in the Field Solicitor's Office of the U.S. Department of Interior in Charleston, West Virginia; was in private practice in Hurricane, West Virginia; and served as Assistant Attorney General assigned to the West Virginia Human Rights Commission.

As an undergraduate, Mr. Gregg attended the University of Glasgow, Scotland, and Austin College in Sherman, Texas, receiving a B.A. degree in history and government. He earned his J.D. degree from the University of Texas School of Law.

Mr. Gregg is Treasurer and a member of the Executive Committee of the National Association of State Utility Consumer Advocates (NASUCA). He is also a member of the Federal Communications Commission's Rural Task Force.

Affordability of Telecommunications Services

Frank Gumper

Vice President
Regulatory and Long Range Planning
Bell Atlantic

October 29, 1998

Affordability of Telecommunications Services

I would like to thank the members of the Joint Board for giving me the opportunity to speak with you today on this very important topic. The affordability of basic telephone service is an important policy issue to consumers and the nation as a whole.

Telephone service, for the vast majority of Americans, is affordable! Not only is it affordable, it is a bargain! For example, this past week, I bought two pizzas with two toppings, and it cost me $20. In contrast, the average telephone bill for local service is $21, and the average total bill is roughly $54.[1] In fact, over the last ten years, local telephone service has only increased 17% whereas all other goods and services in the Consumer Price Index have increased by 41%. Furthermore, telephone service, as a percentage of personal income, has been about 2% since the mid-eighties, and this has remained constant regardless of race, age, or geographic area. Even the latest Statistics on Telephone Penetration rates estimate that 94.1% of all households in the United States have telephone service, and penetration has remained relatively stable over the last several years. All of this information points to the fact that telephone service is inexpensive.

This gives state regulatory bodies the flexibility to address other policy issues without fear of making phone service unaffordable. Opening up local markets to competition will put pressure on implicit subsidies in telephone companies' rates. In some cases, states will have to step up to the challenge of restructuring rates to bring them closer to costs. Some states, like Idaho, Maine, and Montana, have already begun to face this challenge. Local rates, and even Subscriber Line Charges (SLCs), may have to increase. However, these

[1] First Quarter 1998, PNR and Associates, Inc database.

rate increases will not reduce subscribership. Basic telephone rates will remain affordable, and there is little need for major restructuring of the current universal service mechanisms.

What is the problem?

While a majority of Americans have phone service, there are certain segments of society and places in the nation where that may not be the case. One area where subscribership is lower than the national average is among the economically disadvantaged. For this segment of society, the Federal-State Joint Board significantly enhanced, and expanded the availability of, the Federal Lifeline and Link-Up programs. As of August 1998, there were 5.1 million Lifeline participants, and for the first eight months of this year, there were 1.3M participants requesting Link-Up assistance. Currently, these programs are growing at an average rate of almost 2% per month.

In a recent study performed by Jorge Schement and Scott Forbes presented at the Telecommunications Research Policy Conference earlier this month, their findings suggest that the issue of telephone penetration is very complex and probably can not be solved at the federal level.[2] While their study looks at such things as race and income and identifies pockets of people without telephone service, it is not always clear what the underlying causes are of lower subscribership.

For instance, New York and California have two of the most aggressive low-income programs in the nation. Yet, when you look at telephone penetration rates by race for some of the counties in these two states, you see vast differences in telephone penetration rates.

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[2] Schement, Jorge Reina, and Forbes, Scott C.; **The Persistent Gap in Telecommunications: Toward Hypotheses and Answers,** presented at the Annual Meeting of the Telecommunications Policy Research Conference, Alexandria, Virginia, October 1998.

For example, in California's San Joaquin County, telephone penetration rates for whites are 2.5% less than that of African-Americans, yet in Yuba County; telephone penetration rates for whites are roughly 37% greater than for African-Americans. In New York's Genesee County, telephone penetration rates for whites is roughly 2% higher than it is for African-Americans, while in Jefferson County, telephone penetration rates for whites is over 41% higher than for African-Americans.[3] These types of differences can not be simply explained nor can they be solved with one national solution. To quote from this paper,

> "If we wish to solve the mystery of the [telephone service] gaps, we will have to look beyond the data that has guided us in the past. We must go below national data [that will uncover] a complex array of factors more particular to localities than to the country as a whole."[4]

This information indicates that the reasons that people do not have a phone may go beyond price and affordability. To effectively address these problems, further study must be done, and solutions must be developed and implemented at the state and local level.

Another reason for reduced telephone penetration is that the cost of wiring sparsely populated rural areas of the nation can be cost prohibitive. For example, wireline costs can easily exceed $10,000 per loop in remote parts of the country. Many of these areas are like developing countries, and as such, we should be looking to wireless technologies to provide them with cost effective alternatives to landline telephone service. For example, Southwestco Wireless (a wholly owned subsidiary of Bell Atlantic Mobile) is serving a 3,000 square mile Indian Reservation (The Tohanna Otum Indian Tribe) as well as other remote areas in Arizona. In addition, Western Wireless is serving Antelope Valley in Nevada where the population density is low and landline service is very limited, because it

[3] Schement and Forbes, Tables 2 and 3.
[4] Schement and Forbes, p 21.

is too expensive to provide. For the 58 customers that reside in Antelope Valley, it was estimated to cost $1.3M to provide landline services compared to the $100,000 spent to provide wireless. It does not make sense to invest in wireline service in such remote areas. Instead, the Joint Board should be looking at ways to provide the incentives for the deployment of the most cost effective technologies, like wireless infrastructure in these remote areas.

In closing, let me say that telephone service is a bargain and will remain affordable as local competition and technology develops. However, states and the FCC must address the implicit support in their rates that will not be viable with increasing competition. Some states will not have the resources to solve their own high cost problem. For these states, and only these states, a small targeted federal fund can provide assistance to those states to ensure that their rates remain affordable. The distribution of these funds within a state and the need for intrastate support programs are more effectively addressed at the state and local levels. However, the Joint Board must continue to monitor these issues as we move forward to detect if additional policy intervention is warranted.

I thank you for this opportunity, and I will be glad to answer your questions at this time.

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Mr. Gumper is Vice President-Regulatory and Long Range Planning at Bell Atlantic. He was appointed to that position with the merger of Bell Atlantic and NYNEX. He is responsible for the identification of future public policy issues and the development of Bell Atlantic's positions on critical public policy issues.

He is also responsible for the development of telecommunications regulatory policy in the federal jurisdiction and the management of Bell Atlantic's FCC Docket filings and the stakeholdering of these issues within the industry. Mr. Gumper represents Bell Atlantic on the USTA Regulatory Policy Committee that seeks to create consensus on local exchange carrier (LEC) positions.

Mr. Gumper is a Board Member of the Universal Service Administrative Company (USAC) and the Schools and Library Corporation (SLC), and he is Bell Atlantic's Representative on the Advisory Board at Columbia University's Institute for Tele-Information.

Mr. Gumper has a B.S. Degree from Rensselear Polytechnic Institute and a M.A. Degree in Geophysics at Columbia University. In addition, he completed the Master's Degree Program for Executives at Columbia University's Business School. Mr. Gumper has spent most of his 26 year career working for NYNEX in various regulatory, revenue analysis and forecasting functions.

DRAFT

PRESERVING AFFORDABLE BASIC SERVICE UNDER THE '96 TELECOM

Presentation of Dr. Mark N. Cooper
To The Federal Communications Commission
October 29,1998

GENERAL PRINCIPLES

The Joint Board and the Federal Communications Commission face a difficult task in the months ahead of lowering access charges to cost, expanding participation in the lifeline program, funding the schools, libraries and rural health care program, and providing high cost support to rural and insular areas. All this, while keeping rates just, reasonable and affordable.

The FCC and the Joint board have forged the conceptual framework for making the task manageable.

- They have repeatedly reaffirmed the simple and sound economic principle that the loop is shared by many services and that its costs should be recovered from all services that use it.
- They have determined that forward-looking economic costs must be the basis for efficient competition in the industry, including the reduction of access charges to costs.
- They have accepted the principle, clearly laid down by Congress, that universal service should be funded with contributions from telecommunications service providers.

Unfortunately, the implementation of these principles has not been as vigorous as it could be for a number of reasons.

- The local exchange companies have stymied the application of the forward looking cost methods in the states, while they have prevented local competition from taking hold by refusing to open their markets.
- The FCC decided to rely on competition to drive down access costs, which has not happened.

- The FCC could not prevent long distance companies from putting line items on consumers' bills.

- The FCC has begun to consider line items of its own.

The FCC and the Joint Board need to get back on track, building on the conceptual foundation laid down in 1996. In my remarks today, I want to reiterate the principles that should guide the implementation of universal service policy.

JUST AND REASONABLE RATES

Telephone companies say: Access to the network is a separate product whose costs must be recovered separately, while people pay for the right to place long distance calls over the loop.

Consumer Advocates respond: Consumers want actual service such as local and long distance calls, not just access, and long distance companies should pay for using the loop in selling long distance service

- The loop is an input to all services, not an output, and none of these services could be provided without a loop.

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- New services, like high-speed data (xDSL), utilize the loop and other facilities just like local calls.

The 1996 Act recognized the shared nature of the network and intended for that sharing to be leveraged to make basic service affordable.

- Section 2545 (k) of the Act forbids subsidization of competitive services and requires basic service to bear no more than a reasonable share of joint and common costs.

- Basic service is a low mark-up service, but it exceeds incremental costs, which is consistent with the policy of promoting universal service and allocating "no more than a reasonable share" of joint and common costs to it.

AFFORDABLE RATES

Telephone companies say: Even with dramatic increases in rates, service would remain affordable because most people would continue to subscribe.

Consumer Advocates responds: Affordability involves the burden that the cost of a necessity places on households budgets, not just people's willingness to suffer price increases.

- Lower income and elderly households would be hardest hit by rate "rebalancing" because the services that would be increased in price are a much larger part of their bills than the services that would be lowered in price.

- Some people will be forced off the telephone network as a result of the substantial increases proposed by the LECs.

- Falling real prices are not a justification for raising rates or charging whatever the market will bear.

- Some household commodities have performed as well as or better than telephone service in the past 15 years, some worse.

CURRENT PRACTICE AT THE FCC

TELECOMMUNICATIONS NETWORK ECONOMICS

Since the passage of the '96 Telecom Act, the FCC and the states have done an admirable job of recognizing the multiproduct, dynamic nature of the telecommunications network. Above all, they have consistently and repeatedly found that the loop is a common cost to be shared by all services that use the facility.

- The FCC began in the local competition docket by recognizing that the loop is a common cost of local, long distance and the other services that use the loop.

- It affirmed this in the access charge rulemaking and applied it in its decision to convert the Common Carrier Line (CCL) charge into a flat rate charge to cover loop costs.

- In the reform of the separations process, the FCC has stated the economic reasoning and analysis which underpins this treatment of the loop.

- Administratively, the FCC has declared its intention to compare the cost of local service on a national average basis to the revenues earned per line. The reference price includes revenues from a number of sources. The FCC ties the inclusion of revenues directly to the sharing of costs.

ECONOMIC COSTS

The FCC has also established forward looking economic costs as the basis for rates and charges, although the implementation of that concept has not been developed as vigorously as it could be.

- After the FCC prevails at the Supreme Court, I urge it to revisit the state methodologies to ensure consistent, forward-looking pricing models are being applied in the states. For example, it was recently pointed out in a proceeding before the Commission that in Dallas unbundled loop rates based on state TELRIC methodologies are six times higher than in similar rates in Chicago. Indeed, they are 60 percent higher in Dallas Texas than in rural Illinois.

- The unit of analysis should be consistent across proceedings. If UNEs are offered over a specific area, e.g. urban areas, then the Universal Service Fund (USF) should be estimated over the same area. Failure to use a consistent unit of analysis will create opportunities for overrecovery of costs and will impede competition.

COLLECTING UNIVERSAL SERVICE FUNDS

While we believe that the application of these concepts will go a long way toward ensuring affordable service for all, there is no doubt that a universal service fund will be necessary. The fund will be entirely manageable if the Commission follows a few simple principles.

- The Commission should treat the network as an integrated, multiproduct enterprise.

- All universal service programs should be funded from one source. Low income, high cost, and schools, libraries and rural health care, are all universal service programs the Congress embraced. They should all be funded in the same way.

- All universal service programs should be funded from all telecommunications revenues. It is folly to burden one sector of the telecommunications market and exempt others. Universal service benefits all classes of customers and all geographic regions.

Finally, the FCC has articulated the correct approach to collecting universal service funds. It has argued against line items. We believe that that this is required by the Act, practically necessary and conceptually correct.

Legally, the Act requires that telecommunications service providers make equitable contributions to universal service. Line items on consumers' bills are not provider contributions.

Practically, the FCC has failed to find a way to ensure that rate cuts in the federal jurisdiction are passed through to residential and small business ratepayers. Imposing line items would result in net increases in their bills, exactly the opposite of what congress intended.

Conceptually, we do not believe line items are appropriate. While we firmly believe that consumers should get useful and correct information in their bills so that they can make rational economic choices, a universal service line item is neither economically useful nor economically accurate.

- When the line item appears on the bill, there is nothing the consumer can do with that information. Since every carrier would be required to impose it, the consumer could not use that information to alter his or her consumption decisions.

- When the line item appears on the bill, the consumer has no way to accurately measure its value. Universal service is a public good. The indirect value of ubiquity is an externality that individuals have difficulty evaluating. Those consumers who are the direct beneficiaries of the program should be told what their benefits are, but that is difficult to calculate and report.

- If the purpose of putting the information on the bill is to inform the public about the policy, then an annual notification describing the purposes, functioning and cost of the program is appropriate.

In summary, we believe that the goals of the Telecommunications Act of 1996 to expand universal service can be achieved without raising basic service rates.

- Indeed, we have recommended a reduction in the Subscriber Line Charge to the FCC and the Joint Board on several occasions. This is the only way to ensure that the little guy will get some of the benefit. I commend this to you again as an idea whose time has come.

The Act does not create any economic, legal, technological, competitive, social or public policy reasons to increase basic rates. We believe that universal service can be funded without an increase in or putting a line item on consumers' bills. We look forward to working with the Commission and the Joint Board to accomplish this complex task.

CFA

Consumer Federation of America

DR. MARK N. COOPER

Dr. Cooper is Director of Research at the Consumer Federation of America and President of Citizens Research, an independent consulting firm.

At the Consumer Federation he has responsibility for energy and telecommunications policy and analysis, as well as internal consulting duties for survey research and economic analysis.

As a consultant Dr. Cooper has provided expert testimony on behalf of People's Counsels and citizen intervenors before public utility commissions on telecommunications and electric utility matters in over three dozen jurisdictions in the U.S. and Canada. Dr. Cooper has also testified on regulatory, anti-trust and public policy issues dealing with the health care, energy and telecommunications industries before Congress, the federal agencies and in the courts.

Dr. Cooper holds a Ph.D. from Yale University and is a former Yale University and Fulbright Fellow. He has published numerous articles in trade and scholarly journals and is the author of two books (<u>The Transformation of Egypt</u>, Johns Hopkins, 1982; <u>Equity and Energy: Rising Energy Prices and the Living Standards of Lower Income Americans</u>, Westview 1983).

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En Banc Hearing on Consumer Issues and Education
October 29, 1998, 1 p.m.

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Agenda
En Banc Hearing: Consumer Issues and Education

Purpose: To explore in an open forum the affordability of telecommunications services and consumer-education issues.

Date: Oct. 29th (1 - 5 p.m.). Note: On the morning of Oct. 30th, the Universal Service Joint Board will meet to discuss the upcoming Recommended Decision.

Schedule:

1:00 Welcome by Chairman Kennard and any opening remarks by Federal Commissioners and State Joint Board Members

1:15 Testimony from the panelists

Topic: Ensuring Affordability and Consumer Choice. Panelists will discuss: whether the goal of affordable basic service is being met; whether there are policies that the Joint Board should consider recommending to meet the goal of affordable service; whether, to the extent surcharges are imposed, there are policies that the Joint Board should consider recommending to ensure that rates remain affordable across the country; whether carriers are passing through to consumers cost reductions (e.g., access charge reductions).

1:45 Commissioner questioning of panelists

Alternate federal and state questions. Each Commissioner or Consumer Advocate will be allotted four minutes to ask questions and obtain responses from the panelists.

2:30 *Break*

2:45 Testimony from the panelists (cont'd)

Topic: Consumer education. Panelists will discuss: whether federal and state regulators are adequately informing consumers of the issues surrounding the new competitive marketplace (e.g., slamming and cramming) and the new universal service mechanisms (e.g., Lifeline); consumers' expectations of the benefits they will see from the new competitive environment; whether there are policies that the Joint Board should consider recommending to better educate consumers about the telecommunications issues facing them today; whether there are policies that the Joint Board should consider recommending that encourage better communication between regulators and consumers.

3:30 Commissioner questioning of panelists

Each Commissioner or Consumer Advocate will be allotted four minutes to ask questions and obtain responses from the panelists. Then, the question and answer period will be more unstructured, with the moderator ensuring that all Commissioners and State Consumer Advocates are called on to ask questions.

5:00 Adjourn

Federal Communications Commission
Universal Service Joint Board En Banc Hearing
October 29, 1998
Consumer Issues and Education

Statement of Billy Jack Gregg
Director, Consumer Advocate Division
Public Service Commission of West Virginia

The following are my responses to the questions posed by the Commission:

1. Is the goal of affordable basic service being met?

Yes. Current rates for basic service are affordable and becoming more affordable. Even before the advent of the Telecommunications Act of 1996, the general trend in rates was down. Why? Because transcending any changes in law or regulation, telecommunications continues to be a declining cost industry. Between 1992 and 1997 local rates held steady, while general inflation rose by 15%.[1] At the same time, toll rates came down by 31%, while use of the network increased by 61%, according to the FCC's most recent study of revenues in the telecommunications industry.[2]

In approaching the issues of universal service and access charge reform, the Commission and Joint Board must keep in mind that affordable rates are assumed by Americans as a given. Policies adopted to introduce competition into all areas of telecommunications must not do damage to the level of affordability which has already been achieved.

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[1]GNP Implicit Price Deflator, 4Q 1991 - 4Q 1997.

[2]1997 Telecommunications Industry Revenue Report, FCC Common Carrier Bureau, Industry Analysis Division (Oct. 1998), Table 5.

2. Are there policies the Joint Board should consider recommending to meet the goal of affordable service?

The Commission and the Joint Board must remember that the ultimate goals of the Telecommunications Act of 1996 are lower prices and better telecommunications services for all Americans. The means we have chosen to achieve those goals is competition. However, some seem willing to sacrifice the ultimate goals of the Act - and the affordability we have already achieved - in an attempt to jump-start local service competition. Citing the wording of Section 254 which requires that universal service support be explicit and sufficient, they argue that basic rates must be raised to unaffordable levels and that the federal Universal Service Fund must swell to $20 billion.

I say to you most emphatically that the purpose of including the specific universal service guarantees of Section 254 in the Telecommunications Act was **not** to impose $50 a month basic rates on rural customers, nor to impose 20% universal service surcharges on all customers. On the contrary, the explicit goal of Section 254 is affordable service for all, and rates in rural areas that do not vary appreciably from those available in urban areas. Furthermore, there is no language in Section 254, nor in any other part of the Act, which requires that access charges be reduced and that universal service obligations be raised to pay for such reductions.

What do you at the federal level and we in the states hear concerning the level of rates? By and large, it is not **customers** who are complaining about high rates for services; it is the telecommunications **providers** who are complaining about what they pay to or receive from each other. These companies - both ILEC's and IXC's - have used the advent of the

Telecommunications Act as an excuse to create a new environment which shifts as many costs away from them as possible. The ultimate losers are the end users. The main casualty is affordability.

Policies which the Joint Board should consider to meet the goal of affordability should include the following:

A. First, do no harm. Rates are affordable now. The Telecommunications Act was passed to make rates even more affordable for everyone. Whatever you do, don't make average consumers in this country worse off as a result of your decisions which are supposed to maintain and enhance universal service.

B. Let states take the lead in determining affordability. The cost of living is different in different states, and it stands to reason that affordability will also differ. Each state should be able to determine affordability according to its own standards and experience. Some states have already proposed rate benchmarks for their own purposes. For example, Nebraska has proposed an affordability benchmark of $22, including the Subscriber Line Charge (SLC) and other surcharges, while Wyoming has proposed $25, excluding the SLC and other surcharges. Other states may propose different standards. Some states have rates based on measured rates; others prohibit measured rates. Each state is different. The Commission should ensure that states continue to receive at least the level of federal universal support they currently receive, and let each state plot its own course in determining when and how it will reorganize internal subsidies in local rates, if any. If additional federal support is needed after competition actually begins at the local level, the issue can addressed at that time with the benefit of actual data.

C. Additional universal service support should not flow until competition actually develops. Competition is supposed to drive out the implicit subsidies in existing rates within each state. Great. Let competition do it; regulators shouldn't. Regulators are very bad at replicating the market. There is no harm in devising a universal service support system which can kick in if and when competition actually begins to erode revenues supporting the existing network to unacceptable levels. However, it would be the height of folly for regulators to attempt to wring out perceived implicit subsidies before competition begins. The only result will be insupportably high local rates and/or insupportably high universal service surcharges.

D. Avoid mandatory surcharges, especially fixed per line surcharges. Fixed per line surcharges tend to endure regardless of changes in underlying costs. Witness the Subscriber Line Charge. In spite of numerous reductions in access charges over the past few years, in spite of reductions in the underlying cost of telecommunications, and in spite of the earnings of the companies which receive the SLC, the SLC has remained fixed, immune to changes in the surrounding environment.

E: Be aware of the impact of the totality of your decisions. In determining the affordability of basic service for consumers, it is the totality of rates that is important: local service plus any surcharges or line item charges. You will have accomplished little by defining affordability as an arbitrary dollar figure, if an excessive universal service surcharge must be added to the customer's bill to make the so-called affordable level achievable.

3. To the extent that surcharges are imposed, are there policies that the Joint Board should recommend to ensure that rates remain affordable?

As I have stated above, the real question is whether surcharges should be imposed at all. I emphasize again, the Commission should not impose mandatory surcharges on end-users. However, if surcharges are imposed, the following policies should be followed to ensure that rates remain affordable.

A. Federal surcharges should apply only to services over which this Commission has jurisdiction, namely interstate services. Respecting the well-defined boundaries between federal and state jurisdictions maintains the existing responsibility for federal universal service obligations to the extent possible. It also recognizes that there are large portions of the public which make few, if any, toll calls. Imposing federal surcharges on all telecommunications services - interstate and intrastate - not only violates the jurisdictional prerogatives of the respective states, but also shifts cost responsibility for the network away from heavy users of the network and on to small users, who oftentimes are at the lowest end of the socioeconomic ladder.

B. Surcharges on end-users should not be mandatory. Section 254(d) of the Telecommunications Act is very clear that "every telecommunications **carrier**" - rather than every telecommunications **customer** - must contribute to universal service support mechanisms. So far, the Commission has followed this clear directive of the Act and has continued to impose universal service obligations on carriers, allowing them to recover these costs "in any lawful manner." As a result, almost all carriers have imposed per line or percentage surcharges on customers to recover universal service costs. However, so long as such surcharges are not mandatory. I believe the market will ultimately eliminate them and that universal service costs will be recovered through overall rates, just like any other cost of doing business. However, if surcharges are made mandatory by this Commission, they will be immune to market forces.

C. The Subscriber Line Charge should be reduced or eliminated. If the Commission is tying together the issues of universal service reform and access charge reductions, it must ensure that the Subscriber Line Charge is also reduced. The SLC was instituted in the mid-1980's as part and parcel of the imposition of the new access charge regime created after the break-up of the Bell System. If, as seems likely, the Commission is going to reduce interstate access charges imposed on carriers as part of overall universal service reform, in fairness the Commission must also reduce or eliminate the mandatory SLC currently imposed on all end-users.

4. Are carriers passing through to consumers reductions in cost, such as access charge reductions?

Whether access charge reductions are being passed through is really irrelevant to shopping customers, customers who are willing to change carriers for a better deal. Competition for these customers has driven rates steadily downward. A recent survey by my office showed that since the advent of intraLATA toll competition in West Virginia in 1989, in-state long distance rates have decreased over 44%.[3] Moreover, rates have fallen over 13% in the past year

[3]I have attached a copy of the study for the convenience of the Commission and Joint Board.

with the introduction of one-plus competition. These rate decreases took place in spite of minimal access charge reductions.

On the other hand, default customers, patient customers, customers who do not shop and who make a minimal number of long distance calls, are still being billed at rates that have changed little in ten years. These customers tend to be the poor, the elderly, and the less well educated. Without a verifiable requirement that all access charge reductions be passed through to all customers, long distance companies will continue to do the economically rational thing: keep the savings if they can; cut rates to competitive customers if they have to; and otherwise soak customers who do not exercise choice.

If the Commission is concerned that interstate access rate reductions are not benefiting all customers, it should do what several states have done: require that all access charge reductions be flowed through to customers on a proportionate basis. However, as long as the Commission takes a "hands off" approach on the issue of flow-through of access charge reductions, it can expect companies to continue to act in their own economic self-interest, and can expect continued controversy.

I appreciate the opportunity to appear here today, and will be happy to entertain any questions you might have.

BIO OF BILLY JACK GREGG

Billy Jack Gregg has been a lawyer for over 24 years, and has served as Director of the Consumer Advocate Division of the West Virginia Public Service Commission since the office was created in 1981. As Consumer Advocate, Mr. Gregg represents West Virginians in all major proceedings affecting rates for electricity, gas, telephone and water. Prior to this position, Mr. Gregg was the Senior Staff Attorney in the Field Solicitor's Office of the U.S. Department of Interior in Charleston, West Virginia; was in private practice in Hurricane, West Virginia; and served as Assistant Attorney General assigned to the West Virginia Human Rights Commission.

As an undergraduate, Mr. Gregg attended the University of Glasgow, Scotland, and Austin College in Sherman, Texas, receiving a B.A. degree in history and government. He earned his J.D. degree from the University of Texas School of Law.

Mr. Gregg is Treasurer and a member of the Executive Committee of the National Association of State Utility Consumer Advocates (NASUCA). He is also a member of the Federal Communications Commission's Rural Task Force.