

MCI Telecommunications
Corporation

MCI

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Washington, DC 20006

EX PARTE OR LATE FILED

ORIGINAL

January 15, 1999

Anna M. Gomez
Chief, Network Service Division
Common Carrier Bureau
Federal Communications Commission
2000 M Street, NW
Washington, DC 20554

RECEIVED
JAN 15 1999
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE PRESENTATION

Re: *In the Matter of Petition of Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell for Expedited Declaratory Ruling on Interstate IntraLATA Toll Dialing Parity, or in the Alternative, Various Other Relief, NSD File L-98-121; CC Docket No. 96-98* ✓

Dear Ms. Gomez:

In November 1998, MCIWorldcom, Inc. provided you and your staff with a summary of current activity in forty-nine states and the District of Columbia regarding implementation of intrastate intraLATA toll dialing parity (*i.e.*, 2 PIC), accompanied by recent State Orders addressing 2 PIC implementation. Since then certain states have advanced their position on 2 PIC and have ordered the applicable Regional Bell Operating Company (BOC) to implement 2 PIC in its territory in 1999. Attached is an updated list with the most recent information. Changes from the November chart are shown in **bold font** for easy recognition. Also included are the recent state orders from North Carolina.

In summary, Alabama, Iowa, Idaho, Louisiana, Massachusetts, and North Carolina determined that intrastate intraLATA toll dialing parity is in the public interest. Alabama, Louisiana, North Carolina and Iowa ordered BellSouth and USWest, respectively, to implement two PIC by February 8, 1999, while Massachusetts required Bell Atlantic to implement two PIC by April 20, 1999. Idaho required USWest to file an implementation plan by June 1, 1999. Finally, Maryland has determined that Bell Atlantic's implementation of two PIC need not wait for Bell Atlantic to obtain their 271 authority and plans to hold further hearings during 1999.

The states where the BOCs have already implemented two PIC remain at twenty. The states that have ordered the BOCs to implement two PIC in 1999 have now increased to thirteen with an implementation date certain still pending in Idaho. Nine states are still reviewing petitions related to this subject.

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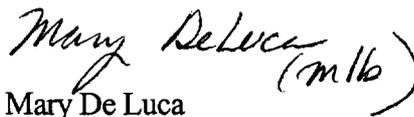
January 15, 1999

State Commissions continue to realize the introduction of two PIC will spark competition and bring along with it lower toll rates and increased customer choice. In fact, in the five states (Colorado, Oregon, Montana, Nebraska and Washington), where the BOC is required to introduce two PIC by February 1999, USWest has begun to advertise toll rate decreases. (*See, e.g.*, attached USWest press releases.)

The Commission should follow this trend of the state commissions to promote toll competition by denying SBC's petition and reinforce the position that 47 USC § 251 (b)(3) applies to all LECs. The Commission cannot waive or forbear from application this statutory requirement.

Please feel free to call me at 202.887.3045 with any questions you or your staff may have on this topic.

Sincerely,



Mary De Luca
Senior Policy Advisor,
Federal Regulatory, MCI Worldcom, Inc.

CC: Yog Varma
Kurt Schroeder
Gregory Cook
Robin Smolen

Attachments

Status of Intrastate IntraLATA Toll Dialing Parity Implementation.

AL	GTE	13%	BOC Ordered to Implement; date to be determined
AR	GTE	18%	Open Proceeding
AZ	US West/GTE	97%	IMPLEMENTED PRIOR TO ACT
CA	GTE	23%	Open Proceeding;
CO		0%	BOC ordered to implement 2/99
CT	SNET	98%	N/A
DC	No intraLATA Toll	0%	N/A
DE	Bell Atlantic	100%	IMPLEMENTED PRIOR TO ACT
FL	Bell South	98%	IMPLEMENTED PRIOR TO ACT
GA	Bell South	93%	IMPLEMENTED PRIOR TO ACT
HI	GTE	100%	N/A
IA	Small LECs	38%	BOC ordered to implement 2/99
ID	GTE	19%	BOC Ordered to implement; must file plan by 6/1/99
IL	AIT/GTE	98%	IMPLEMENTED PRIOR TO ACT
IN	GTE	37%	BOC ordered to implement 2/99
KY	Bell South	89%	IMPLEMENTED PRIOR TO ACT
LA		0%	BOC ordered to implement 2/99
MA		0%	BOC Ordered to implement 4/20/99
MD		0%	Open Proceeding
ME	Bell Atlantic	84%	IMPLEMENTED PRIOR TO ACT
MI	AIT(70%)/GTE	72%	IMPLEMENTED PRIOR TO ACT
MN	US West/GTE	83%	IMPLEMENTED PRIOR TO ACT
MO	GTE	14%	MCI filed petition, no hearing scheduled
MS		0%	BOC ordered to implement 2/99
MT		0%	BOC ordered to implement 2/99
NC	GTE/Sprint	38%	BOC Order to implement 2/99
ND	Small LECs	0%	BOC ordered to implement 7/1/99
NE	GTE	9%	BOC ordered to implement 2/99
NH	Bell Atlantic	94%	IMPLEMENTED PRIOR TO ACT
NJ	Bell Atlantic	100%	IMPLEMENTED PRIOR TO ACT
NM	US West	95%	IMPLEMENTED PRIOR TO ACT
NV	Sprint	67%	Opening Proceeding
NY	Bell Atlantic	94%	IMPLEMENTED PRIOR TO ACT
OH	GTE/Cinn Bell	35%	BOC ordered to implement 2/99
OK	GTE	7%	Open Proceeding; hearing set for Jan99
OR	GTE	27%	BOC Ordered to implement 2/99
PA	Bell Atlantic	92%	IMPLEMENTED PRIOR TO ACT
RI	Bell Atlantic	100%	IMPLEMENTED PRIOR TO ACT
SC	GTE	15%	Open Proceeding
TN	Sprint	11%	Open Proceeding
UT	US West	94%	IMPLEMENTED PRIOR TO ACT
VA	GTE	25%	Petition pending; AT&T filed in District Court against BA
VT	Bell Atlantic	84%	IMPLEMENTED PRIOR TO ACT
WA	GTE	26%	BOC ordered to implement 2/99
WI	AIT/GTE	80%	IMPLEMENTED PRIOR TO ACT
WV	Bell Atlantic	96%	IMPLEMENTED PRIOR TO ACT
WY	US West	86%	IMPLEMENTED PRIOR TO ACT

SUMMARY OF STATE ACTIVITY

52% Nation's Households are 2-PIC Eligible

67% Nation's Households will be 2-PUC Eligible after all orders take effect.

20 States- BOC offering 2 PIC via Order prior to Act or is single LATA state

13 States have ordered BOC to provide 2 PIC (11 by 2/99; 1 by 7/99; 1 by 4/99)

9 States are reviewing whether to order BOC to provide 2 PIC

4 states- intraLATA toll does not apply (DC, HI, Alaska, CT)

3 states have state law conflict (TX, KS and SD)

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. P-100, SUB 72

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Investigation to Consider Whether Competitive)	
Intrastate Offerings of Long Distance Telephone)	ORDER TO IMPLEMENT
Service Should be Allowed in North Carolina and)	INTRALATA TOLL
What Rules and Regulations Should be Applicable to)	DIALING PARITY
Such Competition if Authorized)	

BY THE COMMISSION: On October 1, 1998, AT&T Communications of the Southern States, Inc. (AT&T), made a filing in opposition to the proposed amendment filed by BellSouth Telecommunications, Inc. (BellSouth), with respect to its intraLATA toll dialing parity and implementation plan. AT&T called upon BellSouth to implement IntraLATA presubscription in general by February 8, 1999, regardless of whether BellSouth has been granted authority to enter the in-region long distance market.

IntraLATA toll dialing parity refers to the ability of an end-user to designate, or presubscribe to, a preferred telecommunications carrier so that thereafter an intraLATA toll call will route automatically to the preferred carrier without an access code. In practical terms it would allow a customer to make an intraLATA toll call via his preferred carrier by dialing 1 plus the telephone number. Currently, IntraLATA competition is permitted in North Carolina, but in BellSouth's territory the customer must dial a 101XXXX access code plus the telephone number in order to utilize a carrier other than BellSouth.

AT&T by way of background, stated that BellSouth had filed revisions to its tariffs on August 10, 1998, proposing interstate IntraLATA toll dialing parity in the Wilmington and Charlotte LATAs effective February 8, 1999. AT&T went on to argue that the Telecommunications Act of 1996 (TAP6) requires BellSouth to establish IntraLATA toll dialing parity by February 8, 1999. AT&T further argued that the Commission has already found IntraLATA presubscription to be in the public interest, but that its benefits are unrealized in BellSouth's service territory. It further noted that IntraLATA presubscription exists in other local exchange territories in North Carolina, notably those of GTE South, Inc. (GTE) and Carolina Telephone and Telegraph Company (Carolina Telephone) and Central Telephone Company (Central Telephone) and that BellSouth has implemented IntraLATA presubscription in other states in the Southeast, including Georgia, Florida, Kentucky, and Mississippi. AT&T maintained that provision of IntraLATA presubscription by February 8, 1999, is not burdensome, since BellSouth already has the technical capability in its switches.

In its legal argument AT&T relied on certain provisions of TA96. In Section 251(b)(3), among the obligations of all local exchange carriers, there is the duty "to provide dialing parity to competing providers of telephone exchange service and telephone toll service, and the duty to permit all such providers to have nondiscriminatory access to telephone numbers, operator services, directory assistance, and directory listings, with no unreasonable dialing delays." Section 271(e)(2) specifically addresses Bell operating companies (BOCs). It states in Section 271(e)(2)(A) that a BOC must provide intraLATA toll dialing parity "coincident with its exercise of that [in-region InterLATA] authority." But Section 271(e)(2)(B) goes on to say:

Except for single-LATA States and States that have issued an order by December 19, 1995, requiring a Bell operating company to implement intraLATA toll dialing parity, a State may not require a Bell operating company to implement intraLATA dialing parity in that State before a Bell operating company has been granted authority under this section to provide interLATA services originating in that State or before 3 years after the date of the enactment of the Telecommunications Act of 1996, whichever is earlier. Nothing in this subparagraph precludes a State from issuing an order requiring intraLATA toll dialing parity in that State prior to either such date so long as such order does not take effect until after the earlier of either such dates.

AT&T noted that the Federal Communications Commission (FCC) had required BOCs to implement intraLATA toll dialing parity by February 9, 1999, but that the United States Court of Appeals for the Eighth Circuit had vacated the FCC's dialing parity rules as they apply to intraLATA telecommunications in State of California v. FCC, 124 F.3d 934, 943 (8th Cir. 1997) (California), reasoning that the FCC lacked jurisdiction over intrastate telecommunications matters. This ruling vested in the states the responsibility to enforce the provisions of TA96 relating to intrastate service.

Sprint Communications Company LP (Sprint), on October 8, 1998, filed Comments in Support of AT&T's filing in this matter. Sprint's accompanying Motion to Intervene was unnecessary since Sprint is already a party to Docket No. P-100, Sub 72. Sprint maintained that it was plain that BellSouth has an obligation to provide intraLATA toll dialing parity under TA96 and that, in fact, there is nothing to prevent the Commission from issuing such an Order, so long as it becomes effective on or after February 9, 1999. Furthermore, the California case stands for the proposition that the jurisdiction for imposition of intraLATA dialing parity rests with states. Such dialing parity is clearly in the public interest, especially inasmuch as approximately 98% of all intraLATA calls are intrastate in nature.

WorldCom Technologies, Inc. and MCI Telecommunications Corporation (collectively, MCI) echoed many of the views of AT&T and emphatically denied that there should be any linkage between BellSouth's entry into the interLATA long-distance market

and intraLATA presubscription. The issue is no longer "whether" but "when." MCI argued that intraLATA toll dialing parity has benefitted consumers throughout the BellSouth region. MCI also maintained that the Commission should ensure that BellSouth does not discriminate against its competitors when intraLATA toll dialing parity is ordered. For example, customers should be notified of their right to select alternative carriers prior to as well as following the implementation of toll dialing parity.

Telecommunications Reseller's Association (TRA), a national industry organization representing more than 650 telecommunications service providers, supported toll dialing parity by February 8, 1999, as a means of fostering competition and of complying with TA96.

BellSouth, by way of background, stated that its original "IntraLATA Toll Dialing Parity Implementation Plan" (Plan) was filed with the Commission on April 10, 1997, and approved on May 27, 1997. The Plan, which was supported by the Public Staff, stated that BellSouth would provide intraLATA toll dialing parity "when BellSouth is authorized by appropriate State and Federal authorities to provide interLATA service in North Carolina." The Plan also approved BellSouth's proposed recovery of its costs through a charge on all intrastate originating and terminating access minutes, including intraLATA toll traffic carried over BellSouth's facilities. On August 10, 1998, BellSouth proposed an amendment to the Plan to provide for interstate/intraLATA toll dialing parity in the Wilmington and Charlotte LATAs effective February 8, 1999, in order to comply with relevant FCC rules. In California the Eighth Circuit had stated that its decision to vacate the FCC's dialing parity rules "does not apply to the extent that the Commission's rules govern the very small percentage of intraLATA, toll, interstate telecommunications." (Emphasis in original).

Addressing AT&T's filing, BellSouth maintained that AT&T had misstated the law--contrary to AT&T's view, there is no legal requirement at this time that full intraLATA 1+ presubscription be implemented by February 8, 1999. There is no such requirement in the text of TA96, and the relevant FCC rules that would mandate this result have been vacated. BellSouth argued further that the current dialing requirements do not substantially inhibit competition and that, while companies like Carolina Telephone, Central Telephone, and GTE which have adopted intraLATA toll dialing parity can carry interLATA long distance traffic, BellSouth cannot. Hence, BellSouth would be at a competitive disadvantage. Experience in Georgia and Florida indicates that BellSouth would suffer massive losses in access lines if intraLATA toll dialing parity were approved prior to BellSouth being able to enter into the interLATA market, because AT&T and other interexchange carriers would have a head start in packaging interLATA and intraLATA long distance services. As for other states that have mandated implementation of intraLATA toll dialing parity, BellSouth argued that they were not similarly situated to North Carolina.

Lastly, BellSouth stated that it does not dispute that it can technically implement intraLATA presubscription by February 8, 1999, but it strenuously objected to being required to do so because it would be placed at a grossly unfair competitive disadvantage.

Comments

On October 19, 1998, the Commission issued an Order Seeking Comments on BellSouth Dialing Parity. The Order stated that the sole issue to be addressed is whether this Commission should require BellSouth to provide intrastate intraLATA toll dialing parity by February 8, 1999, and, if not, by what date or under what circumstances. A relevant ancillary issue is how intrastate intraLATA toll dialing parity, if "....." is to be implemented. However, the Commission stated that the issue of cost recovery for intraLATA toll dialing parity is considered to have been settled by the Commission's May 27, 1997 decision, and comments or reply comments would not be received on this issue.

The Commission allowed parties that had not already commented on BellSouth's proposal to do so. Initial and reply comments were filed as follows:

Attorney General argued that while the weight of authority supports the conclusion that Section 271 does not mandate that the Commission require BellSouth to implement intraLATA dialing parity, nevertheless intraLATA dialing parity is in the public interest and should be implemented.

ICG Telecom maintained that the Commission has the authority to order intraLATA presubscription now and that presubscription will both benefit consumers and promote local exchange competition.

Southeastern Competitive Carriers Association (SECCA) argued that the Commission has the requisite authority to require intraLATA dialing parity and that this would be beneficial to consumers. SECCA denied that mandating dialing parity would be unfair to BellSouth, because BellSouth is already extremely well positioned to compete for local toll customers regardless of its status in the interLATA market. By leveling the intraLATA playing field, intraLATA competition will tend to lead to lower intraLATA toll rates.

Time Warner Telecom of North Carolina, L.P. (Time Warner) argued that the Commission's authority to require intraLATA toll dialing parity is clear and that it should be implemented.

Reply Comments

Sprint stated that it agreed with the Attorney General's comments that intraLATA dialing parity is in the public interest, but disagreed with the Attorney General's view that,

legally, Section 271 does not mandate that BellSouth implement dialing parity. Sprint pointed out that Section 251(b)(3) requires all local exchange companies to provide toll dialing parity, while Section 271(e)(2)(B) simply provides a grace period for BOCs for such implementation until February 8, 1999. Read as a whole, these sections require BOCs to implement toll dialing parity by February 8, 1999, regardless of whether they can compete in the long distance market.

TRA argued that the Commission clearly has authority to institute IntraLATA toll dialing parity by February 8, 1999, although TRA concedes that state commissions are not necessarily mandated to do so by that date. TRA further argued that instituting dialing parity is in the public interest and that BellSouth's argument that it would be competitively disadvantaged is specious. The consumer would be clearly benefited by requiring IntraLATA toll dialing parity as soon as practicable.

Public Staff took a somewhat different perspective from the other parties in its recommendations. Legally, the Public Staff said, the Commission has the flexibility to order IntraLATA toll dialing parity as of February 8, 1999, or some other date after that. The pertinent question is what the Commission should do. While acknowledging that toll dialing parity is beneficial to consumers, the Public Staff also believed that "[i]t seems unfair to give BellSouth's competitors the ability to package InterLATA and IntraLATA toll services before BellSouth can compete on the same basis." The Public Staff was also uncertain that there would not be a negative impact on local rates. Accordingly, the Public Staff proposed that the Commission order BellSouth to implement IntraLATA toll dialing parity on January 15, 2000, or when BellSouth receives InterLATA authority, whichever is earlier, provided that BellSouth amends its Plan, effective February 8, 1999, to provide IntraLATA toll and expanded local calling rate reductions to the levels that are approximately equivalent to those presently being enjoyed by BellSouth customers in other states where IntraLATA toll dialing parity has been implemented. Furthermore, the Commission should not approve any such rate reductions until it receives complete and unconditional assurances from BellSouth that it will not attempt to recover any resulting revenue losses under its pricing regulation plan, either through rate rebalancing within the various service categories or through the governmental action provision. If BellSouth has not filed and received approval of such amendments and rate reductions by February 8, 1999, the Commission should order BellSouth to implement IntraLATA toll dialing parity forthwith.

As for BellSouth's proposal regarding interstate, IntraLATA dialing parity, the Public Staff recommended that this be implemented concurrently with IntraLATA toll dialing parity to avoid customer confusion.

BellSouth reiterated its arguments that the Commission has the flexibility to delay implementation of toll dialing parity beyond February 8, 1999, and that it would be grossly

unfair to require BellSouth to do so when its competitors enjoy substantial advantages in the packaging of services, while BellSouth lacks interLATA authority.

AT&T repeated its view that federal law requires BellSouth to implement intraLATA presubscription by February 8, 1999, and that such an action would be beneficial to the using and consuming public. AT&T also made a number of recommendations concerning the ancillary issues as to how intraLATA dialing parity should be implemented.

MCI and **SECCA**, filing jointly, argued that public policy, public interest, and TA96 all require that intraLATA toll dialing parity be implemented by February 8, 1999. Furthermore, as of February 8, 1999, any "linkage" between in-region interLATA authority and implementation of intraLATA toll dialing parity ceases to exist. MCI and SECCA noted that a number of states have ordered BOCs to implement intraLATA toll dialing parity, including Georgia, Florida, Kentucky, Louisiana, Mississippi, Washington, and Oregon.

Comments on Public Staff Proposal

On December 1, 1998, the Commission issued an Order seeking comments on the Public Staff's proposal set forth in its Reply Comments.

AT&T emphasized its belief that BellSouth has a legally binding obligation to provide intraLATA toll dialing parity by February 8, 1999, and that swift implementation of toll dialing parity will benefit end-users significantly. AT&T also argued that the Commission lacks legal authority to delay implementation of interstate intraLATA presubscription, since the FCC rules on this subject remain legally valid.

BellSouth stated that it disagreed with the Public Staff's proposal and urged the Commission to implement intrastate toll dialing parity on the date BellSouth enters the interLATA market. While gratified with the Public Staff position that intraLATA toll dialing parity is not legally required as of February 8, 1999, as well as the Public Staff's view that implementing dialing parity prior to BellSouth's entrance into the interLATA long distance market would work unfairness, BellSouth nevertheless emphasized its view that interLATA long distance authority should come before toll dialing parity. Moreover, BellSouth observed that North Carolina end-users enjoy the benefits of the defined-radius and defined-area plans and can utilize alternative carriers through dialing around--a practice which interexchange carriers vigorously promote in other contexts.

Sprint insisted that BellSouth is legally bound to implement intraLATA toll dialing parity on February 8, 1999 and that the rate reduction proposal of the Public Staff is no substitute for competition. IntraLATA toll dialing competition has brought down rates in other states, such as Florida.

TBA argued that the Public Staff's proposal would lengthen BellSouth's dominance over the IntraLATA toll market and would not be beneficial to end-users.

SECCA and **MCI**, commenting jointly, maintained that the Public Staff's proposed implementation date of January 15, 2000, is arbitrary and without the support of law or policy and that competition, not continued regulation, will most benefit end-users. The Commission should also proceed with implementation of the interstate aspect of IntraLATA toll dialing parity.

Concord Telephone Company (Concord), while taking no position on the substantive matter in this docket, expressed concern regarding the Public Staff's proposal. Concord argued that the Public Staff's proposal was neither logically nor legally related to the issue in this docket and was seeking to "retrade complex revenue and pricing issues" already approved in Docket No. P-55, Sub 1013, thereby reducing BellSouth's pricing flexibility. Moreover, the current status of this proceeding does not provide an adequate basis upon which to approve the Public Staff proposal.

Public Staff replied that it was its proposal that, if BellSouth did not accept the conditions that the Public Staff set out, BellSouth should implement IntraLATA toll dialing parity immediately. The Public Staff stated that it did not believe that the Commission could impose those conditions under the Price Plan without BellSouth's consent but that it could order BellSouth to implement IntraLATA toll dialing parity effectively February 8, 1999, or as soon thereafter as possible. The Public Staff argued that public policy considerations, on balance, favor such action.

WHEREUPON the Commission reaches the following

CONCLUSIONS

There are two main questions in this matter. The first is whether BellSouth is required by law to provide intraLATA toll dialing parity by February 8, 1999. The second is, assuming the February 8th date is not required, when the appropriate date is. An ancillary issue is the date on which implementation of interstate intraLATA toll dialing parity should be required.

There are several distinct views on the above matters. Those aligned with AT&T insist that BellSouth is legally required to provide intraLATA toll dialing parity by February 8, 1999. BellSouth and the Public Staff take the view that the implementation of intraLATA toll dialing parity by February 8, 1999, is not legally required. BellSouth argues that the date of toll dialing parity should be connected with its receiving authority to provide interLATA long distance service. The Public Staff has initially suggested approximately a year's delay, coupled with BellSouth's agreeing to reduce intraLATA toll rates.

It is the Commission's view that it possesses flexibility in setting the date by which BellSouth must provide intraLATA toll dialing parity. Section 251(b)(3) of TA98 imposes a duty on all local exchange companies to provide dialing parity to competing providers, but does not specify a timetable for doing so. Section 271(e)(2) specifically addresses intraLATA toll dialing parity by BOCs, but it is the Commission's judgment that the plain language of this section only acts to preclude a state commission, with certain exceptions, from requiring a BOC to implement intraLATA toll dialing parity before February 8, 1999. After that date there is no connection between whether a BOC has received authority to provide in-region interLATA long distance service and whether intraLATA toll dialing parity can be imposed. The FCC sought to impose rules that would have required BOCs to implement such dialing parity by February 8, 1999, but these rules were struck down in California. This ruling simply had the effect of vesting in the states the sound discretion as to when, on or after February 8, 1999, a BOC should be required to implement intraLATA toll dialing parity.

Assuming, then, that the Commission possesses discretion as to the date on which it can require intraLATA toll dialing parity, the next question is: when?

At this point, the Public Staff recommendation that intraLATA toll dialing parity be delayed until January 15, 2000, if BellSouth agrees to reduce intraLATA toll rates, does not appear any longer to be an option. BellSouth is not agreeable to reducing its intraLATA toll rates, and the Public Staff accurately observes that the Commission cannot unilaterally force BellSouth to do so. Therefore, this proposal is "off the table."

Accordingly, it is the Commission's conclusion that BellSouth be required to provide IntraLATA toll dialing parity (including the interstate component) by February 8, 1999, in accordance with the provisions of its Plan.

The argument in favor of requiring BellSouth to implement IntraLATA toll dialing parity by February 8, 1999, is that doing so is clearly in the public interest in that it would foster competition and level the playing field with respect to the provision of IntraLATA toll traffic. The present system in which BellSouth can carry IntraLATA toll traffic when its customers simply dial 1+, while competitors are relegated to offering the same service through 101XXXX, clearly puts the competitors at a relative disadvantage and inconveniences their customers. Abolition of this anomaly is certainly in the public interest and is in accordance with the pro-competitive policies enunciated in TAOB and House Bill 161.

While conceding that it can technically provide toll dialing parity by February 8, 1999, BellSouth wants to tie the imposition of dialing parity to its receiving authority to provide in-region interLATA long distance authority and complains that it would be otherwise competitively disadvantaged and would lose customers. As noted above, there is no necessary legal connection between the two after February 8, 1999. To do so would amount to postponing IntraLATA toll dialing parity by BellSouth indefinitely. This would be unacceptable. The Commission and all the parties to this docket are abundantly acquainted with the Section 271 process and how it "grinds slow and exceedingly fine"—so slowly and so finely that no BOC has yet been granted authority to provide interLATA long distance service by the FCC. Mandating IntraLATA toll dialing parity by BellSouth will put BellSouth and its competitors on an even footing regarding dialing arrangements. The fact that BellSouth lacks the authority to package its services with the degree of flexibility that its competitors have is an artifact of telecommunications history over which the Commission has no dispositive control. It is unfair to deprive North Carolina customers of the benefits of IntraLATA dialing parity contingent upon an event which may or may not happen in the foreseeable future.

IT IS, THEREFORE, ORDERED as follows:

1. That BellSouth implement IntraLATA toll dialing parity by no later than February 8, 1999, in accordance with the provision of its Plan.
2. That the tariff revisions regarding interstate IntraLATA toll dialing parity, filed August 10, 1998, be approved, with implementation by no later than February 8, 1999.
3. That all certified interexchange carriers be hereby authorized to offer IntraLATA presubscription (1+, 0+, and 1+NXX+555-1212 calling) to BellSouth customers in North Carolina effective February 8, 1999.

4. That BellSouth shall provide a Public Notice to be mailed to all its customers informing them of their ability to choose intraLATA carriers and of the process for such selection. BellSouth shall consult with the Public Staff on both the Public Notice and the script for informing customers subscribing to local exchange service.

ISSUED BY ORDER OF THE COMMISSION.

This the 5th day of January, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

msD10488.04

Commissioners William Pittman and Richard Conder dissented.



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January 8, 1999

For media inquiries, please contact:

Emily Harrison
U S WEST
(303) 965-3235

Settlement Agreement Proposes \$420 Million in Benefits to U S WEST Customers Over Five Years

—U S WEST Regulatory Director Submits Final Testimony in Support of Rate Reduction Plan—

DENVER - U S WEST Director of Regulatory Affairs, Paul McDaniel, today submitted final testimony as part of the Colorado Public Utilities Commission consideration of rate reduction for customers over the next year. Under the proposed plan, in addition to rate reductions for some services, customers will also avoid a number of rate increases if the unprecedented agreement that was announced in October is approved by the Colorado Public Utilities Commission (PUC).

U S WEST's agreement to tap its own revenues to reduce certain rates and to cover costs that would have resulted in local service rate increases, amounts to an \$84 million annual benefit to customers, or \$420 million over five years. The agreement also includes a service quality assurance plan that requires the company to meet certain service standards or return up to \$15 million annually in customer bill credits. U S WEST, the staff of the PUC, and the Office of Consumer Counsel worked out the agreement.

In addition to the rate concessions and service quality plan, the agreement provides U S WEST significant flexibility in setting its prices. Under the five-year price and service quality regulatory plan proposed in the agreement, U S WEST, like its competitors, will be able to adjust prices more quickly to meet competition in its local and in-state long-distance markets.

The settlement agreement includes the following provisions:

- Residential and business basic telephone service rates will be capped at current levels for the duration of the five-year plan.
- No increase in rates for the expansion of the 303/720 local calling area that went into effect December 31, 1998. U S WEST metro Denver and central Front Range customers will be able to call within the 303/720 area code toll-free due to a Commission order consolidating rate centers and expanding local calling. U S WEST had requested recovery of \$12 million in costs to implement rate center consolidation. This would have resulted in an increase in monthly residential basic local rates of 44 cents and in business basic local rates of \$1.11.
- If the Commission orders expansion of local calling areas (rate center consolidation) in the 970 and 719 area codes, U S WEST agrees to forego \$8 million in implementation costs. Toll rates were reduced on January 2.
- Price reductions of \$12 million for in-state long-distance calls carried by U S WEST went into effect January 1.
- A bill credit of \$22 million to residential and business basic local phone rates to off-set the anticipated 4.23 percent charge on in-state telecommunications services to pay for Colorado's

universal service fund. The fund ensures that basic telephone service is affordable in high-cost areas. This increase in telephone bills is scheduled to begin July 1, 1999.

- U S WEST will invest \$40 million to improve telecommunications services in Colorado without increasing rates.
- Reductions of \$12 million in rates that U S WEST charges long-distance companies to use its local telephone network. It is expected that the long-distance companies will pass these savings on to their customers.
- No increase in rates to pay for up to \$8 million of the cost to implement local number portability, a new technology allowing customers to keep their phone number when changing to another local phone company.
- Service quality standards with significant financial incentives to ensure improved service to U S WEST customers in Colorado.

As part of the agreement, U S WEST will be able to reduce prices 14 days after notifying the PUC. The company must now wait 30 days before reducing prices. This change will enable U S WEST to respond more quickly to the needs of its customers.

The settlement agreement signed by U S WEST, the PUC staff and the OCC was filed with the Commission on October 29, 1998. Other parties will also have an opportunity to comment on the agreement to the Commission during the upcoming proceedings on the settlement. The Commission has set a hearing date on the Agreement for January 14-15. U S WEST (NYSE: USW) provides a full range of telecommunications services - including wireline and wireless PCS, data networking, directory and information services - to more than 25 million customers nationally in 14 western and Midwestern states. More information about U S WEST can be found on the Internet at <http://www.uswest.com>.

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U S WEST Asks Long-Distance Companies to Take Steps to Protect Consumers from New Slamming Problem With In-State Long-Distance Calls

—60 Percent of Customers Report They've Been Slammed on In-State Long-Distance Telephone Service—

DENVER - Slamming, which has long been customers' number one complaint related to telephone service, is getting worse as local long-distance markets open to competition. Customers say they're being "slammed" in unprecedented numbers in five states that have given telephone customers the opportunity to choose the company that handles their in-state long-distance calls, U S WEST reported today.

"More than 60 percent of the customers whose in-state long-distance service has been switched to another company have told us the change was made without their knowledge or permission," said Mark Roellig, executive vice president-Public Policy, Human Resources and Law. "That's 10 times the slamming rate we've seen for customers' selection of an interstate long-distance company. It's unfortunate for customers that companies are using the opening of in-state long-distance markets as an opportunity to steal business rather than compete fairly."

In 1997, U S WEST helped nearly 400,000 customers who reported being slammed. That translates to about five percent of all the switches in long-distance service submitted by long-distance companies to be processed by U S WEST. "A slamming rate of five percent has been a nightmare for customers," Roellig said. "Increasing it to 60 percent cannot be tolerated."

With five more states served by U S WEST soon to allow customers to choose their in-state long-distance company, U S WEST today asked long-distance companies to verify they're legal safeguards designed to protect consumers and businesses from slamming.

"With such an enormous percentage of the customers expressing surprise and disclaiming any knowledge of the change in their LPIC (in-state long-distance company), we see very real and significant problems," Roellig said in his letter to the long-distance companies.

Roellig said he believes the problem stems from long-distance companies failing to make clear to customers that they now have two choices to make concerning their long-distance service. They can choose a company to handle their nationwide long-distance calls and a company to handle in-state calls within calling areas known as LATAs. Historically, U S WEST has handled most in-state long-distance calls.

If customers are confused and haven't been provided with adequate information to make a decision about their in-state long-distance carrier, "state laws that prohibit consumer fraud, including the suppression or omission of material facts, and both federal and state laws that forbid deceptive and unfair trade practices and conduct are implicated," Roellig said in his

letter.

The five states that already allow telephone customers to choose their in-state long-distance company are Arizona, Minnesota, New Mexico, Utah and Wyoming. Customers in six more states served by U S WEST - Colorado, Iowa, Montana, Nebraska, Oregon and Washington - will be able to choose their in-state long-distance company beginning in February.

"As the new rules take effect in those six states, customers can expect to be bombarded with telemarketing calls from long-distance companies wanting them to switch from U S WEST," Roellig said. "We want to make sure they know what they're being asked to do - and to know that U S WEST still offers in-state long-distance service."

In fact, Roellig noted, U S WEST has recently lowered its in-state long-distance prices in many areas to make them even more competitive - as low as nine cents a minute in most states.

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