BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
Price Cap Performance Review For Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Federal-State Joint Board On Universal Service	)	CC Docket No. 96-45
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Low-Volume Long Distance Users	)	CC Docket No. 99-249
	)	

Comments of
The Public Service Commission of Wisconsin
Regarding the Revised Plan of
The Coalition for Affordable Local and Long Distance Service (CALLS)

By its Public Notice released March 8, 2000 (DA 00-533), the Federal Communications Commission (FCC) has invited comment on the modified proposal of the Coalition for Affordable Local and Long Distance Service (CALLS) for universal service and interstate access charge reform. CALLS submitted its original proposal on July 29, 1999.[1] On March 8, 2000, the CALLS members filed a written *ex parte* submission containing a modified version of the proposal (modified proposal). The CALLS modified proposal represents a partial industry consensus on a plan reducing variable rates for interstate service, while increasing fixed monthly charges to end users and increasing the size of the federal Universal Service Fund (USF). Even though the modified plan is designed to affect only interstate rates and charges, the CALLS

[1] Access Charge Reform, Low-Volume Long Distance Users, Federal-State Joint Board on Universal Service, CC Docket Nos. 96-262, 94-1, 99-249 and 96-45, Notice of Proposed Rulemaking, FCC 99-235 (rel. Sept. 15,

proposal would have a direct impact on the monthly rates of Wisconsin customers and on intrastate access charges and would indirectly apply pressure on intrastate rate structures. The Public Service Commission of Wisconsin (the Wisconsin Commission) herein provides comments recommending the FCC reject the CALLS proposal.

Introduction and General Concerns

The current CALLS proposal, like its predecessor, consists of three parts. First, the modified proposal establishes a new universal service funding mechanism that the CALLS coalition indicates is explicit and portable, designed to replace support that is currently implicit in interstate access charges. <u>It is apparent to the Wisconsin Commission, however, that with regard to USF support, the primary objective of CALLS is the geographical deaveraging of the Subscriber Line Charge (SLC); the USF support is secondary.</u> Second, the proposal shifts revenue recovery by incumbent Local Exchange Carriers (ILECs) from interexchange carriers (IXCs) to subscribers by eliminating the Pre-subscribed Interexchange Carrier Charge (PICC), and phasing out the Carrier Common Line Charge (CCLC), but by increasing the Subscriber Line Charge (SLC). Interexchange carriers that are members of CALLS have agreed to pass through the savings from the PICC charge by eliminating minimum monthly charges from their long-distance rate structure.[2] Third, the CALLS proposal reduces per-minute switched access charges by $2.1 billion and reduces special access rates over time. Interexchange carriers that are members of CALLS have agreed to pass through the access charge savings to customers in the form of lower long-distance rates.[2]

1999).

[2] Recent media reports indicate that the promises of these long-distance rate changes by IXCs include contingencies that make them less than guaranteed.

The Wisconsin Commission does not have the information to fully analyze the short-term or long-term effects of the current CALLS proposal; however, we provide initial observations and comments on several key points of the proposal. This Commission has been unable to obtain the revenue numbers that are necessary for an analysis of the overall affect of the CALLS proposal on revenues for the combined ILEC and IXC markets. Without those figures in evidence in this proceeding for parties to independently analyze, the Wisconsin Commission believes the record would be deficient for a final decision on the CALLS proposal.

In separate letters, the CALLS long-distance signatories have made a number of commitments to consumers with respect to the ways in which they would pass on the benefits they would receive if the modified CALLS proposal were adopted. The Wisconsin Commission also provides comment on the commitments made in the AT&T and Sprint letters, which were filed as written *ex parte* submissions on February 25, 2000, and on how, if the CALLS proposal is adopted, the FCC should enforce those commitments.

This is an agreement of five years duration with mutual benefits to the signatory ILECs and IXCs, with a “low-volume user” consumer benefit now tacked on. Analysis should include close examination of the overall impacts of the proposal and the impacts on individual market sectors, both positive and negative. Further, there is need for data to verify the stated benefits of the agreed-to rate actions. The FCC also needs to weigh the value of accepting whatever short-term benefits can be verified against the long-term consequences of adoption of the CALLS proposal.

New Interstate Access-Related Universal Service Mechanism

The Modified CALLS Proposal establishes a new Universal Service Funding mechanism of $650 million that the sponsors indicate will replace the amount of funding currently implicit in interstate access charges. Sponsors indicate that the $650 million amount reflects “a balancing of public interests defined by the 1996 Act." AT&T has indicated that the $650 million support figure can be calculated using the FCC's HCPM model, although several other sponsors do not support the use of such a model to determine USF support. The modified proposal includes specific formulas for access-related USF payments to ILECs. Payments into the fund will be based on a percentage of carriers' interstate revenues.

The Wisconsin Commission has a number of concerns with this portion of the CALLS proposal. The first concern relates to the specific amount of the USF proposal. The CALLS filing (pp. 10-11) indicates that estimates of the implicit support in interstate access charges range from $250 million to $3.9 billion. The sponsors state that the $650 million figure is "a balancing of the public interests." The Wisconsin Commission would urge the FCC to make its own determination concerning the public interest, as it may differ from the interest of the CALLS coalition.

The second concern is that the overall size and distribution of the $650 million USF to ILECs and competitors with the formula prescribed in the proposal has not been reviewed by the Federal-State Joint Board on Universal Service (CC Docket No. 96-45). Further, the distribution methodology contained in the CALLS proposal is significantly different from that adopted by the FCC for the current USF. While the Wisconsin Commission supports the proposed methodology over the current USF methodology, it urges the FCC to not adopt the USF aspect of the CALLS proposal without further consultation or referral to the Federal-State Joint Board, consistent with the Congressional mandate of Section 254 of the Telecommunications Act.

Revenue Recovery Shift From PICC/CCL To SLC

The CALLS proposal eliminates the PICC for primary lines immediately, and phases out multiline business PICCs and the CCLC in most areas over a five-year period. Under the Modified CALLS Proposal, the single line residence or business SLC increases from the current $3.50 monthly charge per line to a cap of $6.50 over a four-year period. The monthly SLC for multiline business lines is capped at $9.20 during the term of the proposal.

As the FCC is aware, the local loop constitutes the majority of the joint and common cost of the telecommunications network, and the debate over the allocation of that common line cost has continued for decades. Section 254(k) appears to clearly require an allocation of the common cost of the network to the services that use it; stating (in part):

> The Commission [FCC], with respect to interstate services, and the States, with respect to intrastate services, shall establish any necessary cost allocation rules, accounting safeguards, and guidelines to ensure that services included in the definition of universal service bear no more than a reasonable share of the joint and common costs of facilities used to provide those services.

The CALLS rate modifications swap concessions on mandatory SLC and PICC monthly charges and on per-minute access rates for concessions on long-distance carriers' discretionary minimum monthly fees and usage charges. Missing is an analysis that would give the FCC undeniable assurance that the long-distance carriers, who are offering to eliminate their minimum monthly fees, and the LECs, who are eliminating their PICCs, are not making concessions to charges they would not be able to retain in the face of a competitive market. The competitive market seems to be moving toward combined, single–provider, offerings of local and long-distance service. In that environment, the increases to fixed SLC fees that the LECs gain in the revenue swap may be more sustainable than PICC revenue and minimum monthly fees for long distance service. The backdrop for comparisons of the CALLS proposal to status quo over the plan's life includes the progression of the PICC charges assumed needed under FCC orders issued in 1997 in the face of an otherwise declining cost industry. Moving the PICC progression into the SLC increases may give permanence to this questionable price trend.

The CALLS proposal recovers virtually 100 percent of the interstate common line cost directly from the subscriber to basic service as included in the definition of universal service. In doing so, the plan assigns almost all of the common line cost to the least competitive network element. The Wisconsin Commission is concerned that the recovery of such a large portion of the common line cost through the SLC violates Section 254(k) of the Act, as it does not allocate a reasonable share of the common line cost to services other than basic service. The Wisconsin Commission would also encourage the FCC to consider again what this Commission stated in its December 16, 1999, Ex Parte Comments in this docket.

> . . . the ends sought by CALLS should not be accomplished by shifting cost recovery responsibilities to flat fees on consumers' bills. The result is an across-the-board rate increase for the average consumer.

Presumably the cost basis for achieving the SLC ceiling level will rely on separations factors applied to an incremental loop cost figure. The details are missing as to how that incremental cost study will be performed and applied to the embedded-cost-based SLC. Other questions remain unanswered as well: Is this ceiling level based on the assumption that the separation factor for loop costs will be frozen for the period? Could a change in separations factors, an issue currently under review by the Federal-State Joint Board on Separations (CC Docket 80-286), be accommodated under the CALLS proposal? Is this fair to states currently addressing maintenance of universal service availability in the face of the costs of upgrades to loop and inter-office facilities to accommodate internet-bound traffic given the current inconsistency between jurisdictional authority and jurisdictional allocations for this traffic? How will this new

CALLS-proposed policy promote upgrading loops still used only for voice to loops that are digitally enabled and capable of high-speed data services? These questions should be addressed before a decision is made to adopt the CALLS proposal.

Reductions In Switched And Special Access Charges

The CALLS proposal would reduce traffic sensitive access charges by the productivity factor of 6.5 percent until the charges reach a target rate level (0.55 cents per minute for Bell and GTE, and 0.65 cents per minute for other price cap ILECs). Special access elements are also reduced by a separate formula. In addition, the CALLS proposal provides for a one-time $2.1 billion reduction in switched access usage charges (including CCLC), although the plan is not clear as to the manner in which the reduction will be implemented.

The Wisconsin Commission urges the FCC to examine the overall reduction in access revenues coupled with increases in SLC revenues and other subscriber charges to determine whether this plan yields any productivity advantages over the current rules. Further, the FCC should examine whether the target of half-cent traffic sensitive access rates reflects an appropriate share of joint and common costs as required by Section 254(k).

Impact On State Access Charges and USF

The FCC should consider the impact on state access charges if deep reductions occur in interstate access charges. In Wisconsin intrastate switched access charges for price-regulated ILECs, like GTE and Ameritech, cannot exceed their interstate switched access charges. The CCL has already been eliminated as a component of the intrastate, switched access charges for these companies. Other states have also chosen to mirror the federal access charges and may not have eliminated the CCL, therefore, if those rates and revenues are reduced, those states may be required to evaluate increases to other intrastate rates. The Wisconsin Commission encourages the FCC to consider how elimination of the CCL may affect states' intrastate local and switched access rate structures and universal service funding mechanisms.

Passing Through The Benefits To Customers

The CALLS proposal includes a commitment by two major long-distance carriers, AT&T and Sprint, to pass through access charge savings to customers, provided that the $2.1 billion switched access usage rate reduction occurs by July 1, 2000. For subscribers to non-signatory IXCs, the CALLS proposal results in higher fixed monthly rates on their monthly local service bills whether or not they make long-distance calls. In order for all customers to see any benefit to the plan, all major long distance carriers must provide corresponding rate reductions. The Wisconsin Commission urges the FCC to seek similar commitments from other long-distance carriers, and to ensure that such commitments cannot be avoided through technicalities in the implementation of the overall access charge revision plan.

Conclusion

The CALLS proposal addresses many issues with promises and proposals that have great appeal in principle:

- Reforming per-minute access charges to long-distance providers.
- Lowering long-distance rates.
- Combining the two interstate flat fees currently associated with an individual access line.
- Simplifying charges applied to end-users customers' bills.
- Eliminating some flat and/or minimum charges currently applied to low-volume customers' toll bills.
- Explicit funding for Universal Service to assure affordable rates without implicit interstate access charge support.

It is virtually unquestioned that positive movement based on these principles is desirable. Modifications that would purport to improve economic efficiency, enhance customer understanding, and promote competition, yet, still protect universally affordable service can clearly be supported by large and small customers and providers alike. The Wisconsin Commission urges caution, however, that the recent flurry of publicity and the contagious sense of urgency attendant to the CALLS proposal not lead to precipitous action by the FCC.

The Wisconsin Commission appreciates the opportunity to provide these Comments on the CALLS proposal. The FCC's decision should reflect the interest of all stakeholders involved in access charge reform, including providers, competitors, and customers. Further, the portions of this proposal involving the USF and Section 254(k) issues should be referred to the Federal-State Joint Board on Universal Service.

This generation of the CALLS proposal is better because it reduces the SLC ceiling from $7.00 to $6.50 for primary residential and single line business lines and may provide for relief from minimum use charges for low-volume interstate toll users. Nevertheless, the changes to the CALLS proposal are not significant with regard to the aggregious shifting of cost recovery by geographically deaveraging and increasing the fixed monthly SLCs billed by local telephone companies.

Presenting SLC increases under the guise of comprehensive access reform does not make them more palatable or antithetical to the scenario envisioned under Section 254(k). Presenting them under the premise that some long-distance carriers agree, with several critical caveats, to eliminate the unpopular flat monthly minimum charges they impose on their own low-volume toll using customers, or lessening the initial SLC increase or making some subsequent SLC increases subject to nebulous incremental cost standards does not justify the SLC increases. The net result is, just as with the predecessor CALLS proposal, an across-the-board increase for the average consumer. Even with the addition of a conditional offer of an initial decrease in flat fees for some low-volume toll users, this CALLS proposal is also unacceptable.

Dated at Madison, Wisconsin, March 30, 2000.

By the Commission.

/s/ Lynda L. Dorr

Lynda L. Dorr
Secretary to the Commission

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