News from the Oklahoma Corporation Commission

Matt Skinner, Public Information
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January 6, 2005

MEDIA ADVISORY

(Oklahoma City) Oklahoma Corporation Commissioner Denise Bode will take the oath of office for her second full term on Monday, January 10 at 1 p.m. in Room 301 (main commission courtroom) of the Jim Thorpe Building, 2101 North Lincoln in Oklahoma City. The oath will be administered by Supreme Court Justice James R.Winchester.

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(All OCC advisories and news releases are available at the Commission web site www.occ.state.ok.us)

OKLAHOMA CORPORATION COMMISSION **Commissioner Denise**
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January 10, 2005

Corporation Commissioner Denise Bode Takes Oath of Office

Sees a challenging and rewarding future

(Oklahoma City) Oklahoma Corporation Commissioner Denise Bode today took the oath of office for her second full six-year term.

Bode said there are challenging days ahead for the Commission and Oklahoma.

"We have large and complex rate cases pending before us," note Bode. "At the same time, the telecommunications industry is undergoing some major changes, both corporately and on the regulatory level. Security and protection of our critical infrastructure remains of prime concern as well. Closely associated with that is the nation's critical need for oil and natural gas, and the key role Oklahoma producers play in meeting that need. We must continue to find new ways to allow them to operate efficiently, while at the same time upholding the Commission's commitment to protect our environment.

"The Commission oversees some 70 percent of the state's economy," continued Bode. "I and my colleagues are committed to growing this state and building a bright future for our children. It's all about our children. We want to give our children the tools and assets they need to succeed right here in Oklahoma, rather than looking to another part of the country."

Bode was originally appointed to the post by then-Governor Frank Keating in 1997, and elected to her first full term in 1998. In the most recent election, Commissioner Bode garnered more votes than any Republican candidate for state-wide office in Oklahoma history.

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January 12, 2005

A WIN FOR CONSUMERS, INDUSTRY

Commission approves new telecommunications rules with eye toward providing greater consumer choice

(Oklahoma City) - Some low-income Oklahomans would be able to make unlimited local cellular phone calls, telecommunications companies would be able to better tailor their various product offerings to consumers and businesses, and Oklahomans would have more choice when it comes to those offerings. Those are some of the expected benefits from new telecommunications rules approved today by the Oklahoma Corporation Commission.

Commission Chair Bob Anthony said as important as the new rules are, they are only part of an on-going process.

"When I first came to the Commission 16 years ago, there was only monopoly local telephone service," noted Anthony. "A few years ago, the Commission developed what became known as 'alternative regulation,' based on the Commission's desire for consumers to have a choice when it came to telecommunications services, choice that could only exist if there was true competition in the marketplace. Since that was put into place, we have seen positive changes in the marketplace. The rules changes approved today continue our effort to bring regulatory parity in order to foster further growth in the market, and thus, greater consumer choice.

"However, this is only an interim step," Anthony continued. "The Commission should move forward with the Legislature's request to conduct a careful study of the state of telecommunications competition in Oklahoma, and based on that study and the inevitable technological changes that will occur, take whatever actions are necessary to further competition and consumer choice."

Commission Vice-Chairman Jeff Cloud said the new rules package represents a sincere effort on the part of all the parties concerned.

"It's an overused phrase, but to 'level the playing field' is exactly what this rulemaking was all about," said Cloud. "There is no doubt that it has been a successful effort, made possible by the hard work of Commission staff and the willingness of most the parties involved to craft a compromise solution. We anticipate there will be a greater variety of so-called 'bundles', or packages of services, offered to both business and residential customers as a result of these rules.

(MORE)

"However, I agree with Chairman Anthony that this is only an 'interim step.' The Commission may vote this Friday on a procedural schedule for a Commission study on telecommunications competition in Oklahoma, a study that is critical to determining what the next steps should be when it comes to more regulatory changes."

Corporation Commissioner Denise Bode called the new rules "another step in the right direction."

"Almost five years ago, the Oklahoma Corporation Commission began working with the state's

telecommunications industry to streamline the regulatory process," said Bode. "Our goal was to remove barriers that may prevent Oklahomans from tapping into the gold mine by the technological leaps in telecommunications. Today we continued down that path, by allowing packages of telecommunication services and business services to be more competitively priced, and by eliminating red tape and streamlining the process.

"In addition, these rules require that low-income Oklahomans who are part of the Lifeline program be offered unlimited local cellular phone service in areas where cellular companies are required to offer service in order to obtain federal universal service funds.

"We must continue to lead surrounding states in the area of telecommunications technology," continued Bode. "The key is to continue to put in place regulatory changes that will encourage even greater investment in better and faster technology, while still protecting access for all Oklahomans."

The new rules must be approved by the Oklahoma Legislature and the Governor.

****For more information on the Lifeline program, go to http://www.occ.state.ok.us/MISC/LIFELINE.htm**
*****The new telecommunications rules will be posted at www.occeweb.com**

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News **from the** **Oklahoma Corporation Commission**
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February 25, 2005

Media Advisory

Who: Mr. Tom Kuhn, President – Edison Electric Institute, Washington, D.C. (www.eei.org)

What: Briefing to the Corporation Commissioners and invited guests (state lawmakers, state officials and others) on the state of the national electricity market and current issues impacting both the industry and its customers.

When: March 1 @ 9:30 a.m.

Where: Commission Courtroom (301), Jim Thorpe Building, 2101 North Lincoln, State Capitol Complex, Oklahoma City

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News from the Oklahoma Corporation Commission

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March 8, 2005

OKLAHOMA OIL AND GAS PRODUCTION NUMBERS ARE DOWN IN LATEST REPORT**

(Oklahoma City) The latest Oklahoma Corporation Commission report on oil and natural gas production in Oklahoma shows a drop in production from January-October 2004, when compared to the same period in 2003. The decrease comes in spite of a sharp rise in the price of both commodities. However, there was an increase in natural gas production from September 2004 to October 2004.

Total oil production from January to October 2004 was approximately 53.1 million barrels, a decrease from the same time period in 2003, when production totaled about 54.5 million barrels.

October 2004 oil production totaled about 5.1 million barrels, a decrease from the September 2004 (revised) production of approximately 5.3 million barrels.

The total gas production from January to October 2004 was about 1.31 tcf (trillion cubic feet), a decrease from the same time period in 2003, when production totaled about 1.35 tcf.

October 2004 gas production totaled about 130 bcf (billion cubic feet), an increase from the September 2004 (revised) production total of approximately 118 bcf.

The average price-per-barrel for Oklahoma oil was up sharply in October 2004 at $51.98 a barrel, compared to the September 2004 average price of $44.46 a barrel. Prices were also up sharply when compared on a YTD (year-to-date) basis ($39.41 a barrel YTD-04 compared to $29.98 a barrel YTD-03).

Natural gas also saw its price jump. The average price for Oklahoma gas in October 2004 was $5.16 mcf (thousand cubic feet), compared to $4.86 mcf for September 2004. The price was also higher on a YTD basis ($5.22 mcf YTD-04 compared to $4.92 mcf YTD-04).

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****Please Note: All numbers are subject to change, and should be used for trend purposes only.**

Attached is a chart showing the county-by-county breakdown of the production numbers. The chart is also available in .pdf at http://www.occ.state.ok.us/divisions/og/ogmonth.pdf

For further information on Oklahoma oil and gas production statistics, contact Larry Claxton, Manager - Statistics/Surety Department, Oil and Gas division, Oklahoma Corporation Commission (405) 521-2273.

News from the **Oklahoma Corporation Commission**

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March 10, 2005

MEDIA ADVISORY

PRICES AREN'T ONLY SOARING AT THE PUMP – COMMISSION TO MOVE TO SCRUTINIZE FUEL COSTS AT ELECTRIC UTILITIES

Oklahoma Corporation Commissioners are expected to today to approve a Notice of Inquiry (NOI) to begin developing new rules aimed at giving the Commission the ability to take a closer look at the energy costs of electric utilities under Commission jurisdiction. These energy costs are passed on to customers in a separate charge on the bill, called the Fuel Adjustment Clause (FAC). Because of rising energy costs, the FAC is fast becoming a major factor in a customer's total bill.

Commissioners will vote on the NOI at 1:30 p.m. this afternoon (Thursday). They are available for interviews at any time. Interviews can be arranged through Matt Skinner (521-4180, cell 833-2242).

-occ-

News from the Oklahoma Corporation Commission

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March 10, 2005

SOARING ENERGY PRICES IMPACTING MORE THAN YOUR DRIVING

Commissioners want to take a closer look at fuel and other costs paid by electric customers

(Oklahoma City) Noting the ever-higher fuel costs and other items that are being passed through to electric customers, the Oklahoma Corporation Commission today gave unanimous approval to a move aimed at ultimately allowing the Commission to scrutinize such charges more closely.

Commissioner Bode says today's action is the result of discussions that began years ago.

"The Commission took similar action in relation to natural gas utilities a few years ago," noted Bode. "This ability will assist the Commission in promoting reliable electricity at the most affordable prices. While Oklahoma still has some of the lowest electricity rates in the nation, that advantage has been eroded by the fact that the cost of the fuel needed to power the generators has been steadily rising. As a result, Oklahomans have seen the total amount of their bill increase, as those fuel costs are passed through to the consumer under the Fuel Adjustment Clause (FAC). Given this, it is vitally important the Commission be able to set the 'rules of the road' when it comes to the bidding and purchasing of fuel by the electric utilities, and provide certainty to consumers that they are getting the best deal possible."

Commission Chairman Bob Anthony noted that "the cost of fuel used to generate electricity is now more than half of the electric bills paid by business and residential customers.

"Because Oklahomans are paying $100's of millions annually for these fuel charges, they deserve to know that only fair, just and prudently incurred costs are allowed," Anthony continued. "The Corporation Commission should do a better job of auditing fuel costs, especially when an electric utility is dealing with its affiliate and is not using competitive bidding. As we speak, there are major companies eyeing Oklahoma for possible expansion, initial location, or to possibly leave the state. Their energy costs play a major role in such decisions. They need to know we are doing all we can to ensure such costs are proper."

(MORE)

Commissioner Jeff Cloud said he's pleased with the positive reaction to the Commission's move.

"The Commission will be very interested in the suggestions and feedback that will be generated in response to this inquiry," said Cloud.

"I look forward to receiving that information, which will be vital to arriving at a decision regarding the future processes that will affect the Commission, the regulated utilities involved and consumers," he added.

Specifically, the Commission today approved a Notice of Inquiry (NOI), which sets in motion the process of developing rules to govern the prudent purchase of fuel, purchased power, gas or coal transportation, and gas storage by Oklahoma's electric utilities, as well as review of those matters by the Commission.

-occ-

News from the **Oklahoma Corporation Commission**

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April 4, 2005

COMMISSIONERS WANT A CLOSER LOOK AT PROPOSED MARINA RULES

Issues deemed critical to the state's economy, environment, and public safety

(Oklahoma City) Citing new evidence and data that has come to the Commission's attention, the Corporation Commission has ordered a temporary moratorium on new, additional fuel equipment rules for marinas in order to allow time for further review.

Commission Chairman Bob Anthony said the new rules, which were adopted five years ago, were scheduled to take effect in July.

"Since these additional rules were first adopted, the Commission has been presented with new evidence that compels us to critically reexamine them," Anthony said. "Ironically, these new rules could actually lead to a greater danger to the environment and public safety than they are designed to protect. Based upon the written comments we have received on this particular rulemaking, and the oral comments made at the Commission hearing on the matter, it is obvious they will impose a hardship on marina owners without necessarily being more protective. My family and I are among the thousands who regularly enjoy Oklahoma's lakes, and I am familiar with the essential services provided by the marinas. The unintended result of expensive and arbitrary rules could be the closing of many marinas, leading boat owners to turn to environmentally unsafe and dangerous methods of providing their vessels with fuel, such as carrying gasoline in improper containers to their boats and spilling fuel into the water during filling.

"The Commission takes its regulatory responsibility very seriously," Anthony continued. "In this matter, we are charged with ensuring that the fuel sold by marinas is stored and dispensed in such a way so as to protect both public safety and the delicate environment of Oklahoma's beautiful lakes. But the responsibility doesn't end there. The Commission must also be extremely careful in all its varied areas of jurisdiction that there is a real, valid need for a given proposed regulation, and that it doesn't cause more problems than it solves."

(more)

Commissioner Denise Bode, noting that she spent much of her childhood on Grand Lake and still goes there regularly, says she shares those concerns.

"I have often been a customer of the marinas," said Bode. "They are vital for the public's use and enjoyment of Oklahoma's waters. If marinas are forced to close because of these additional rules, we will all lose.

"The new, additional rules effecting marina owners should not be based upon anecdotal evidence, but rather upon a prompt study of the economic impact resulting from any upgrade of fuel facilities, versus the need to protect Oklahoma's waters against environmental harm," continued Bode. "At the same time, the study should consider the need to promote Oklahoma's tourist industry and the job opportunities provided to Oklahomans. In order to conduct such a study, the two year moratorium is necessary."

Commission Vice Chairman Jeff Cloud questioned the original finding in 2000 that 'It is anticipated that there will be little or no direct economic impact upon the affected parties' from the new rules.

"In my opinion, that finding was based on inadequate information," asserted Cloud. "After reviewing the comment and communication we have had in this matter since 2000, there can be no doubt that there is a very real risk these rules could threaten the survival of at least some marinas, and have a negative economic impact on the others, all to the detriment of the Commission's mandate to protect public safety and the environment.

"Therefore, the only prudent course of action for the Commission to take now is to extend the deadline for compliance with these new rules until July 15, 2007," concluded Cloud. "At the same time, Commission staff has been instructed to move quickly to initiate and complete new economic and environmental studies of the potential impact of these new rules. After that study has been completed, the Commission will have the information it needs to determine whether an emergency rule making is needed to make such revisions as may be required."

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News from the Oklahoma Corporation Commission

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April 4, 2005

Media Advisory

A SILVER LINING IN THE DARK CLOUD OF SOARING ENERGY PRICES: RENEWABLE ENERGY IN OKLAHOMA

The first interim report on Oklahoma's renewable energy future will be presented to Oklahoma lawmakers tomorrow by Corporation Commissioner Denise Bode, the Chairman of the Oklahoma Wind Power Assessment Committee.

The Committee was established by the Oklahoma legislature in 2004, and charged with the mission of assessing not only wind power, but all forms of renewable power opportunities for Oklahoma, including hydro, biomass and solar.

The Committee's first interim report will be presented Tuesday, April 5 during a luncheon and workshop in Room 104, State Capitol Building, 2300 N. Lincoln. The luncheon is scheduled from Noon to 1:00 p.m.

Media interested in obtaining an electronic copy of the interim report should e-mail Matt Skinner (m.skinner@occemail.com).

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All OCC advisories and releases are available at www.occ.state.ok.us

A STUDY OF THE TELECOMMUNICATIONS SERVICE PROVIDER INDUSTRY IN OKLAHOMA

APRIL 5, 2005

Oklahoma Corporation Commission
Public Utility Division
Cause No. PUD 200400605

A STUDY OF THE TELECOMMUNICATIONS SERVICE PROVIDER INDUSTRY IN OKLAHOMA

Prepared for:

Chairman Bob Anthony
Vice Chairman Jeff Cloud
Commissioner Denise Bode
and
Joyce Davidson, PUD Director

By:

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Trina Tollett, Regulatory Analyst
Shirley Walker, Regulatory Analyst
David Smith, Regulatory Intern
Lenora Burdine, Staff Attorney

April 5, 2005

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Oklahoma Corporation Commission
Public Utility Division
Cause No. PUD 200400605

APPENDICES

April 5, 2005

EXECUTIVE SUMMARY

BACKGROUND/PURPOSE FOR STUDY

The Oklahoma Legislature adopted Senate Concurrent Resolution 74 in May 2004, and created the Task Force on Deregulation of the Oklahoma Telecommunications Service Provider Industry (Task Force). The Task Force was charged with advising the Oklahoma Legislature in its efforts to determine the necessity and feasibility of abolishing certain statutory provisions relating to the telecommunications service provider industry in the State of Oklahoma.

At its November 2004 meeting, the Task Force recommended that the Oklahoma Corporation Commission (Commission) continue to conduct proceedings to determine the appropriate regulation of telecommunications service providers and to make a report to the members of the Task Force. This Study is the culmination of Staff's efforts to provide the Commission with sufficient information, data and analysis to support its decision-making process.

SURVEY APPROACH & DESIGN

In order to collect the required Oklahoma-specific information, Staff issued a series of Data Requests to all known telecommunications service providers operating in Oklahoma. Due to the breadth of the undertaking, requests were issued to all identified carriers, regardless of type, that fall under the jurisdiction of the Commission. Staff requested data from 543 service providers and ultimately received responses to the various data requests from 234 companies, for a 43% response rate. Staff also conducted a series of Technical Conferences to allow carriers to review and discuss the information submitted and to resolve, or at least identify, any discrepancies in the data. The Technical Conferences were open to all members of industry and the general public.

HISTORY OF OKLAHOMA TELECOM REGULATION

As a part of its Study, Staff prepared a detailed history of telecommunications regulation in Oklahoma since passage of the 1996 Federal Telecom Act and identified a number of strengths and weaknesses of current Commission Rules. Some of the major initiatives and accomplishments during this period included:

- Implementation of the provisions of the 1997 Oklahoma Telecom Act, which established guidelines for administration of statewide universal service and 911 funding;
- Design and implementation of an alternative regulation plan;
- Development of innovative approaches to managing the assignment and use of limited numbering resources;

- Encouraging the growth of advanced data services, which culminated in agreements with service providers to invest in broadband deployment throughout the State;
- Promoting competition by overseeing the process of opening incumbent networks to competitors and performance monitoring; and
- Conducting collaborative Rulemakings designed to streamline procedures and reduce unnecessary regulatory burdens.

ECONOMIC IMPACT OF DEREGULATION ON INDUSTRY & CONSUMERS

Deregulation is the process of removing restrictions and regulations. The resulting economic impact on industry and consumers would be dependent upon many factors, including the degree of deregulation, the process used to implement the transition to a less regulated environment and the degree of market concentration, or the level of effective competition.

Although competition can be defined many ways, true customer choice depends on the existence of effective competitors. Effective competitors can be viewed as companies that offer substitute products and garner sufficient market share, across a sufficient number of competitors, to ensure that one or a few firms cannot control the market prices or output levels. Staff analyzed the Oklahoma local wireline market based on a commonly used index for calculating market concentration and the results show that the local wireline market is still highly concentrated, indicating that the majority of the market power lies in the hands of a small number of firms.

GENERAL DISCUSSION POINTS

Analysis of revenue trends indicates that total statewide telecommunications revenue has demonstrated little growth since 2001, falling within a general range of $1.6-$1.7 billion annually. Yet while the revenues of large ILECs and IXCs declined by $110 million and $34 million, respectively, between 2000 and 2004, the revenues for wireless carriers increased by approximately $489 million over the same period.

When focusing on local wireline service, the competitive numbers in Oklahoma lag the national average in terms of CLEC market share. Competitive local exchange carriers captured approximately 13% of the voice lines in the State in 2004 but the national average CLEC access line share is roughly 18%. CLECs also accounted for only 5% of the total Oklahoma retail revenues and just 12% of the local service revenues in 2004. Whether due to competitive forces, network unbundling requirements, or declining revenues, the local service capital investment in Oklahoma has declined by almost 49%, or $159 million dollars since 2000. The notable exception is the fact that capital expenditures by small, rural ILECs actually increased by almost 30% over this period.

The data collected in this proceeding indicates that although the CLEC market share in Oklahoma is on the lower end of the national spectrum, their competitive presence is improving. CLEC line share has gradually increased since 2000, and of the 537 telephone exchanges in the State, there are currently 270, or a little more than 50%, with at least one CLEC present. Additionally, almost 40% of the exchanges in the state have 2 or more CLECs serving customers and approximately 10% of the exchanges have at least one facilities-based CLEC along with at least one other CLEC. If the CLECs can translate this expanded footprint into an increased relative market share, the level of competition in Oklahoma will improve.

Alternative technologies to traditional, wireline services continue to show promise but have yet to demonstrate an ability to serve as substitutes for local service. Wireless carriers have demonstrated substantial revenue and subscriber growth in recent years but this has not translated into equivalent line losses for local wireline providers, primarily because the majority of consumers view wireless as a complementary service with different functionality. Voice over Internet Protocol currently enjoys a lower cost structure than traditional telephony, as well as favorable regulatory treatment by the FCC, but technological improvements in many areas are needed before this service will garner mass appeal. Broadband over Power Lines is another technology that may increase consumer choice for high-speed Internet access but it is currently not suitable for carrying signals over long distances and is still in the developmental stage in most areas.

CONCLUSION/RECOMMENDATIONS

The current data demonstrates that although some degree of competition may be materializing in Oklahoma, the local wireline competitive numbers lag the national average in terms of CLEC market share. The trends are indicative of the fact that CLECs are establishing a footprint in the state, however, with Oklahoma on the lower end of the national spectrum for CLEC market share, the Commission should continue to pursue its efforts to attract additional competitors in order to create a more vibrant local market. New alternative technologies currently in their formative stages represent potential sources for increased competition as they demonstrate improvements in reliability, quality and service capabilities. However, the data shows that these alternatives have not yet materialized as substitutes with mass market appeal.

Competition cannot be viewed as a “frozen state” or evaluated only at a point in time; it is better represented as a continuum with varying degrees or levels. Further, the level of competition that may exist at any point in time does not mean that the degree of competition will remain at that level or increase. Business markets are dynamic and may become more or less competitive depending on a variety of factors such as mergers, acquisitions, bankruptcies or regulatory actions. For these reasons, it is necessary to periodically study and monitor the competitive nature of markets.

STAFF RECOMMENDATIONS

Based on the data collected and analyzed in support of this Study, Staff recommends the following:

1) The OCC should continue to review and revise its telecommunications Rules with the objective of reducing regulatory oversight as market conditions warrant. The current level of regulation may be appropriate for today's market, but the Commission should adamantly pursue a policy of monitoring and reevaluation to proactively address change.

2) The OCC should continue to work with carriers in all segments of the industry to ensure that Rules are appropriate and evolutionary in nature. Working with all segments of the industry should include the proliferation of rules that encourage new market entrants, regardless of the technology employed, to establish a presence as local service alternatives, whether via traditional or non-traditional means.

3) The OCC should develop a definition of effective competition, or true customer choice, using an approach that evaluates the competitive nature of a market by accounting for relative market shares and the number of effective competitive choices available to customers.

4) The OCC should use the information contained in this Study to establish a baseline set of data and initiate a process to perform regular, comprehensive reviews of the state of competition in Oklahoma. This would afford the Commission the opportunity to maintain current market information and to study trends over time while also investigating relevant issues and factors as they arise in the future.

DEFINITIONS & ACRONYMS

ACCESS LINE - the facility provided and maintained by a telecommunications service provider that permits access to and/or from the public switched network.

ACCESS SERVICE - any tariffed wholesale service provided by one LEC to another LEC, CLEC, IXC or an end-user, that allows for access to the local exchange telecommunications network, excluding local interconnection arrangements.

ADSL - Asymmetric Digital Subscriber Line. A high speed transmission technology that uses existing copper wires from a central office to a customer premise. ADSL modems on both ends of the transmission send high speed signals that carry more information downstream (from the carrier) than upstream (from the customer).

BASIC LOCAL SERVICE - all residential and business telecommunications voice and/or relay service which meets the standards set forth in O.A.C. 165:55-13-10 (Minimum Service Standards), including lines beyond the first line into a residence or business.

BASE RATE AREA - the developed area within each exchange service area designated in the tariffs of the telephone company or if not so designated, an area within one-half (1/2) mile radius of the serving central office.

BROADBAND OVER POWER LINES (BPL) - the provision of Broadband utilizing electric power lines for the high-speed transmission of data services.

BROADBAND SERVICE - **"**High speed Internet access service" or "broadband service" means, as used in 17 O.S. Section 139.102, those services and underlying facilities that provide upstream, from customer to provider, or downstream, from provider to customer, transmission of data in excess of one hundred fifty (150) kilobits per second, regardless of the technology or medium used including, but not limited to, wireless, copper wire, fiber optic cable, or coaxial cable, to provide such service.

BUNDLED RETAIL LINE - a retail line combined with any one of the following: at least one key service, long distance, DSL, wireless, video service, etc.

CALEA - the Communications Assistance for Law Enforcement Act.

CENTREX - short for Central Office Exchange service, a type of PBX service in which the switching occurs at a local telephone station instead of at a company premises. Typically, the telephone company owns and manages all the communications equipment necessary to implement the PBX and then sells various services to the company.

COMPETITIVE ACCESS PROVIDER (CAP) - a company that provides exchange access services via a private network, independent of a Local Exchange Carrier.

COMPETITIVE LOCAL EXCHANGE CARRIER (CLEC) - with respect to an area or exchange(s), a telecommunications service provider that is certificated by the Commission to provide local exchange services in such area or exchange(s) within the State of Oklahoma after July 1, 1995.

COMPETITIVE PROVIDER - an entity providing the same or equivalent service through the use of its own or leased facilities, including resellers. The service must satisfy the Commission's rules of minimum service standards regardless of whether the provider is regulated by the Commission.

COMPETITIVE SERVICE - a telecommunications service determined by the Commission, after notice and hearing, to be subject to effective competition for a relative geographic and service(s) market.

COMPETITIVE TEST - an evaluation by the Commission to determine, after notice and hearing, for a particular service on an exchange-by-exchange basis, the existence of competition between an ILEC, a non-affiliated facilities based Competitive Provider, and one (1) other non-affiliated Competitive Provider.

CUSTOMER - any person, firm, partnership, cooperative corporation, corporation, or lawful entity that receives regulated telecommunications services supplied by any telecommunications service provider or IXC.

DIGITAL SUBSCRIBER LINE (DSL) - a broadband data service provisioned using the existing telephone wires.

ELIGIBLE TELECOMMUNICATIONS CARRIER (ETC) - a telecommunications service provider as designated by the Commission pursuant to O.A.C. 165:55-17-29 and 47 U.S.C. §§ 254 and 214(e). Also identified as a CETC, or Competitive Eligible Telecommunications Carrier.

END-USER - a customer to whom a telephone number is assigned.

END-USER COMMON LINE CHARGE - the flat rate monthly interstate access charge allowed by the FCC that contributes to the cost of local service.

ENHANCED SERVICE - a service that is delivered over communications transmission facilities that: (1) change the content, format, code or protocol of transmitted information; (2) provide the customer new or restructured information; or (3) involve end-user interaction with information stored in a computer.

EXCHANGE - a geographic area established by an incumbent LEC as filed with and/or approved by the Commission for the administration of local telecommunications service in a specified area, which usually embraces a city, town, or village and its environs. It may consist of one or more central offices together with the associated plant used in furnishing telecommunications service in that area. In Oklahoma, Rural exchanges are those with less than 20,000 access lines, Suburban exchanges contain between 20,001 and 100,000 access lines and Urban exchanges are those with 100,001 or more access lines.

EQUAL ACCESS - the ability of end users to access any long distance carrier by dialing "1" and the phone number, rather than a long string of dialing codes.

FACILITIES-BASED PROVIDER - an entity providing telecommunications services predominantly through the use of its own facilities, including UNEs, and other technologies capable of meeting all local telecommunications service requirements while complying with the Commission's quality of service rules.

FCC - the Federal Communications Commission.

FTA (or Federal Telecom Act) - the Telecommunications Act of 1996, Pub. LA. No. 104-104, 110 Stat. 56 (1996).

FERC - the Federal Energy Regulatory Commission.

INCUMBENT LOCAL EXCHANGE COMPANY (ILEC) - with respect to an area or exchange(s), any telecommunications service provider furnishing local exchange service in such area or exchange(s) within the State of Oklahoma on July 1, 1995, pursuant to a Certificate of Convenience and Necessity or grandfathered authority.

INTEGRATED SERVICES DIGITAL NETWORK (ISDN) - the extension of the digital transmission capabilities and common channel signaling concepts of the public telephone network to the customer premises. Defines a standard set of services, interfaces, and protocols for interoperability. Two access interfaces, called user-to-network interfaces, are defined for ISDN: Basic Rate Interface (BRI) and Primary Rate Interface (PRI).

INTEREXCHANGE TELECOMMUNICATIONS CARRIER (IXC) - any person, firm, partnership, corporation, or other entity, except incumbent LECs, resellers, or OSPs, engaged in furnishing regulated interexchange telecommunications services under the jurisdiction of the Commission.

INTEREXCHANGE TELECOMMUNICATIONS SERVICE - telecommunications service provided between locations within different certified exchanges.

INTERLATA - any call that is originated in one LATA and terminated in another LATA.

INTRALATA - any call that is originated and terminated within the boundaries of the same LATA, regardless of whether such call crosses LATA boundaries prior to reaching its termination point.

INTERSTATE TOLL - any call that is originated in one state and terminated within the boundaries of another state.

INTRASTATE TOLL - any call that is originated and terminated within the boundaries of the State of Oklahoma, regardless of whether such call crosses state boundaries prior to reaching its termination point.

LATA - Local Access and Transport Area, as defined in the Code of Federal Regulations, Title 47 Part 53.3.

LONG RUN INCREMENTAL COST (LRIC) - the long run, forward-looking additional cost caused by providing all volume-sensitive and volume-insensitive inputs required to provide the total demand associated with a service or network element offered as a service, using economically efficient current technology efficiently deployed. LRIC also equals the cost avoided, in the long run, when a service or network element offered as a service is no longer produced. LRIC excludes costs directly and solely attributable to the production of other services or network elements offered as services, and unattributable costs which are incurred in common for all the services supplied by the firm. The long run means a period long enough so that the cost estimates are based on the assumption that all inputs are variable.

LOCAL EXCHANGE - the telephone company exchange where subscriber lines are terminated and switched. Also called an "End Office," "Wire Center," or "Central Office."

NON FACILITIES-BASED CLECS - CLECs that do not directly own, control, operate, or manage conduits, ducts, poles, wires, cables, instruments, switches, appurtenances or appliances in connection with or to facilitate communications within the local exchange portion of the public switched network

NANPA - the North American Numbering Plan Administration. NANPA is the organization with overall responsibility for the neutral administration of North American Numbering Plan (NANP) resources, subject to directives from regulatory authorities in the countries that share the NANP. NANPA's responsibilities include assignment of NANP resources, and, in the U.S. and its territories, coordination of area code relief planning and collection of utilization and forecast data.

NUMBER PORTABILITY - as pertaining to wireline services, the ability of end-users of telecommunications services to retain, within the same rate center, their existing phone number without impairment of quality, reliability or convenience when switching from one telecommunications service provider to another.

NTIA - National Telecommunications and Information Administration.

OCC (or COMMISSION) - the Oklahoma Corporation Commission.

OKLAHOMA PLAN - an alternative regulation plan that conforms to Part 11 located at O.A.C. 165:55-5-64 *et al*.

OPERATOR SERVICE PROVIDER (OSP) - any common carrier that provides intrastate operator services or any other person or entity determined by the Commission to be providing operator services.

PACKAGING - the sale of two or more services offered by or in conjunction with the services of a TSP to a customer of a TSP for a single price.

PRIMARY UNIVERSAL SERVICE - an access line and dial tone provided to the premises of a residential or business customer, which provides for two-way switched or dedicated communications in the local calling area without usage-sensitive charges, including: (a) a primary directory listing; (b) dual-tone multifrequency signaling; (c) access to operator services; (d) access to directory assistance; (e) access to telecommunications relay services for the hearing impaired; (f) access to 911; and (g) access to interexchange long distance service.

PRIVATE LINE SERVICE - dedicated circuits or channels or switching arrangements, whether virtual or physical, which provide interexchange communications between specific locations.

PUD (or PUD STAFF or STAFF) - the Staff of the Public Utility Division of the Oklahoma Corporation Commission.

RATE CENTER - a geographic area that is used to determine whether a given call is local or toll.

RBHC (OR RBOC) - Regional Bell Holding Company (or Regional Bell Operating Company).

RESELLER - any person, partnership, cooperative corporation, corporation, or lawful entity that offers telecommunications services to the public through the use of the transmission facilities of other carriers or a combination of its own facilities and the transmission facilities of other carriers for resale to the public for profit.

SPECIAL UNIVERSAL SERVICE - a program component of the Oklahoma Universal Service Fund. Special Universal Services include the provision of: (a) one incoming toll-free phone number and up to a total of five access lines provided free of charge to a not-for-profit hospital, public school building, public library or county seat; (b) one access line with the ability to connect to an Internet service provider at 56 kbps, or the equivalent credit, provided free of charge to a public school building; and (c) one telecommunications line or wireless connection provided free of charge to a not-for-profit hospital[1] sufficient for providing such telemedicine services as the hospital is equipped to provide.

SUBSCRIBER LINE - the telephone line connecting the local telephone company central office to the subscriber.

TELECOMMUNICATIONS SERVICE PROVIDER (TSP) - any authorized provider of local exchange service, whether an incumbent ILEC or a competitive CLEC.

TELRIC - Total Element Long Run Incremental Cost, or the long run, forward-looking replacement cost of an element.

TRO - the Triennial Review Order issued by the FCC in CC Docket Nos. 01-338; 96-98; and 98-147.

UNBUNDLING - the provision of nondiscriminatory access to network elements on an unbundled basis at any technically feasible point based on rates, terms and conditions that are just, reasonable and nondiscriminatory.

UNBUNDLED NETWORK ELEMENT (UNE) - a component of the ILEC's telecommunications network utilized to provide telecommunications services.

UNE-L - a local loop network element that is a transmission facility between the main distributing frame (MDF) in a LEC central office and the point of demarcation at an end-user's premises. This element allows for the transmission of the CLEC's telecommunication services when connected to the CLEC's switch equipment.

UNE-P - a combination of unbundled network elements (UNEs) that allow end-to-end service delivery without the requirement of CLEC-owned facilities.

VOICE OVER INTERNET PROTOCOL (VoIP) - a method of converting voice signals into data packets, which are routed over the Internet or a similar network.

WIRELESS CARRIER - any person engaged as a common carrier for hire, in interstate or foreign communications by wire or radio or interstate or foreign radio transmission of energy, including but not limited to, commercial mobile radio service (CMRS), cellular & personal cellular service (PCS) providers.

[1] Pending legislative approval of proposed OCC rules (RM 200500001), this definition will be expanded to include "eligible healthcare entities", which will include county health departments, city-county health departments and federally qualified health centers in Oklahoma.

I. BACKGROUND/PURPOSE FOR STUDY

The Oklahoma Legislature adopted Senate Concurrent Resolution 74[2] (SCR 74) on May 26, 2004. SCR 74 created the Task Force on the Deregulation of the Oklahoma Telecommunications Service Provider Industry (Task Force). The Task Force was charged with advising the Oklahoma Legislature in its efforts to determine "the necessity and feasibility of abolishing certain statutory provisions, relating to the telecommunications service provider industry in the State of Oklahoma."[3]

On November 12, 2004, pursuant to the Task Force Report issued from its October 21, 2004 meeting, the Task Force made the following recommendations:

> 1. The Task Force on the Deregulation of the Oklahoma Telecommunications Service Provider Industry recommends that the Oklahoma Corporation Commission, pursuant to its constitutional and statutory regulatory authority, continue to conduct proceedings to determine the appropriate regulation of telecommunications service providers. The Oklahoma Corporation Commission should take such actions it deems to be in the best interests of the public.
>
> 2. The Oklahoma Legislature, with its Constitutional authority to make, amend and repeal law, should continue its oversight of regulatory issues relating to telecommunications services and consider such legislative proposals it determines to be appropriate during its regular legislative session.
>
> 3. The Oklahoma Corporation Commission should, upon completion of the proceedings and actions taken pursuant to Recommendation 1 hereof, make a report to the members of the Task Force at a meeting to be called by the Chair or by such other means as the Chair determines to be appropriate, consistent with the provisions of Senate Concurrent Resolution 74.

At its October 28, 2004, Commission Signing Agenda, Staff's potential action regarding SCR 74 was discussed. Staff subsequently filed an Application[4] on December 1, 2004, to study the telecommunications industry in Oklahoma, with a focus on competition and related issues. It was further agreed that a Commission investigation into the level of competition in Oklahoma would best support the charge given to the Task Force. Upon completion of its investigation, the Commission will report its findings to the Task Force, in support of the Task Force's advisory role to the Oklahoma Legislature established by SCR 74. Staff's Study was designed to include, but not be limited to, the following:

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[2] See Appendix 1.
[3] *Report of the Task Force on Deregulation of the Oklahoma Telecommunications Services Provider Industry*, November 12, 2004, 1.
[4] Cause No. PUD 200400605.

1. Providing an overview of existing telecommunications service provider industry regulations;
2. Assessing the strengths and weaknesses of the existing industry regulations;
3. Examining how telecommunications service provider deregulation in the State of Oklahoma could impact consumers, rates, industry competition, delivery and efficiency of services, potential industry growth, research and technological advancements, telecommunications service provider industry workforce, investment by telecommunications service providers in the states, telecommunications service infrastructure, and the economy of the state;
4. Determining ways in which the State of Oklahoma can deregulate the telecommunications service provider industry that will have the greatest positive impact on consumers in terms of rates, equipment, access to services and promoting equity of competition among telecommunications service providers;
5. Ascertaining if there are any final recommendations of previous task forces, commissions, working groups, associations or other entities that have previously undertaken studies of the telecommunications service provider industry deregulation efforts within the preceding ten (10) years. The Task Force shall determine the extent to which any of such recommendations have been implemented pursuant to changes in either State law or policy, and to the extent possible, the Task Force shall determine whether the implementation of the recommendations from such prior studies was effective; and
6. Developing recommendations specifically intended to assist the Oklahoma State Legislature to determine the necessity and appropriateness of enacting legislation deregulating the telecommunications service provider industry. Such recommendations shall result in, but not be limited to:
   a. improving telecommunications services to consumers in all rural and metropolitan areas of the state,
   b. ensuring equity of rates for consumers in all rural and metropolitan areas of the state,
   c. promoting fairness in competition among the telecommunications service providers offering services in all rural and metropolitan areas of the state, and
   d. encouraging a healthy climate for economic growth in the telecommunications service provider industry throughout the State of Oklahoma.

Further, the Commission should, upon completion of the proceedings and actions taken pursuant to the charge from the Task Force, make a report to the members of the Task Force, consistent with the provisions of SCR 74.

II. SURVEY APPROACH & DESIGN

In order to collect, analyze and reconcile the data required from industry participants, Staff issued four Data Requests[5] and conducted three Technical Conferences. The Technical Conferences were open to all industry participants and the general public.

Concurrent with the filing of its Application, Staff issued Data Request (DR) #1 to all providers of telecommunications service in Oklahoma. Because the DR included questions targeted to all segments of the service provider industry, it was issued to all known carriers operating in the state. The list of 543 recipients included ILECs, CLECs, Wireless, IXCs, Resellers, OSPs and others. Staff received replies to the various data requests from 234 service providers, for an overall 43% response rate, broken down as follows:

- ✓ 76 CLECs,
- ✓ 70 Resellers,
- ✓ 45 ILECs,
- ✓ 18 IXCs,
- ✓ 9 Wireless Service Providers,
- ✓ 7 Operator Service Providers,
- ✓ 4 Inmate Service Providers,
- ✓ 2 Prepaid Service Providers,
- ✓ 2 Payphone Service Providers, and
- ✓ 1 Directory Assistance Provider.

The information requested by Staff included general input about the nature of regulations and competition in Oklahoma as well as specific data relating to revenue, line counts, capital expenditures, local rates, broadband deployment and universal service support. Staff compiled all of the comments submitted by respondents in its *Respondent Comment Matrix*.[6]

On January 19, 2005, DR #2 was issued to ILECs and CLECs to ascertain the number and types of CLECs operating in each exchange/rate center in Oklahoma. ILECs were asked to provide the name of each CLEC operating in their exchanges, along with the number of wholesale lines provided to each CLEC on a UNE-P, UNE-L or total resale basis. At the same time, CLECs were asked to identify the exchanges where they operate, the number of retail lines provided to end users in each exchange and the method of provisioning service, whether UNE-P, UNE-L, resale or via company-owned facilities. While the total number of wholesale lines reported by ILECs proved to be reasonably comparable to counts reported to the FCC, exchange-specific discrepancies could not be completely reconciled due to the fact that some CLECs objected to the ILECs providing this information and other CLECs did not respond at all.

[5] See Appendix 2.
[6] See Appendix 3.

DR #3 was issued on February 8, 2005, to examine the physical presence of carriers in Oklahoma and the level of corporate activity in attracting and retaining customers. This DR requested total annual advertising expenditures incurred to market services to Oklahoma customers, the number of business offices and permanent staff, and an explanation of any actions taken to respond to competitive market forces. On February 23, 2005, DR #4 was issued to ensure that data submitted by carriers in response to DR #2 was developed under a consistent set of assumptions.

Staff performed checks for reasonableness by comparing the DR responses to annual reports provided to the Commission, FCC reports and statistics, public filings and corporate annual reports. To ensure that the revenue analysis was not distorted, intrastate retail revenue data reported to the OUSF Fund Manager, NECA Services, Inc., was used as a proxy for 12 of the 25 largest carriers operating in Oklahoma (11 wireless carriers and 1 CLEC) that did not respond to Staff’s initial or follow-up requests for information. Additionally, due to the low response rate from wireless carriers, FCC data was incorporated into Staff’s analysis of total subscribership levels to ensure that no material statistics were excluded.

For the sake of clarity, it should be noted that Commission Rules define a “Facilities-Based Provider,” as it relates to the definition for “Competitive Test”, as an entity providing service predominantly through the use of its own facilities, including UNEs. Staff’s analysis in this proceeding followed a more granular approach and separated UNE-P, Resale and Facilities-Based CLECs. When referenced in this Study, Facilities-Based CLECs or Providers are those with company-owned facilities and UNE-P based CLECs are separately identified.

III. HISTORY OF OKLAHOMA TELECOM REGULATION SINCE 1996

Introduction

On February 8, 1996, the federal government adopted the Telecommunications Act of 1996 (amending the Communications Act of 1934). As a result, the regulatory environment in all states was fundamentally changed. In its Fiscal Year 1996 *Annual Report*, the FCC described the Federal Telecom Act:

> The Telecommunications Act reflects a bipartisan consensus that introducing competition and then deregulating America's largest monopolized markets offers numerous potential benefits for residential consumers, business users, communications companies, and the economy as a whole. The new era of competition in telecommunications promised by the 1996 Act can be one of new investment in advanced telecommunications and information technologies and services, job growth, lower prices, improved services and increased choices for consumers.[7]

Since 1996, Oklahoma has responded to the challenges posed by implementation of the requirements of the Telecom Act. Oklahoma was one of the first states to adopt comprehensive rules for certificating local service competitors. In the intervening years, the Oklahoma Corporation Commission adopted various measures to foster competition:

- ✓ Implemented provisions of the Oklahoma Telecommunications Act of 1997[8] (Oklahoma Act);
- ✓ Established and set administrative procedures for certain funds related to universal service, low-income assistance, and 911 services;
- ✓ Streamlined filing procedures;
- ✓ Approved alternative forms of regulation other than the traditional rate of return model;
- ✓ Revised procedures for managing numbering resources being depleted by competitive pressures; and
- ✓ Launched initiatives to promote high-speed data services, culminating in agreements with providers to invest in broadband deployment throughout the state.

FISCAL YEARS 1996 to 1998: RESPONDING TO THE FEDERAL TELECOM ACT (FTA)

The Oklahoma Act (originally introduced as House Bill 1815) was enacted during the 1997 session of the Oklahoma Legislature and required the Commission to take certain actions to facilitate implementation of local exchange service competition and to establish certain funds to facilitate competition and provide universal consumer access to telecommunications services.

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[7] Federal Communications Commission, *62nd Annual Report - FY 1996*, accessed at http://www.fcc.gov/Reports/ar96.pdf.
[8] O.S. 17, § 139.101.

Staff filed a Rulemaking on March 5, 1997, to adopt streamlined regulations for certain tariff changes of telecommunications providers and to adopt a rule related to alternative regulation. Other 1997 Rulemakings involved clarifying rules and procedures for long distance resellers and operator service providers, changing the requirements to obtain a certification to operate in Oklahoma, and establishing operating requirements for payphone service providers.

As a result of federal and state regulatory changes, there was a massive influx of individuals and companies seeking certification during the 1997 fiscal year. By the end of the year, the Public Utility Division (PUD) regulated 493 public utility service providers - up 138% from the total of 207 providers a year earlier.

The Oklahoma Act also required the Commission to establish and administer the Oklahoma Universal Service Fund (OUSF), the Oklahoma Lifeline Program, and the Enhanced 911 Program. Emergency rules were developed and approved by the Governor to meet the legislative requirements for these funds.

Throughout 1998, the Commission conducted hearings and processed cases dealing with the following issues required by the Federal Telecom Act:

- ✓ Interconnection agreements and arbitrations;
- ✓ SBC Oklahoma's compliance with Section 271 of the Federal Telecom Act regarding provision of interLATA service in an in-region state;
- ✓ Implementation of number portability equal access;
- ✓ Competition dockets related to costing and pricing of SBC Oklahoma services;
- ✓ Payphone service deregulation on rate changes following FCC actions; and
- ✓ Designation of federal Universal Service eligibility.

Another issue that came to prominence during 1997 was the management of limited numbering resources. Demand for phone numbers from new competitors created a shortage of useable numbers in the 405 area code, driving PUD to adopt a relief plan for the 405 Numbering Plan Area (NPA). Industry filed a Petition[9] in April 1997 to consider various relief plans, and as a result, the 580 Area Code was introduced in November 1997.

FISCAL YEAR 1999: PROMOTING A MORE COMPETITIVE ENVIRONMENT

By the end of Fiscal Year 1999, the PUD regulated 710 public utilities, continuing the trend of numerous new competitors entering the Oklahoma market.

SBC Oklahoma's efforts to obtain authorization to provide interLATA long distance service to the customers in its service territory picked up speed. The Federal Telecom Act required the FCC to consult with state commissions regarding a 14-point checklist before making a determination as to whether a Bell Operating Company (BOC)

[9] Cause No. PUD 970000171, Order No. 413671.

should be authorized to provide in-region, interLATA long distance service. In March 1999, Staff filed an Application to implement appropriate performance standards to monitor SBC Oklahoma's compliance with the standards of the FTA, which required a determination of whether BOCs were opening up their facilities to allow competitors to enter the market.

An Application was filed by Cox Oklahoma, and a joint Application was filed by SBC Oklahoma and AT&T, seeking a determination of costs and to set SBC's rates for unbundled network elements. This was a major proceeding during 1999 and resulted in a 172 page Order,[10] which established the UNE rates to be charged by SBC Oklahoma.

FISCAL YEAR 2000: MANAGING THE PUSH FOR COMPETITION: ALTERNATIVE REGULATION, THE OKLAHOMA PLAN AND PERFORMANCE MONITORING

Leaving Rate of Return Regulation Behind

Initial and amended Notices of Proposed Emergency and Permanent Rulemakings were filed August 17, and August 24, 1999, respectively, to amend OCC Rules regarding relief from rate base/rate of return regulation for telecommunications service providers. The Commission adopted the emergency and permanent Rules on October 20, 1999, which were submitted to the Governor and the Oklahoma Legislature on October 26, 1999. These Rules set forth the "Oklahoma Plan", which is an alternative regulation process for incumbent local exchange carriers (ILECs) that serve more than 75,000 access lines in the state. The Governor approved the emergency Rules on November 2, 1999, and the emergency and permanent Rules became effective on May 11, 2000.

SBC Oklahoma filed an Application on October 13, 1999, for relief from rate base/rate of return regulation and to seek approval of its Transition Plan for alternative regulation. A hearing was held before the Commission, *en banc* on November 29, 1999, wherein the parties presented a Stipulation that approved SBC's Transition Plan. A Final Order was issued by the Commission on December 10, 1999, approving the Stipulation and providing that SBC could elect to be regulated pursuant to the Oklahoma Plan, as set forth in O.A.C. 165:55.

On January 12, 2000, SBC filed a Notification of election to opt into the Oklahoma Plan and to implement the Infrastructure Development Section of the Stipulation, as set forth in the ADSL Deployment Schedule. An amended Notification of election was filed May 11, 2000, to coincide with the official adoption date of the permanent Rules. As a result, SBC set the effective date for the remaining sections of the Stipulation (Unbundled Network Elements, Service Baskets, and Ratepayer Benefits) at June 15, 2000.

[10] Final Order No. 424864.

Performance Monitoring and Opening Local Networks to Competitors

On February 13, 1998, SBC Oklahoma filed a Notice of Intent to File Section 271 Application, pursuant to the FTA. This filing was made in a Cause[11] originally filed by the Attorney General in November 1997, to explore SBC's compliance with Section 271 of the FTA. An Administrative Law Judge (ALJ) Report issued in January 1999 recommended that the Commission find SBC had not yet met all of the 14 points of the competitive checklist, and recommended that action to be taken by SBC prior to again seeking a determination from the Commission regarding SBC's compliance with the Section 271 checklist. The ALJ's recommendation was adopted by Order in August 1999.

PUD Staff was actively involved in monitoring the performance of SBC with regard to competitive local exchange issues. Staff initiated a docket in March 1999 to implement appropriate performance standards.[12] The Cause was associated with SBC Oklahoma's 271 Application in that it measured how well SBC provided services to CLECs through the use of its Operations Support Systems (OSS). An Interim Order setting appropriate performance standards was issued on July 14, 2000, with a Final Order issued in August 2001.

Several CLECs filed a joint Application[13] in March 2000, to require SBC to file a collocation tariff and to establish standard terms, conditions and rates for space provided in SBC 's central offices and other facilities. The CLECs argued that SBC was utilizing ICB pricing that resulted in some of the highest collocation rates in the nation. Following a hearing, an Order was issued in May 2000, requiring SBC to immediately file tariffs to handle requests for collocation. SBC subsequently filed a collocation tariff[14] to establish the terms, conditions, and rates for the provisioning of physical and virtual collocation. A Stipulation and Agreement on the first phase regarding terms & conditions was approved by Order in April 2001.

FISCAL YEAR 2001: COMPETITIVE ISSUES CONTINUE TO DOMINATE

Major cases involving SBC Oklahoma's compliance with provisions of the FTA were processed by PUD during Fiscal Year 2001. Some of the most important issues addressed included:

- ✓ Section 271 compliance (meeting the competitive tests necessary to receive authorization to provide in-region interLATA long distance service);
- ✓ Compliance with competitive performance standards;
- ✓ Section 272 compliance (requirements for biennial audits of SBC to determine compliance with separate subsidiary requirements for their long distance service);

[11] Cause No. PUD 970000560, Interim Order No. 434494.
[12] Cause No. PUD 990000131, Final Order No. 455827.
[13] Cause No. PUD 200000169.
[14] Cause No. PUD 200000249.

- ✓ IntraLATA Equal Access (requirement that ILECs must provide IXCs other than AT&T with transmission services equal in type, quality, and price to those enjoyed by AT&T);
- ✓ SBC's Collocation Tariff;
- ✓ Alternative Regulation Filings by SBC Oklahoma; and
- ✓ Southwestern Bell Long Distance's filing to have its interexchange long-distance services deemed competitive, pursuant to a 5-point test in O.A.C. 165:55.

Final action was taken in the Attorney General's Application[15] to explore SBC Oklahoma's compliance with Section 271 of the FTA. An Interim Order was issued in August 1999, finding that SBC had met 8 of the FCC's 14-point competitive checklist. After SBC took certain actions recommended in the Interim Order, a Final Order was issued in September 2000, recommending approval of SBC's entry into the Oklahoma long distance market. On January 21, 2001, the FCC approved SBC's Application to provide in-region, interLATA services, effective March 7, 2001.

Section 272(d) of the FTA requires a biennial audit of BOC compliance with the separate subsidiary requirements for their long distance services. PUD Staff, as part of the State Biennial Oversight Team, participated in such an audit of SBC during the 2001 fiscal year.

In May of 1998, 29 ILECs filed an Application[16] to request approval to offer 1+ IntraLATA Equal Access to all IXCs. The major issue in this proceeding was billing arrangements between the applicants and SBC Oklahoma. After lengthy discussion, a Final Order[17] was issued on September 4, 2001, ordering that the billing process agreed to by all parties for all traffic transported over SBC's Feature Group C trunks and delivered to the ILEC's facilities was a fair and reasonable solution to the billing arrangement disputes.

FISCAL YEARS 2002 to 2003: WIDE-RANGING RULEMAKINGS AND CASES

During Fiscal Years 2002 and 2003, Extended Area Service (EAS) rules were revoked and limitations were placed on promotional offerings. Major cases during the year involved requirements for SBC DSL loop conditioning, further action on SBC's obligations for physical and virtual collocation, SBC gaining competitive status for national Directory Assistance, increased activity on numbering resource optimization, action on Valor Telecommunications' Application to add a surcharge to its local service rate, and a change to the local Directory Assistance free call allowance.

A Notice of Proposed Rulemaking was filed on February 6, 2002, to clarify the information required in an Application for a Certificate of Convenience and Necessity. This Rulemaking also proposed to limit promotional offerings to a maximum of one year. Revised Rules were adopted by the Commission and approved by the Governor.

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[15] Cause No. PUD 970000560.
[16] Cause No. PUD 980000263.
[17] Final Order No. 455901.

A Notice of Proposed Rulemaking was filed on February 15, 2002, to revise the EAS rules.[18] As a result of industry comments during the Rulemaking, the Commission revoked the EAS rules in their entirety, with only existing EAS arrangements remaining in place.

Pursuant to the FCC's approval of the SBC/Ameritech merger, SBC was required to "file with state commissions cost studies and proposed rates for conditioning loops used in the provision of advanced services, prepared in accordance with the methodology contained in the Commission's pricing rules for UNEs."[19] As a result, SBC filed an Application[20] on March 31, 2000, seeking approval of nonrecurring rates for conditioning unbundled DSL capable loops to be incorporated into all applicable interconnection agreements between SBC and CLECs. A Final Order was issued on July 6, 2001, establishing permanent loop conditioning rates to be used in Oklahoma's O2A general interconnection agreement and in other negotiated interconnection agreements. It was further ordered that: (1) there would be no true-up of loop conditioning rates for any lines conditioned by SBC prior to July 6, 2001; (2) rates would not include the cost for the reinstallation of bridge taps; and (3) rates would replace all interim loop conditioning rates contained in any currently effective interconnection agreements.

SBC filed an Application[21] to seek a waiver of Commission Rules, and to reclassify local Directory Assistance Service and National Directory Assistance (NDA) Service as competitive. On October 24, 2001, SBC filed an amended Application to withdraw its request to have local Directory Assistance declared competitive. Additionally, SBC sought to revise its tariff to reduce its call completion rate from $0.25 to $0.10. On October 26, 2001, SBC filed a Second Amended Application to eliminate the proposed above-referenced tariff revision but still sought the reclassification of NDA Service as competitive. A Final Order was issued on November 15, 2001, granting SBC Oklahoma's request for the reclassification of NDA services.

The North American Numbering Plan Administrator (NANPA) filed Applications with the OCC in 2000, to request that area code relief plans, in the form of area code overlays, be adopted for Oklahoma. This action was necessary because projections showed that the supply of numbers in the 918 and 405 area codes would exhaust in the third quarter of 2002. Approval of these actions would have resulted in mandatory 10-digit dialing for local calls in the 918 and 405 areas. Subsequently, the OCC requested and received interim authority from the FCC in March 2001 to implement 1000-block number pooling trials. Using this authority, 1000-block number pooling was implemented

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[18] RM 200200007.
[19] Applications of Ameritech Corp., Transferor, and SBC Communications, Inc., Transferee, For Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95, and 101 of the Commission's Rules, CC Docket 98-141, *Memorandum Opinion and Order*, FCC 99-279 (rel. Oct. 8, 1999) ("*SBC/Ameritech Merger Order*").
[20] Cause No. PUD 200000192.
[21] Cause No. PUD 200100277.

in the 405 area code on March 13, 2002. The FCC adopted a national system for implementing pooling in early 2002, and as a part of that system, pooling was implemented in 918 area code on May 7, 2002. NANPA released updated information on June 5, 2002, indicating that the projected number exhaust in each of Oklahoma's area codes had been changed and that the exhaust date for the 405, 918 and 580 area codes had been extended farther into the future. NANPA credited the implementation of 1000-block number pooling for the extending the life of the numbering resources.

On March 29, 2002, Valor filed an Application[22] for a general rate change. As part of its filing, Valor requested authorization to assess customers a $1.86 surcharge, which would concurrently replace the $1.86 network modernization surcharge that would be discontinued on approximately May 31, 2002, in accordance with an Order[23] that was issued on November 18, 1999. On May 6, 2002, an Order was issued to grant Valor's request for interim relief by approving a new "Interim Charge" to replace the $1.86 Network Modernization surcharge. A Final Order was issued on November 22, 2002, approving the Settlement Agreement. In addition, the Commission required Valor to: (1) provide documentation and confidential information regarding its response to quality of service concerns raised by its customers, and (2) comply with requirements of the Order by conducting town meetings and satisfying service quality measurements.

FISCAL YEAR 2004: TRIENNIAL REVIEW ORDER AND LESS REGULATION

The FCC issued the Triennial Review Order[24] (TRO) on August 21, 2003. PUD Staff filed an Application[25] on October 10, 2003, to address the objections of CLECs and to develop a transition plan for CLECs to transfer their DS1 enterprise market customers to an alternative service arrangement within ninety (90) days from the end of the state consideration period. A Final Order[26] was issued on December 22, 2003, ordering that the plan proposed by SBC to transition existing CLEC enterprise customers from unbundled switching to alternative arrangements was acceptable and that the Cause be closed with no further action.

A new Application,[27] which is still pending at time of this Study, was filed on October 28, 2003, to initiate a proceeding for the implementation of the TRO. Under the terms of the TRO, the Commission was authorized to conduct impairment analysis in several different arenas of unbundled network elements. Staff established three tracks of inquiry to make determinations regarding the following issues in its evaluation of impairments experienced by competitive carriers serving the mass market:

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[22] Cause No. PUD 200200057.
[23] Cause No. PUD 980000311.
[24] Federal Communications Commission, CC Docket Nos. 01-338; 96-98; 98-147.
[25] Cause No. PUD 200300615.
[26] Final Order No. 484256.
[27] Cause No. PUD 200300646.

- ✓ Track 1 – Identify where competing carriers are not impaired even without access to unbundled local circuit switching for mass-market customers on a market-by-market basis.
- ✓ Track 2 – Along with Arkansas, Kansas, Missouri, and Texas, approve a regional batch hot-cut process and determine whether the absence of such a process results in impairment in any particular geographic market.
- ✓ Track 3 – Identify where competing carriers are not impaired even without unbundled high capacity loops on a customer location specific basis. Identify where competing carriers are not impaired without unbundled transport on a route-specific basis.

Atlas Telephone Co., *et al.* (32 ILECs) filed a joint Application[28] on February 19, 2002, for authorization to reduce the monthly allowance of directory assistance (DA) calls from five to three free calls per month and to increase the charge per DA call. Staff filed direct and supplemental testimony recommending that the free call allowance be reduced from five to three. A Final Order[29] was issued on November 6, 2003, approving the proposed reduction of the monthly free call allowance.

On March 1, 2002, Cox Communications filed an Application[30] to reduce its monthly allowance of free DA calls from five to three effective July 1, 2002, and to eliminate the monthly allowance completely, effective January 1, 2003. The ALJ recommended an Interim Order reducing the free call allowance from five to three for three months, and then from three calls to one call for three months. After such time, Cox would have to prove a revenue loss at one free call allowance before the request to eliminate it would be approved. Staff opposed the recommendation to reduce the call allowance beyond three calls per month. Staff and Cox subsequently reached an agreement to reduce the call allowance from five to three for both residential and business customers. The Cause was reopened upon oral Motion of the ALJ, and a hearing was held on November 26, 2002, announcing the settlement, but the Order was held in abeyance at that time. Cox requested that the record be reopened (which was heard and recommended on June 3, 2003) for the purpose of withdrawing the settlement due to a change in circumstances resulting from the on-going Rulemaking[31] proceeding. A Final Order[32] was issued on September 11, 2003, granting the Cox request.

On June 21, 2002, SBC filed a similar Application[33] to request a reduction in the free DA call allowance for residential customers from five to three, and for business customers from five to zero. Staff filed direct and supplemental testimony in August and recommended that the free call allowance be reduced to three monthly calls for residential

[28] Cause No. PUD 200200093.
[29] Final Order No. 482350.
[30] Cause No. PUD 200200120.
[31] RM 200300005.
[32] Final Order No. 480253.
[33] Cause No. PUD 200200310.

customers and one for businesses. SBC adopted Staff's recommendation and a Final Order[34] was issued on November 21, 2003, approving SBC's request.

Summary

Since 1996, the OCC has responded to the challenges of the FTA and has created a more flexible regulatory environment. Rules have been modified, no less than annually, through a collaborative process between Staff, the Attorney General, industry and the general public. Hundreds of new market entrants have been certificated to provide service in Oklahoma, primarily in the long distance market but also in the local exchange market. Alternative regulations have been adopted as a means to move away from the traditional rate of return regulatory regime. The PUD has also been proactive in addressing issues related to the collocation of competitors' equipment in ILEC facilities, relaxing regulations on Directory Assistance (both national and local), and avoiding mandatory 10-digit local dialing by aggressively optimizing the limited numbering resources. Many changes have taken place since the FTA was passed in 1996 and this Commission has responded with proactive, rational and controlled deregulatory actions designed to promote a more competitive marketplace.

[34] Final Order No. 482886.

IV. STRENGTHS & WEAKNESSES OF CURRENT REGULATIONS

Oklahoma Administrative Code (O.A.C.), Title 165, Chapter 55 is the portion of the Rules that governs the providers of local telecommunications services. In 1995, the Commission initiated a Rulemaking[35] to craft rules that would facilitate the emergence of competition in the local telecommunications market. During the subsequent years, additional rule modifications were instituted to promote competition and to respond to Orders and decisions issued by the Federal Communications Commission, as well as to implement state legislative actions.

The OCC Rules that were implemented in 1996 provided for streamlined tariff approval for interexchange services and outlined tariff revision requirements for service providers. In an effort to accommodate the needs of market participants, the Commission modified the certification process for providers of telecommunications service and the procedures for tariff revisions. The certification process and, for some types of filings, the tariff revision process, have been streamlined from the old methodology that required a Commission Order for approval to the current approach wherein Applications become effective automatically upon filing, subject to suspension by action of the Commission or by the filed Objection of another service provider. Due to the changing needs of the market, the intent of the recent Rulemakings has been to decrease the tariff approval timelines along with the filing burden on carriers. This streamlined approach permits service providers to be more responsive to customer needs while reducing the overall cost of doing business in Oklahoma.

Strengths of OCC Rules

Commission Rules are reflective of both federal and state mandates. The Rules are the result of hundreds of hours of industry and Staff time spent participating in Telecommunications Advisory Group (TAG) meetings and technical conferences. Comments filed by providers of telecommunications services, the Attorney General and any other interested parties are considered and Rules are ultimately approved after conducting hearings that are open to the public. OCC Rules are developed through a collaborative process that is intended to be participatory and responsive to changes in the business environment.

The most recent OCC-approved telecommunications Rules,[36] which are scheduled to become effective on or about July 1, 2005, are representative of the continued endeavor to reduce regulatory lag. The tariff revision approval process has been further streamlined and carriers are provided with greater flexibility in offering promotions and entering into Individual Case Basis (ICB) contracts. For example, these new rules reduce the ICB reporting burden by only requiring companies to submit a quarterly list of all ICBs signed rather than submitting copies of all contracts, along with detailed cost information, as required by the current process. The Commission will maintain oversight through the ability to audit a sample of ICBs and, if necessary, to suspend a carrier's ability to offer

[35] RM 950000019.
[36] RM 200400014.

ICBs but in the normal course of business, service providers will enjoy less burdensome reporting requirements.

The new Rules also further streamline the IXC tariff filing process in recognition of the fact that long distance services are currently treated as competitive. The latest changes were made so that tariff revisions for these competitive services will become effective in 1 day, rather than 30 days. In addition, timelines for other types of tariff revisions were reduced from either 45- or 60-day review periods to a consistent and shorter 30-day time frame.

Areas for Potential Improvements of OCC Rules

OCC Rules are regularly revised to be consistent with Federal and State legislative and regulatory mandates, but there is not always sufficient time available to evaluate the possible unintended effects of these mandated changes on interrelated sections of the Rules, or on the industry as a whole. In addition, pending changes sometimes result in an inability to effectuate a timely change in OCC Rules until decisions are made at the federal level. This delay may, in turn, negatively impact the providers of telecommunications service operating in Oklahoma.

Another area for potential improvement is to develop rules designed to attract more competitors to the state. The absence of a vigorously competitive local telecommunications market has necessitated the continuance of many rules that could otherwise be removed, or at least managed within a lighter regulatory framework.

The regulatory model itself provides a third area for potential improvement. The traditional framework requires formal, and often cumbersome, legal procedures that slow the pace of change and the ability to react to customer needs. A move towards more flexible and proactive regulatory processes that can change at the speed of the marketplace would reduce the regulatory burden on carriers as well as consumers.

V. ECONOMIC IMPACT OF DEREGULATION ON INDUSTRY & CONSUMERS

In order to assess the potential economic impacts of deregulation, it is first necessary to define the relevant terms. Deregulation is "the act or process of removing restrictions and regulations."[37] Referring back to the discussion in Section III, the OCC has taken many deregulatory actions over the past 10 years to remove unnecessary restrictions and regulations, when appropriate. In general terms, there are many types of deregulatory actions, which are normally taken in recognition of, or with the goal of moving a market closer to, a state of competition. Yet even competition can be defined in many ways, with examples such as "effective" and "workable."

Alfred Kahn, Professor of Political Economy, Emeritus at Cornell University, has written several books about regulation and deregulation. Kahn addresses "effective competition" by stating that it cannot be simply measured along a single linear scale running from pure monopoly at one end to pure competition at the other - the latter characterized by an infinite number of sellers, complete independence of action, perfect standardization of products, zero governmental intervention, and zero monopoly power. The main reasons why pure competition is in fact not ideal are familiar: (1) economies of scale in production and distribution will typically require that sellers (and buyers) be larger in size and fewer in number than would be consistent with an utter absence of monopoly (or monopsony) power; (2) consumers want variety in product and service qualities and characteristics, which means that there cannot always be a large number of sellers of the same (standardized or undifferentiated) product; (3) effective innovation may, similarly, require firms too large and, hence, too few in number for monopoly power to be completely absent, and may require monopoly profits to finance the necessary innovative effort and to reward the successful innovator; and (4) competitive structure may, in the presence of serious imperfections of competition, be too pure in other respects - entry too free and rivalry too intense - for optimum performance. Kahn adeptly summarizes by stating, "there are no simple, scientific rules; in each context the formulation of good policy calls for informed judgment - a judicious balancing and appraisal of often conflicting considerations and predictions." [38]

The FCC has also developed a definition of "effective competition" as it relates to the cable industry.[39] Competition in this context is considered to be effective if any one of the four following conditions is satisfied:

A. Fewer than 30% of the households in the franchise area subscribe to cable service;
B. The franchise area is

[37] Merriam-Webster Online, accessed at http://www.m-w.com/cgi-bin/dictionary?book=Dictionary&va=deregulation.
[38] Kahn, A. (1998). *The Economics of Regulation: Principles and Institutions*, New York: Wiley & Sons, 114-115.
[39] 47 U.S.C. 543(l)(1).

(i) served by at least two unaffiliated multichannel video programming distributors, each of which offers comparable video programming to at least 50% of the households in the franchise area, and

(ii) the number of households subscribing to multichannel video programming services offered by distributors other than the largest multichannel video programming distributor exceeds 15% of the households in the franchise area;

C. A multichannel video programming distributor operated by the franchising authority for that franchise area offers video programming to at least 50% of the households in that franchise area; or

D. A local exchange carrier or its affiliate (or any multichannel video programming distributor using the facilities of such carrier or its affiliate) offers video programming services directly to subscribers by any means (other than direct-to-home satellite services) in the franchise area of an unaffiliated cable operator which is providing cable service in that franchise area, but only if the video programming services so offered in that area are comparable to the video programming services provided by the unaffiliated cable operator in that area.

Another definition of competition, labeled "workable competition", is offered by the National Regulatory Research Institute (NRRI), as having two primary aspects: one is that the behavioral and structural characteristics of pure competition might not be met, but the deviations are of little economic consequence; the other is that even where these deviations have significant economic consequences, there may be other economic benefits that outweigh the costs of anticompetitive behavior.[40] The primary point of the authors is that although a market may not be purely competitive, "workable" conditions generate a net benefit to society such that any additional gains from becoming more competitive may not outweigh the additional costs.

The economic impact of deregulation on an industry is interrelated with the impact on consumers, especially regarding the level of customer choice. In early 2004, Harry Trebing, Professor Emeritus at Michigan State University, discussed the pros and cons of telecom deregulation by pointing out that free market proponents rely on the dynamics of telecommunications technology to create a stable and competitive marketplace. For example, wireless networks will challenge wireline networks and VoIP will challenge incumbent carriers. However, he goes on to state that "this simplistic argument totally ignores the resurgence of merger activity among major telecom players that could easily introduce greater concentration in the industry. RBHCs (Regional Bell Holding Companies) have demonstrated renewed interest in acquiring AT&T and its spun-off

[40] National Regulatory Research Institute. *Determining When Competition is "Workable": A Handbook for State Commissions Making Assessments Required by the Telecommunications Act of 1996*, NRRI 96-19, July 1996, 7.

affiliate, AT&T Wireless. If successful, these deals would reestablish oligopolistic interdependence and conscious parallelism in pricing will again prevail."[41]

Now that Cingular, which is a 60/40 venture between SBC and BellSouth, has acquired AT&T Wireless, and SBC is in the process of attempting to close its acquisition of AT&T, the industry concentration predicted by Trebing is becoming a reality. But even Trebing's prophetic claims did not contemplate the additional merging of MCI with either Qwest or Verizon, which will further collapse the industry if a deal is consummated. The question becomes whether or not a more concentrated industry will result in price leadership, or conscious parallelism, wherein the price maker increases prices and the price takers immediately follow suit. If so, consumers could stand to be the losers.

Market Concentration

Market concentration is a function of the number of firms in a market and their respective market shares, and is therefore an excellent indicator of effective competition. The Herfindahl-Hirschman Index (HHI) is commonly used to measure market power, or competition among firms, especially during the regulatory review of potential mergers and acquisitions. The HHI is used by the U.S. Department of Justice, the Federal Energy Regulatory Commission, the U.S. General Accountability Office, the Economic Assessment Office of the National Institute of Standards and Technology, the Federal Trade Commission, the Environmental Protection Agency, and the European Union to assess the concentration of markets.

The HHI ranges from a minimum of close to zero to a maximum of 10,000.[42] The spectrum of market concentration values as measured by the HHI is broken into three regions that can be broadly characterized as "Unconcentrated" (HHI < 1,000), "Moderately Concentrated" (1,000 <= HHI <=1,800), and "Highly Concentrated" (HHI > 1,800). For example, if only one company were operating in a market, its share would be 100%, and the HHI would equal (100^2) or 10,000, indicating a monopoly. The closer a market is to being a monopoly, the higher that market's concentration. Conversely, if there were a very large number of firms competing, each of which has a market share close to zero, the HHI would also be close to zero, indicating nearly perfect competition.

As discussed in greater detail below, the airline industry was deregulated in 1978. For a period of time subsequent to deregulation, entry by new airlines and the expansion of regional lines increased the number of effective competitors. Beginning in 1986, mergers, acquisitions and bankruptcies shrank the industry and it became even more

[41] Trebing, H. (2004). Assessing Deregulation: The Clash Between Promise and Reality. *Journal of Economic Issues*, 38, 1.

[42] The computational formula of the statistic is HHI = $\sum_{i=1}^{n} S_n^2$, where n is the number of competitors in the market. In other words, the HHI equals the sum of the squared values of each competitor's market share.

concentrated than prior to deregulation. Figure 1 shows the number of effective competitors[43] from 1978 to 1994.

Figure 1 – Airline Industry Concentration[44]

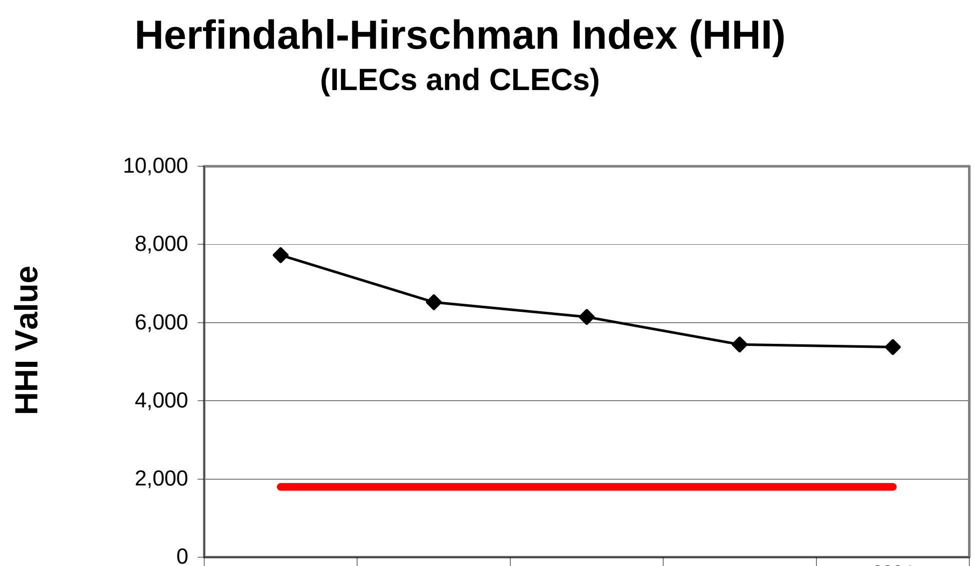
Source: Morrison, S. & Winston, C. (1994). *The Evolution of the Airline Industry*.

A lower number of effective competitors (or an increase in industry concentration) means there is less pressure on competing firms to lower prices. To this point, Borenstein[45] found that the average fare per mile is higher for travelers whose origin or destination is a carrier's major hub because there is little competitive threat to the dominant carrier. Further, a study of 27 mergers from 1985 to 1988 showed that the merging airlines raised fares by an average of 9.4% on routes for which the pre-merger companies competed. Rival airlines on the same routes responded by increasing their fares by an average of 12.2%, so the impact on consumers was that a more concentrated industry led to higher prices.

PUD Staff performed a similar analysis and calculated the HHI values for Oklahoma local wireline companies using the ILEC and CLEC total reported intrastate retail revenue for 2000 through 2004, as shown in Figure 2 below.

[43] The number of effective competitors is defined as ((1/HHI)*10,000).
[44] Morrison, S. & Winston, C. (1994). *The Evolution of the Airline Industry*, Manuscript, Boston, MA: Northeastern University.
[45] Borenstein, S. (1992). The Evolution of U.S. Airline Competition. *Journal of Economic Perspectives*, 6, 45-73.

**Figure 2 – Herfindahl-Hirschman Index[46]
(Oklahoma Local Wireline Carriers)**



	2000	2001	2002	2003	2004 (Annualized)
HHI	7,721	6,524	6,148	5,444	5,380
Threshold Value	1,800	1,800	1,800	1,800	1,800

The HHI values for the Oklahoma local wireline market range from 7,721 in 2000 to 5,380 in 2004. The data indicates that while the level of market concentration has decreased since the year 2000, it still significantly exceeds the threshold value of 1,800 and falls into the "Highly Concentrated" category. Further, the rate of decline in HHI decreased significantly between 2003 and 2004. Using the same calculation for the number of effective competitors as was presented for the airline industry in Figure 1, the 2004 HHI value of 5,380 for the Oklahoma local wireline market equates to 1.86 effective competitors [(1/5380)*10,000 = 1.86]. The overall results demonstrate that Oklahoma local wireline market power is still very concentrated and the recent leveling off the HHI value warrants additional monitoring of this trend.

Arguing from a completely different perspective, it could be called into question whether or not sound economic policy justifies supporting multiple service providers if free market forces do not drive the final outcome. Robert Crandall, a Senior Fellow in Economic Studies at the Brookings Institution, Allan Ingraham, Senior V.P. at Criterion Auctions and Hal Singer, Senior V.P. at Criterion Economics, concluded that the share of facilities-based CLEC lines is lower in states where the UNE rental rates are lower, which suggests that unbundling decreases facilities-based competition in the short term. The authors also found that the change in facilities-based investment over time indicates that

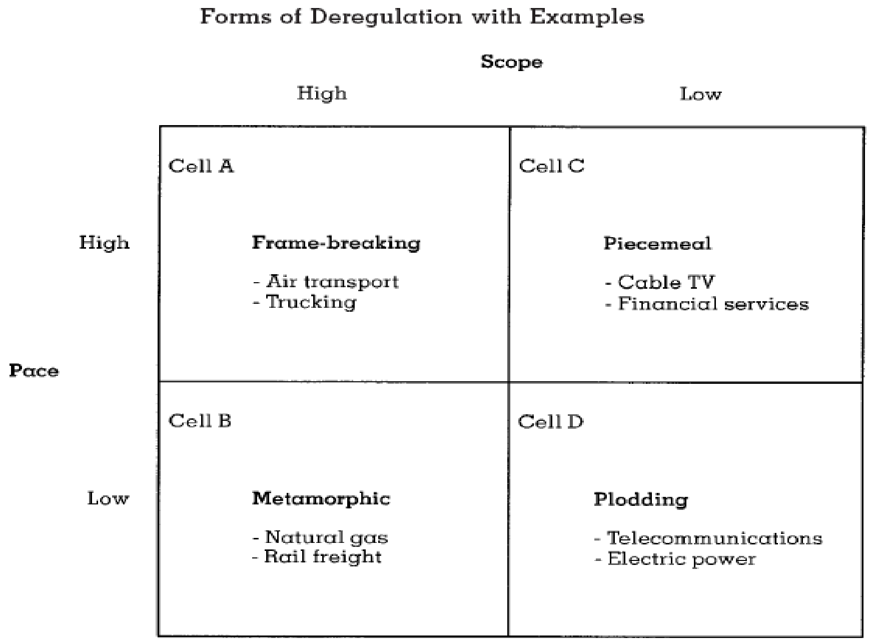
46 Based on revenue data collected in Cause No. PUD 200400605.

facilities-based line growth relative to UNE growth was faster in states where the cost of UNEs was higher relative to the cost of facilities-based investment.[47] In other words, if UNE prices are low, CLECs tend to compete via UNEs rather than incurring investment costs. Yet the Federal Telecom Act authorized UNEs as a means of entry for CLECs that would allow sufficient time to gain an understanding of the market and to gradually make the necessary investments, not as a long-term alternative to investment. Trevor Roycroft, an associate professor at Ohio University, drew similar conclusions based upon his empirical analysis of local exchange entry in SBC's California territory. Roycroft found that higher UNE loop prices and higher costs of self-provisioning lead to lower levels of competitive entry by CLECs.[48] The results are intuitively logical but also raise the question of whether a conscious decision by CLECs to not become facilities-based competitors is a contributing factor to the sustained high level of local wireline market concentration.

When market indicators warrant a move towards deregulation, the process used to transition to an unregulated environment can significantly impact the end results. Bongjin Kim, an assistant professor of Strategic Management at the University of Texas and John Prescott, the Chair of Strategy at the University of Pittsburgh, researched the role of government in transitioning away from a regulatory regime. As part of this process, the government replaces itself as an intermediary in the principal-agent relationship with market-driven corporate governance; the burden in managing agency problems shifts away from regulatory agencies and to firms. The authors claim that the form of deregulation employed within an industry is directly related to the degree of variation in the speed of governance adaptation. Similar to Kahn's line of thinking, Kim and Prescott state that the extent of economic deregulation needs to be viewed as a continuous construct, since regulation is a matter of degree, rather than all or none.[49] The authors go on to describe four forms of deregulation, driven by the pace and scope of change, with industry examples for each type, as shown below.

[47] Crandall, R., Ingraham, A. & Singer, H. (2004). Do Unbundling Policies Discourage CLEC Facilities-Based Investment? *Topics in Economic Analysis & Policy,* 4, 1.
[48] Roycroft, T. (2005). Empirical Analysis of Entry in the Local Exchange Market: The Case of Pacific Bell. *Contemporary Economic Policy*, 23, 1.
[49] Kim, B. & Prescott, J. (2005). Deregulatory Forms, Variations in the Speed of Governance Adaptation, and Firm Performance. *Academy of Management Review*, 30, 2, 414-425.

Figure 3 – Forms of Deregulation



Source: Kim & Prescott, Deregulatory Forms, Variations in the Speed of Governance Adaptation, and Firm Performance, p. 417.

Frame-breaking deregulation relates to a situation where the scope of deregulation is very broad and implemented at a fast pace of change, similar to what was experienced with deregulation of the airline industry. The Metamorphic form equates to a very broad depth and scope of deregulation implemented at a slow pace. Piecemeal deregulation is defined by a low breadth and depth of deregulation at a high pace of implementation. Finally, Plodding deregulation is identified as a situation where both the breadth and pace of change are low. The general premise of the authors is that broader and faster deregulation results in quicker adaptation of internal governance by firms.

Lessons Learned – Telecommunications Deregulation

The Federal Communications Commission (FCC) is an independent executive agency of the U.S. government, established in 1934 to regulate interstate and foreign communications in the public interest. The FCC's jurisdiction includes, among other things, telegraph and interstate telephone companies; cellular telephone and paging systems; satellite facilities; and cable companies.

In 1963, Microwave Communications, Inc. (MCI) petitioned the FCC to allow the company to enter the St. Louis-Chicago market and to become the first common carrier competitor of AT&T. In 1969, the FCC approved MCI's application and began to pursue a policy of partial deregulation by allowing market entry but continuing to regulate rates. Effective January 1, 1984, following an antitrust case by the Department of Justice, AT&T

agreed to divest its 22 telephone operating companies, which were divided into seven RBOCs. The seven RBOCs have since merged into the four remaining regional companies, Verizon, BellSouth, SBC and Qwest. The RBOCs were each assigned Local Access and Transport Areas (LATAs) but were restricted from providing interLATA service. In return for divestiture, AT&T was permitted to keep its long distance service and to enter unregulated markets.

Congress passed the Telecommunications Act of 1996 in January 1996. According to the FCC, "the Telecommunications Act of 1996 is the first major overhaul of telecommunications law in almost 62 years. The goal of this new law is to let anyone enter any communications business -- to let any communications business compete in any market against any other."[50] Among other things, the restriction placed on RBOCs from providing interLATA services would be lifted once the companies demonstrated that they had fulfilled the requirements of the FTA. SBC Oklahoma was granted this approval by the OCC in September 2000 and the FCC approved SBC's offering of in-region, interLATA services beginning in March 2001. The long-term success or failure of this legislation to open local phone markets to competition and to increase the competitiveness of long distance services is yet to be determined.

<u>Pros of Telecom Deregulation:</u>

- Deregulatory actions at the federal and state levels have provided an impetus for policy analysis and reviews of competition.
- Long distance prices have significantly declined.
- Consumers have an increased number of choices of service providers and service offerings.
- Wireless services have grown dramatically under minimal regulation.

<u>Cons of Telecom Deregulation</u>:

- RBOCs have retained a dominant share of the local exchange market while aggressively moving to challenge the long distance, data, broadband, and wireless markets.[51]
- Some of the "decline" in long distance prices was the result of shifting costs from long distance to local subscribers.
- Pure research in the field of telecommunications may ultimately suffer.[52]
- End-user and carrier-to-carrier quality of service is often negatively affected.

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[50] Federal Communications Commission. *Telecommunications Act of 1996*. Accessed at http://www.fcc.gov/telecom.html#fcc.
[51] Trebing, H. (2004). Assessing Deregulation: The Clash Between Promise and Reality. *Journal of Economic Issues*, 38, 1, 1-27.
[52] Id.

Lessons Learned – Other Industries

Railroads & Trucking

The Interstate Commerce Act of 1887[53] created the Interstate Commerce Commission (ICC) to oversee the conduct of the railroad industry. The ICC was an independent government agency and was the first regulatory commission in the United States. Under lobbying pressure from the railroads, the Motor Carrier Act of 1935 was passed and the ICC was given additional jurisdiction over trucking, bus lines, freight forwarders, water carriers, oil pipelines, telegraph, telephone, wireless, and cable companies. By the late 1970's, the railroad companies were lobbying for reduced regulatory control and full deregulation came with the passage of the Staggers Rail Act of 1980 along with the Motor Carrier Act of 1980. These Acts gave the railroads freedom in setting rates, except where "market dominance" was present, and allowed for free market entry and exit. The following pros and cons were developed based on analysis provided by Carlton & Perloff[54] and Viscusi, Vernon & Harrington,[55] authors of various textbooks on economics and industrial organization.

Pros of Railroad Deregulation:

- The rate per ton-mile for (Class 1) railroads decreased 18% and operating expenses fell 29% during the first 4 years after deregulation; per ton-mile rates decreased a total of 34% by 1990.[56]
- Efficient firms expanded and more effectively employed resources. Boyer[57] estimated efficiency gains at $93 million, and Barnekov & Keit[58] estimated total societal benefits in the billions of dollars.
- Cross-subsidization was eliminated.

Cons of Railroad Deregulation:

- Monopolistic rates may still exist in less competitive areas. [A case in point is a study performed by the Department of the Interior,[59] which found that railroads serving Montana and Wyoming coal fields were "monopolistically"

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[53] Act of February 4, 1887 (Interstate Commerce Act), Public Law 49-41, February 4, 1887.
[54] Carlton, D. & Perloff, J. (1994). *Modern Industrial Organization*, 2nd Ed., New York: Harper Collins.
[55] Viscusi, W., Vernon, J. & Harrington, J. (1998). *Economics of Regulation and Antitrust*, 2nd Ed., Cambridge, MA: MIT Press.
[56] Lee, T., Baumel, C. & Harris, P. (1987). Market Structure, Conduct, and Performance of the Class 1 Railroad Industry: 1971-1984. *Transportation Journal*, 26, 54-66.
[57] Boyer, K. (1987). The Costs of Price Regulation: Lessons from Railroad Deregulation. *Rand Journal of Economics*, 18, 408-416.
[58] Barnekov, C. & Kleit, A. (1988). The Cost of Railroad Regulation: A Further Analysis. *Federal Trade Commission, Bureau of Economics Working Paper No. 164*.
[59] Welles, C., Payne, S., Segher, F. & Ichniowski, T. *Is Deregulation Working?* Business Week, December 22, 1986.

charging rates. When a competitor ran a spur line at 20% lower rates, the incumbent railroad immediately reduced rates by 20%.]

Pros of Trucking Deregulation:

- Led to increased competitive entry, greater efficiency, and lower trucking shipping rates. Keeler[60] found that efficient firms expanded to optimal size, which allowed them to take advantage of economies of scale.
- Safety improved. Moses & Savage[61] found that the frequency of accidents fell 31%, from 100 in 1978 to 69 in 1987; and that auto fatalities in truck-related accidents per mile of automobile usage fell by 21% from 1978 to 1985.
- Union wages fell relative to non-union wages. Rose[62] conducted a study that showed the differential between union and non-union wages fell from a 50% mark-up for union drivers before deregulation to only 30% after deregulation.

Cons of Trucking Deregulation:

- Unintended negative societal spillover effects included increased highway trash and clutter, increased road and bridge maintenance, and increased pollution.

As an avid proponent of deregulation and free markets, Milton Friedman, Distinguished Service Professor Emeritus of Economics, University of Chicago, states that if the ICC had never been established and market forces were permitted to operate, the U.S. would have a far more satisfactory transportation system today. The whole shape of the transportation industry might be radically different, involving perhaps much greater use of combined modes of transport. Friedman summarizes by stating that a major argument for letting market forces work is the very difficulty of imagining what the outcome would be. The one thing that is certain is that no service would survive that users did not value highly enough to pay for – and pay for at prices that yielded the persons providing the service a more adequate income than alternative activities open to them.[63]

[60] Keeler, T. (1989). Deregulation and Scale Economies in the U.S. Trucking Industry: An Econometric Extension of the Survivor Principle. *Journal of Law and Economics*, 32, 229-255.
[61] Moses, L. & Savage, I. (1987). Transportation Deregulation and Safety: Summary Report on a Conference. *Transportation Deregulation and Safety,* Evanston, IL: Northwestern University.
[62] Rose, N. (1987). Labor Rent Sharing and Regulation: Evidence from the Trucking Industry. *Journal of Political Economy*, 95, 1146-1178.
[63] Friedman, M. (1980). *Free to Choose: The Classic Inquiry into the Relationship Between Freedom and Economics*. San Diego, CA: Harcourt, 202-203.

Airlines

In the late 1970's, the Civil Aeronautics Board (CAB) began to deregulate the airline industry and permit free entry for certificated carriers to selected routes. Several major airlines were in the process of initiating lawsuits against the CAB for violating its Congressional mandate by allowing too much competition when Congress passed the Airline Deregulation Act of 1978 (Airline Act). The Airline Act removed the pricing and route oversight responsibilities from the CAB and deregulated the industry.

The proponents of deregulation argued that a dramatic fall in travel prices would be realized after deregulation. They further asserted that a deregulated airline industry would be contestable due to the fact that planes can be moved easily to different locations (this is not the case where a natural monopoly exists, as duplication is not efficient). It was argued that many potential entrants for each air route would materialize because existing regulations prevented competitive entry. Proponents also stated that deregulated firms could offer higher quality and more customer-responsive mixes of service. Opponents to deregulation included the incumbent airlines and their unions. The opponents claimed that deregulation would lead to widespread economic harm and that air travel would become unsafe but a review of the facts since airline deregulation does not support these allegations.

Pros of Airline Deregulation:

- Fares fell even though consumer choices increased.
- Passenger travel increased, with average passenger miles more than doubling from the late 1970s to 1990.[64]
- Increased innovation led to implementation of a more efficient and logistically-sound, hub and spoke system.
- No decline in safety despite increased air and ground traffic.
- The number of effective competitors on individual routes rose by about 30% between 1978 and 1988.[65]

Cons of Airline Deregulation:

- Congested airports, frequent delays, poor customer service and less comfortable flights have resulted in an effort to increase per-flight revenue.
- Full fares, from which the average discount is calculated, have risen farther than would likely have been the case under regulation.
- Air and noise pollution have increased.
- The number of effective competitors decreased significantly. In 1986, there were 11.8 effective competitors compared to 7.8 in 1994.[66]

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[64] Koretz, G. *Why Booking Air Travel Isn't Lifting Airlines*. Business Week, October 12, 1992.
[65] Morrison, S. & Winston, C. (1990). The Dynamics of Airline Pricing and Competition. *American Economic Review*, 80, 389-393.

- The four-firm concentration ratio[67] for the U.S. airline industry was 56.2% in 1977, prior to deregulation, and 61.5% in 1990, after deregulation.[68] This is indicative of a less, rather than more, competitive market and resulted in opportunities for entry barriers such as predatory pricing and near-monopoly control over access to gates at the airports.

As a supplement to Staff's analysis, Appendix 6 includes a summary of various competition studies conducted by other states and Appendix 7 summarizes the deregulatory activities currently being pursued in other states. Subsequent to Staff's development of this supplemental information, the Governor of Idaho signed into Law[69] legislation allowing Qwest to elect to have all or part of its services excluded from regulation over a 3- to 5-year transition period, subject to price cap limitations. Idaho's new law will go into effect on July 1, 2005. Additionally, the Alabama Senate recently voted to approve a Bill[70] that would eliminate certain services and bundled telecom packages from Public Service Commission oversight.

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[66] Morrison, S. & Winston, C. (1994). *The Evolution of the Airline Industry*, Manuscript, Boston, MA: Northeastern University.

[67] The four-firm concentration ratio is the proportion of total output in an industry that is produced by the four largest firms. It is commonly used to indicate the degree to which an industry is oligopolistic and how market control is held by the four largest firms in the industry.

[68] Borenstein, S. (1992). The Evolution of U.S. Airline Competition. *Journal of Economic Perspectives*, 6, 45-73.

[69] Idaho House Bill 224.

[70] Alabama Senate Bill 114.

VI. GENERAL DISCUSSION POINTS

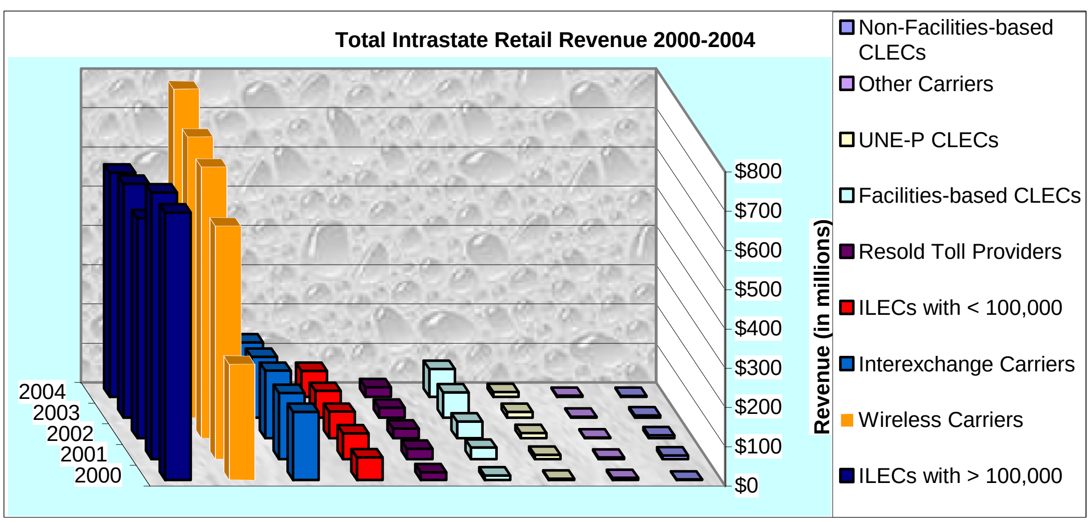
A. Revenue Analysis

As can be seen in Figure 4, combined intrastate retail revenues for all categories of providers increased $340 million, or more than 27%, from 2000 to 2001, but total statewide revenues have increased only by approximately 5% over the three-year period since 2001.

Figure 4 – Total Intrastate Retail Revenue

When categorized by service provider type, as shown in Figure 5, it is apparent that while the total intrastate revenues have remained relatively constant over the time span studied, revenues for large ILECs (more than 100,000 lines) and for IXCs have decreased, while revenues for wireless carriers have demonstrated the most significant increase.

Figure 5 – Total Intrastate Retail Revenue by Provider Type

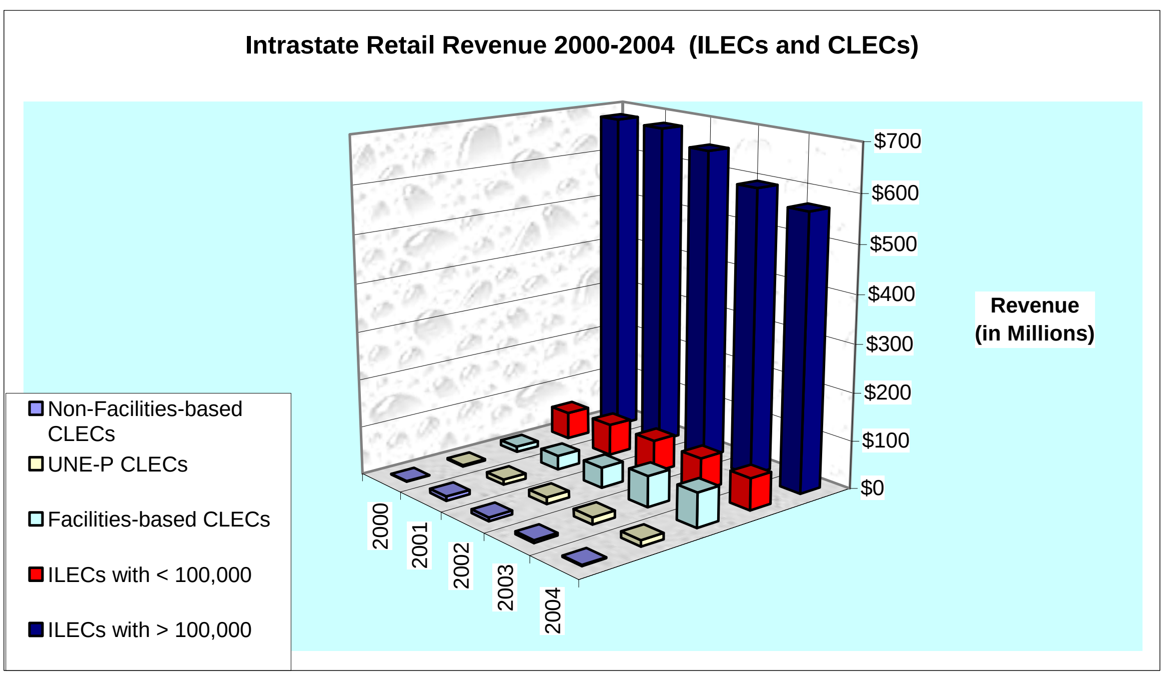


The figure above shows revenue reductions of $110 million, or 16.2% for the large ILEC group and $34 million, or 19.8% for the IXCs from 2000 to 2004. Over the same time span, wireless providers' revenues increased by $489 million, or 166%, to $784 million, which accounted for almost 47% of total intrastate revenues in 2004. Also over this period, facilities-based CLECs enjoyed a revenue increase of more than 545%, from $11 million to $71 million. While this percentage increase is dramatic, all CLECs combined still only generated approximately 5.2% of the total Oklahoma intrastate retail revenues in 2004.

When focusing only on local exchange revenues, or revenues of the ILECs and CLECs, it is obvious from Figure 6 that although the total revenue for the large ILECs has declined over the past four years, these companies still generate the majority of local service revenues, accounting for approximately $571 million, or 78.9%, of the $724 million total during 2004. Small ILECs generated $66 million, or 9.2% of the total, with CLECs accounting for the remaining 11.9% of local service revenues.

In terms of the revenue growth experienced by the CLECs, only the facilities-based providers have gained market share in Oklahoma in recent years. From 2003 to 2004, revenues for non-facilities based CLECs declined 56% and revenues for UNE-P CLECs decreased by more than 15%, while the revenues for facilities-based CLECs increased by just over 10%.

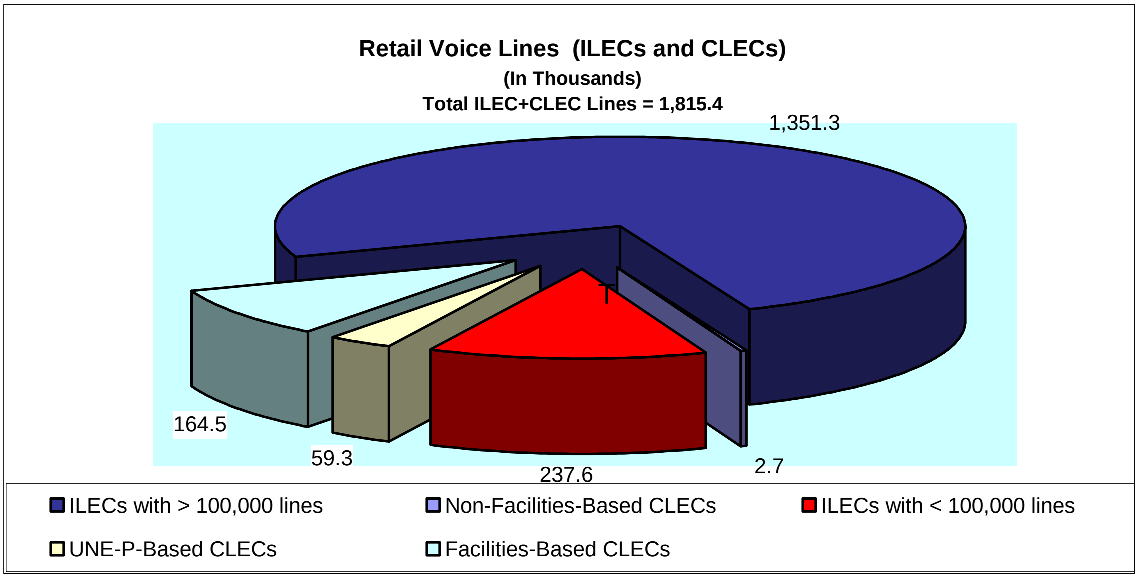
Figure 6 – Intrastate Retail Revenue – ILECs and CLECs



B. Voice Line & Subscriber Market Shares

When analyzing subscribership levels based on a purely "apples-to-apples" comparison, or the number of local retail voice lines served by ILECs and CLECs, it can be seen from the values in Figure 7 that large ILECs serve 1.351 million subscribers, which equates to 74.4% of the retail voice line market. Small ILECs serve approximately 238,000, or 13.1%, and CLECs provide service to almost 227,000, or 12.5% of the local retail voice lines.

Figure 7 – Total Retail Voice Lines – ILECs and CLECs (As of 9/30/04)



As a further point of comparison, end user switched access line counts reported by the FCC in its most recent *Local Telephone Competition Status Report*[71] totaled 1.835 million for Oklahoma as of June 30, 2004. ILECs were reported as serving 1.592 million lines, or 87%, while CLECs reported just under 243,000 lines, representing 13% of the total market. The switched access line market share numbers reported by the FCC are nearly identical to the retail voice line shares calculated based on Staff's data requests.

To look at the larger market for voice subscribers of all types, regardless of the technology used to serve those customers, Figure 8 demonstrates the relative shares for all service provider categories. In many ways, this analysis is "apples-to-oranges" because subscribers are counted more than once if they have multiple lines, or both wireline and wireless service, but the intent is to capture the potential "purchase points." Not all wireless carriers responded to Staff's data requests and, as a result, the wireless subscriber counts shown in the *Aggregate Data Charts & Graphs* (Appendix 4) are not inclusive of all wireless data. To present a more accurate depiction for this analysis, Staff used the

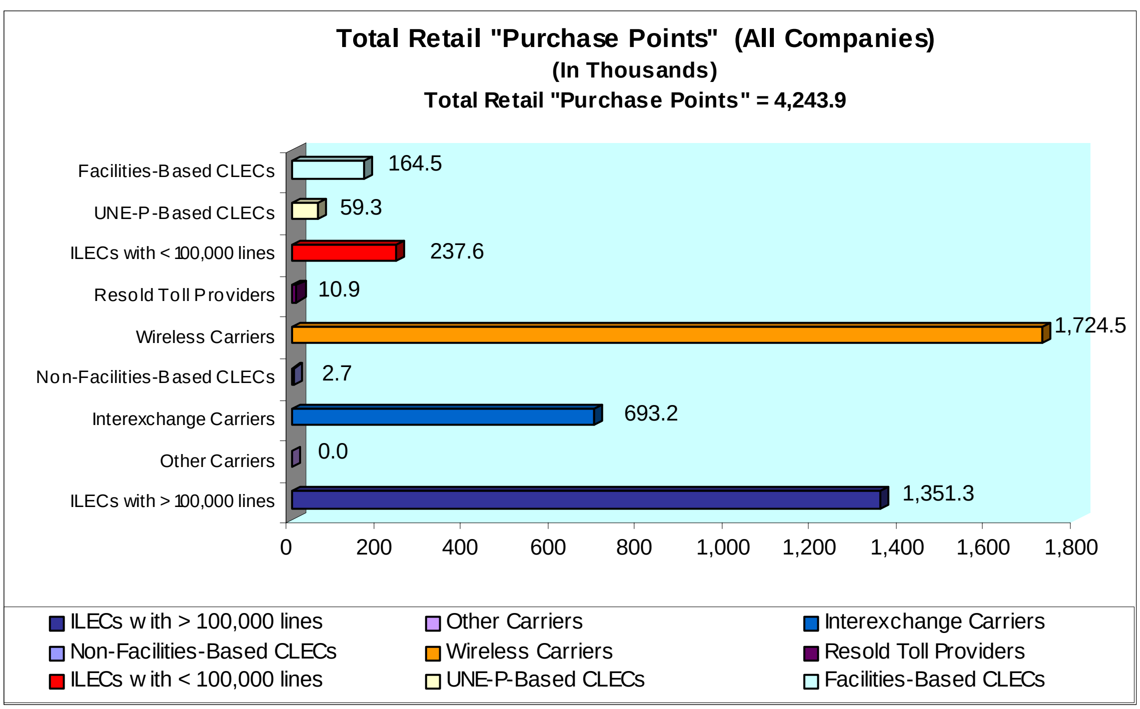
[71] Federal Communications Commission, Industry Analysis and Technology Division, Wireline Competition Bureau. *Local Telephone Competition: Status as of June 30, 2004*, December 2004, Table 6.

June 2004 Oklahoma wireless subscriber count provided in the FCC's most recent *Local Telephone Competition Status Report.*[72]

The chart below shows that wireless carriers represent the largest share at 40.6%, with 1.725 million out of the 4.244 million "purchase points" for voice communications over all technologies (excluding VoIP, for which statistics are unavailable). The large ILECs serve 1.351 million, or 31.8%, and the IXCs own the third largest count with 693,000, representing 16.3%. In total, these three groups account for almost 89% of the purchase points in Oklahoma.

When performing this analysis across multiple technologies, market share data would be more representative if industry participants were segmented differently. Rather than comparing the large ILECs to wireless carriers and others, it would be more appropriate to group affiliated companies across all technologies. In the case of Oklahoma's largest carrier, this would require summing the Oklahoma purchase points served by the "SBC Family," or SBC Oklahoma, SBC Long Distance, SBC ASI, and the appropriate ownership share of Cingular. Staff does not have the necessary data to perform this analysis but even this grouping would not account for the addition of AT&T's share of the purchase points if the merger between SBC and AT&T is approved.

Figure 8 – Total Retail "Purchase Points"[73] – All Technologies (As of 9/30/04)[74]

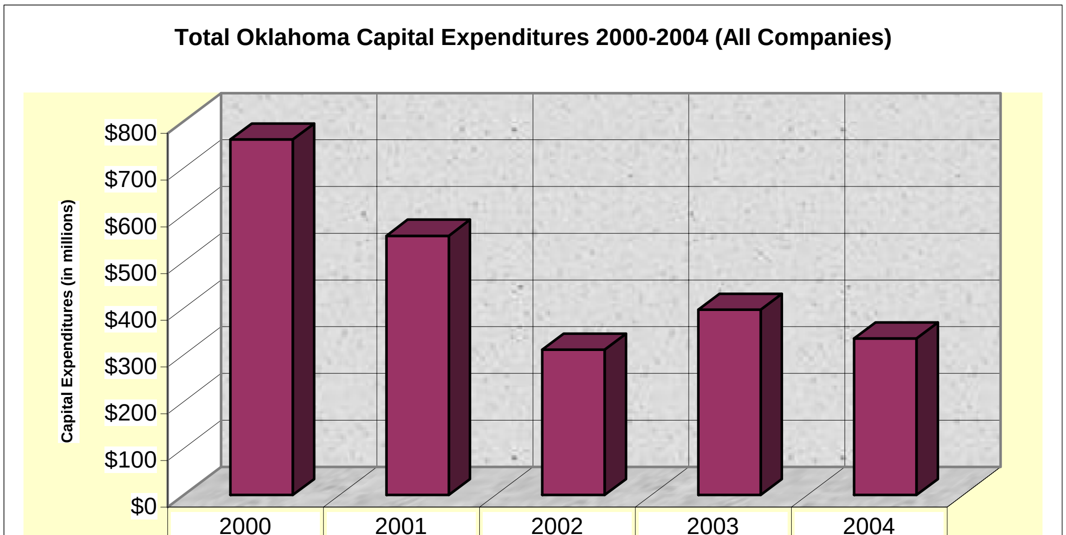


[72] Id, Table 13.
[73] Retail "purchase points" include subscribers receiving local, long distance and/or wireless service, so one customer may be counted multiple times if served by multiple providers.
[74] As pointed out in the text, the wireless data used in this analysis is as of 6/30/04.

C. Capital Investment in Oklahoma

For a variety of reasons, the total capital investment made by telecommunications service providers in Oklahoma declined dramatically from 2000 to 2004. This time period included extraordinary national and world events that affected business investment generally, and the telecom industry specifically, including the bursting of the stock market bubble and the tragic events of September 11, 2001. The magnitude of the shift in investment dollars away from telecommunications can be seen in Figure 9, as service provider capital expenditures fell from $761 million in 2000 to only $335 million in 2004, for a decrease of 56%, or $426 million. While the last three years have shown much less fluctuation, the overall decrease in Oklahoma telecommunications investment is a negative indicator for the current state of the industry.

Figure 9 – Total Oklahoma Capital Expenditures

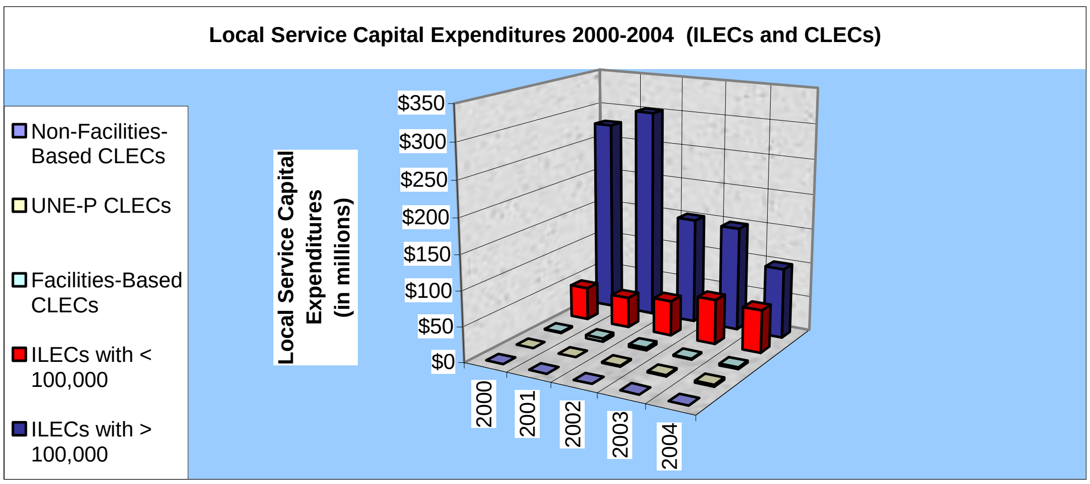


	2000	2001	2002	2003	2004
Totals	$761.0	$554.9	$311.2	$396.7	$334.9

Unfortunately, as shown below in Figure 10, the capital investment made by ILECs and CLECs to provision local service has mirrored, or more likely driven, the trend in total capital expenditures. Over the data period from 2000 to 2004, investment in local service infrastructure declined almost 49%, from $326 million to $167 million. The most significant decrease in local investment was seen between 2001 and 2002, primarily driven by the 50% reduction in expenditures by the large ILECs.

The striking decline in capital investment by large ILECs, as well as the absence of significant capital investment by CLECs, may be attributable, in part, to the unbundling requirements placed on ILECs. Jorde, Sidak & Teece argue that mandatory unbundling at TELRIC prices distorts the investment decisions of both ILECs and CLECs. With respect to investments that decrease the marginal cost of an existing service, an invasive policy of mandatory unbundling undermines the ILEC's incentives to maintain and upgrade its existing facilities. Mandatory unbundling at TELRIC prices may also adversely affect the CLEC's investment decision because the requirement for ILECs to share their facilities with CLECs makes it prudent for CLECs to wait rather than to invest and innovate on their own.[75]

Figure 10 – Local Service Capital Expenditures



It is interesting to note that the local service expenditures of small ILECs showed very little fluctuation over this time period and, in fact, increased almost 30%, from $47 million in 2000 to $61 million in 2004. Possible explanations for this phenomenon may include a commitment by small ILECs to expand rural infrastructure, the stability afforded by the receipt of universal service funding and/or the absence of a requirement to open their networks to competitors due to the exemption[76] for rural telephone companies.

[75] Jorde, T., Sidak, J., & Teece, D. (2000). Innovation, Investment and Unbundling. *Yale Journal on Regulation*, 17, 1.
[76] O.A.C. 165:55-17-5(d).

D. Local Service Competitive Presence

There are currently 45 ILECs and 162 CLECs certificated to provide local service in Oklahoma. Although not all certificated CLECs are actively providing service, 76 CLECs responded to Staff's various data requests and at least 27 CLECs are actually providing service to customers in the state.

As presented in Staff's *Exchange Analysis Matrix*,[77] there are a total of 537 exchanges (or rate centers) in the State of Oklahoma. This listing is consistent with information obtained from the North American Numbering Plan Administration (NANPA) regarding the number of rate centers and assigned numbers. The OCC categorizes exchanges as rural, suburban or urban based on the number of access lines within the exchange. Rural exchanges are defined as those with 20,000 or fewer lines; suburban exchanges have between 20,001 and 100,000 lines; and urban exchanges are those with more than 100,000 access lines. In Oklahoma, 453 exchanges are classified as rural, 24 exchanges fall into the suburban category, and 60 exchanges are reported as urban.

Staff's analysis found that 270 out of the 537 exchanges in Oklahoma, or just over 50%, have CLECs present and operating. Table 1 below shows that 212 exchanges, or nearly 40%, have two or more CLECs serving customers. Further, the data reflects that approximately 10% of the exchanges in the State are served via CLECs with company-owned facilities, or those companies that do not rely solely on the ILEC facilities in place. The competitive presence of CLECs in the rural, suburban and urban exchanges is broken down as follows:

Table 1 – CLEC Presence by Exchange Classification[78]
(537 Exchanges in Oklahoma)

Exchange Classification	Number of Exchanges with 2 or more CLECs	Percent of Exchanges in Oklahoma with 2 or more CLECs	Number of Exchanges with 2 or more CLECs (with at least 1 facilities-based)[79]	Percent of Exchanges in Oklahoma with 2 or more CLECs (with at least 1 facilities-based)
Rural	133	29.4%	17	3.8%
Suburban	24	100.0%	7	29.2%
Urban	55	91.7%	30	50.0%
Totals	**212**	**39.5%**	**54**	**10.1%**

[77] See Appendix 5.
[78] Based on data submitted in Cause No. PUD 200400605.
[79] Staff identified 57 exchanges that are served by facilities-based CLECs; 54 exchanges are served by at least one other CLEC and 3 exchanges are served only by the ILEC and the facilities-based CLEC.

E. Customer Attraction & Retention Efforts

Staff collected information in DR #3 that attempted to examine the level of customer marketing or advertising efforts on the part of industry participants. Staff also requested that carriers provide a high-level summary of actions they have taken in order to strategically respond to competitive market forces. The intent was to identify the efforts being undertaken by carriers to attract and retain customers and the scope of proactive or reactive actions necessitated by the presence, or lack, of a competitive environment.

Advertising Expenditures

Table 2 - Analysis of Advertising Expenditures[80]

Oklahoma Advertising Expenditures 2004 (Annualized)		
Provider Category	**2004 Annual Expenditures**	**Annual Advertising Expense per Line**
ILECs with > 100,000 lines	$ 3,885,732	$ 2.88
ILECs with < 100,000 lines	$ 2,296,012	$ 9.67
Facilities-Based CLECs	$ 2,328,179	$ 14.15
UNE-P CLECs	$ 347,224	$ 5.86
Non Facilities-Based CLECs	*Insufficient Data*	

As can be seen in Table 2 above, the 2004 annual advertising expenditures stratify into three general groupings. The large ILECs spent $3.9 million in advertising while the small ILECs and the Facilities-Based CLECs spent approximately half that amount, at $2.3 million each. The third grouping, UNE-P CLECs, spent less than half a million dollars. There was insufficient data to present meaningful results for the Non Facilities-Based CLECs. Although the large ILECs spent the most in total dollars, this group spent the least on a per-line basis, at $2.88 per year. UNE-P CLECs spent an average of $5.86 per line, small ILECs spent $9.67 and Facilities-Based CLECs incurred the highest annual advertising expense per line at $14.15. The marketing efforts of the Facilities-Based CLECs could be a primary driver of this group's 10% year-over-year increase in revenues from 2003 to 2004.

Advertising Methods

Large ILECs report the use of newspapers and magazines, radio, the Internet, direct mail, bill inserts, telemarketing and door hangers as the primary types of media used to advertise in Oklahoma. Small ILECs report using the same types of media as well as advertising in the telephone directory, and such community-based methods as sponsoring school and local events, participation in various community programs, and logo item give-

[80] Based on data submitted by carriers in response to DR #3 in Cause No. PUD 200400605. Annual Advertising Expense per Line was calculated by dividing the 2004 annualized advertising expenditures by the number of retail voice lines as of 9/30/04.

aways. Information received from the Facilities-Based CLECs who responded to Staff's DR identifies the use of the same type of media as large ILECs along with the addition of billboard advertising. The UNE-P CLECs reported using media similar to the Facilities-Based CLECs, in addition to door-to-door sales. As might be expected, the general advertising approaches employed were fairly similar across carrier types.

Responses to Competitive Market Forces

Large ILECs report that they have responded to competitive market forces by developing new services and offering bundles or packages, including the combination of local and long distance services. The small ILECs that have taken action to respond to competitive forces have, almost universally, developed new services to offer a wider range of packages and bundles, many of which include non-regulated offerings such as Internet access, with all services presented on one monthly bill. Some small ILECs are deploying or building out facilities to provide DSL while others are developing packages that combine traditional service with wireless and even digital television. Many small ILECs have offered discounted services and some reported having improved their quality of service while holding rates unchanged. A few of the small ILECs responded that they have taken no action in response to competition.

Facilities-Based CLECs reported improving their customer service; offering a wider variety of services, prices and promotions; and making their services more easily available. The UNE-P CLECs cited offering new services, lowering rates, and expanding their operations to include long distance, wireless and Internet services. The majority of the Non Facilities-Based CLECs reported either having no current operations in Oklahoma or having discontinued marketing in this state. The Non Facilities-Based CLECs that are still actively marketing in Oklahoma have taken a variety of actions, including working with new agents to expand service offerings; offering new vertical services and packages; expanding service areas; offering both regulated and non-regulated services on one bill; reducing administrative expenses; lowering rates; and additional advertising.

F. Universal Service

The concept of "universal service", which originated in the 1920s, is that all Americans should have access to telephone service at affordable rates. The goals of universal service[81], as stated by the FCC and mandated by the Federal Telecom Act, are to:

- ✓ Promote the availability of quality services at just, reasonable, and affordable rates;
- ✓ Increase access to advanced telecommunications services throughout the Nation; and

[81] Federal Communications Commission. Accessed at http://www.fcc.gov/wcb/universal_service/welcome.html.

- ✓ Advance the availability of such services to all consumers, including those in low income, rural, insular and high cost areas at rates that are reasonably comparable to those charged in urban areas.

Congress further expanded universal service to include access to advanced telecommunications services for all schools, classrooms, health care providers, and libraries. Federal Universal Service support is funded through four primary programs: High Cost Support, Low Income, Schools & Libraries (also known as the E-Rate Program), and Rural Health Care.

Federal Universal Service Programs[82]

High Cost Support Program

The High Cost Support Program ensures that consumers in all regions of the nation have access to and pay rates for telecommunications services that are reasonably comparable to those services provided, and rates paid, in urban areas. These programs ensure that carriers in high cost rural areas have access to basic and advanced telecommunications services. A rural carrier is one that serves a relatively small number of lines or a relatively small area with a low concentration of customers. In order to receive funding from any of the components of the High Cost support mechanism, a carrier must be designated as an eligible telecommunications carrier (ETC). States have primary responsibility for designating carriers as ETCs; however, under certain circumstances, the FCC may have jurisdiction.

Low-Income Program

The Low-Income Program provides discounts on telephone service installation and monthly telephone service to qualifying consumers through two mechanisms.

Lifeline Assistance provides discounts on monthly service for qualified telephone subscribers. As of August 2004, the federal discount is set at a maximum of $10 per month, which is in addition to any discounts provided by states. Residents of American Indian and Alaska Native tribal communities may qualify for Enhanced Lifeline, which provides for an additional $25 per month towards the cost of telephone service.

Link-Up provides for a 50% discount, to a maximum of $30, of the telephone service connection fees for qualified low-income consumers. The Link-Up program has also been expanded to allow residents of American Indian and Alaska Native tribal communities to qualify for up to an additional $70 in support to offset installation fees.

[82] Federal Communications Commission, Consumer & Government Affairs Bureau. *Lands of Opportunity: Bringing Telecommunications Services to Rural Communities*, accessed at http://ftp.fcc.gov/cgb/rural/Ruralbook120204.pdf.

Low-Income Program qualification criteria include participation in programs such as Medicaid, food stamps, Supplemental Security Income (SSI), federal public housing assistance (Section 8), Low-Income Home Energy Assistance Program (LIHEAP), Temporary Assistance to Needy Families (TANF) and the National School Lunch's free lunch program (NSL). Consumers are also eligible to participate if their income is at or below 135% of the Federal Poverty Guidelines.

Schools and Libraries (E-Rate) Program

The Schools and Libraries Program, also called the E-Rate Program, makes technology, such as telephone service and the Internet, affordable for schools and libraries in America. Eligible schools and libraries receive discounts on telephone service, Internet access, and internal connections (i.e., network wiring) within school and library buildings. The discounts range from 20% to 90%, depending on the household income level of students in the community and whether or not the school or library is located in an urban or rural area.

Rural Health Care Program

Under the Rural Health Care Program, public and non-profit health care providers in rural areas can receive discounts on monthly telecommunications charges, installation charges, and long distance Internet connection charges. Rural health care providers use funds from this program for a variety of patient services, such as transmitting x-rays from remote areas to be read by health care professionals and experts in urban areas.

Oklahoma Universal Service Programs

The State of Oklahoma proactively addressed universal service funding issues by establishing the Oklahoma Universal Service Fund and the Oklahoma Lifeline Service Program (collectively identified as the OUSF) to supplement the various federal support programs. In 1997, the Commission established Rules[83] to implement the requirements of the Oklahoma Telecommunications Act of 1997 and to design the appropriate funding mechanisms to preserve and advance universal service objectives in Oklahoma.

The *Oklahoma Universal Service Fund* is a state fund for demonstrated necessity or statutory entitlement.[84] Funds may be sought by eligible telecommunications service providers to, among other things, maintain rates for Primary Universal Services that are reasonable and affordable and to reimburse eligible local exchange service providers for the provision of Special Universal Services. The *Oklahoma Lifeline Service Program* operates in conjunction with the federal Lifeline program to provide a full waiver of the End User Common Line Charge and a monthly credit towards basic local exchange service in an amount determined by the Commission. The current Lifeline Service reimbursement allowance in Oklahoma is $1.17 per customer per month.

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[83] O.A.C. 165:59.
[84] O.A.C. 165:59-3-10.

Oklahoma telecommunications service providers have access to both federal and state universal service support programs and the residents of Oklahoma realize significant benefits from these mechanisms. According to the 4th Quarter Report filed with the FCC by the Universal Service Administrative Company (USAC), Oklahoma carriers were authorized to receive almost $110 million in federal High Cost Support for calendar year 2004. The total support breaks down as follows:

Table 3 – Federal High Cost Support[85]

Federal High Cost Support - Oklahoma Projected 2004 (Annualized)		
	High Cost Support	**% of Total**
Small ILECs (<100,000 lines)	$97.049 million	88.3%
Large ILECs (>100,000 lines)	$6.259 million	5.7%
Wireline CETCs	$.007 million	0.0%
Wireless CETCs	$6.581 million	6.0%
Total	**$109.896 million**	**100.0%**

On an annualized basis, eligible Oklahoma telecommunications service providers were also projected to receive almost $20 million in federal Low Income Support[86] and approximately $7 million[87] in Oklahoma USF support. Further, at least $14 million in federal E-Rate[88] grants were committed for funding year 2004. In total, these federal and state support mechanisms provided approximately $151 million to Oklahoma service providers during 2004 to help ensure that all Oklahomans, even those residing in extremely high cost, rural areas and low-income consumers have access to advanced telecommunications services at reasonable rates.

G. Wireless Service

Wireless telecommunications carriers have enjoyed tremendous growth, in terms of both customers and revenues, over the past decade. According to the FCC's most recent *Report on Wireless Competition*,[89] there were approximately 86 million wireless subscribers nationwide at the beginning of 2000 and almost 159 million subscribers by the end of 2003, for an increase of almost 85% in four years. Similarly, over the same time

[85] USAC. *High Cost Support Projected by State by Study Area*, 4Q2004, Appendix HC01.
[86] USAC. *Low Income Support Projected by State by Study Area*, 4Q2004, Appendix LI01.
[87] Based on data provided by NECA Services, Inc.
[88] USAC. *SL17 FY 2004 Commitments 2Q04.*
[89] Federal Communications Commission. *Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, Ninth Report*, WT Docket No. 04-111, September 28, 2004, Appendix A-2, Table 1.

period, wireless monthly service revenues grew 119%, from almost $21 billion to more than $46 billion.

At the state level, the OCC has recently put into place comprehensive Rules with which wireless carriers must comply in order to receive eligible telecommunications carrier (ETC) designation. The ETC designation provides wireless carriers with access to significant federal universal service funding and the OCC is focused on ensuring that USF funds received by any carrier, whether wireline or wireless, are used only as lawfully intended. Further, the Rules are designed to encourage wireless ETCs to offer service packages that will be more comparable to the services offered by ILECs than traditional wireless offerings, especially regarding offerings for low-income consumers.

Wireless service offers, among other things, the advantage of mobility over traditional wireline telephony. However, service quality issues still exist such as "dead zones," dropped calls, and occasional poor reception. Another limitation of wireless service is the inability of homeowners to wire alarm systems without the need for a wireline connection. For these and other reasons, Americans generally do not consider wireless service to be a substitute for wireline service but rather as a convenient and mobile complementary product. Again referring to the FCC's *Report on Wireless Competition*, it states "while specific data is largely unavailable, it appears that only a small percent of wireless customers use their wireless phones as their only phone, and that relatively few wireless customers have "cut the cord" in the sense of canceling their subscription to wireline telephone service."[90] Footnote 575 on the same page reads, "in February 2004, the Current Population Survey of the Census Bureau included a special supplement about wireless phone usage. On the basis of this supplement, they estimate that 5 to 6 percent of all households now have wireless phones only."[91] This data indicates that although wireless phones continue to proliferate throughout our society, only a very small percentage of Americans have chosen to completely replace wireline service with wireless.

H. <u>Voice over Internet Protocol (VoIP)</u>

Voice over Internet Protocol, or VoIP, uses the Internet or other data networks to complete voice calls. Some systems, such as Skype, work only between two computers using custom software. Other services, such as Vonage, allow anyone with a broadband connection to use their existing telephone hardware, or their computer, to call any other phone in the world even if the called phone is not employing the same service. Businesses can also install *Local VoIP*, in which their internal phone system uses their own local network. Once these calls go outside the company, they may be transited over the Internet or regular phone lines.

[90] Id, p. 88.
[91] Id.

The commonality in VoIP offerings is that the voice signal is converted into data packets that are routed over the Internet, in a manner similar to e-mail. For calls to a standard telephone, the data transmission has to connect to the public phone network at some point. In most cases, end-users plug their telephones into a small converter box, which in turn plugs into a broadband connection. Alternatively, some services employ softphones, in which a computer becomes the telephone and end-users talk via a handset or a headset plugged into the computer's USB port. Figure 11 illustrates basic Voice over IP arrangements:

Figure 11 - Sample Voice over IP Arrangements[92]

Source: FCC, Consumer & Governmental Affairs Bureau.

VoIP providers who operate in Oklahoma are generally not subject to regulation of rates and services, at least not for their IP-based services. Staff's *Voice over IP Provider Listing*[93] shows 30 identified potential providers of VoIP services. Follow-up contacts with these potential providers found that:

- ✓ Nineteen companies reported that they offer VoIP-based telephone service in Oklahoma;
- ✓ Eight companies reported that they only provide or manufacture VoIP equipment and do not provide service;
- ✓ Two companies could not be reached to determine the types of services/equipment offered;

[92] Federal Communications Commission, Consumer & Governmental Affairs Bureau. Accessed at http://www.fcc.gov/voip/.
[93] See Appendix 8.

- ✓ One company reported to be a designer of equipment and services and a carrier-to-carrier provider; and
- ✓ One company reported to be a member-to-member service provider.

Price plans for VoIP services range from "free" for trial services or for the use of proprietary networks that do not transit the public switched network (Free World DialUp) to a general range of $10-$35 per month for residential services and $29-$49 per month for small business services. The basic service plans often include features such as unlimited calling in the U.S. and Canada, Voice Mail, Caller ID, Call Return, Call Waiting, and other call management services.

A major advantage of Internet telephony is that calls can be extremely cheap, or even free, to anywhere in the world. This is due to the fact that the FCC has consistently ruled, in decisions such as the *Pulver.com Order*,[94] that most VoIP services are information services, and therefore not subject to many of the federal and state fees, charges and assessments that are applied to traditional telephone service. VoIP also offers many enhanced features that are cheaper than, or not available with, traditional telephony. For example, VoIP phones work independent of any local exchange so users are not tied to one area code. This means that users can retain their phone numbers regardless of the location where they may travel or relocate. Many systems offer a choice of area codes so a user in Oklahoma could maintain a Washington, DC area code, if so desired and available.

Disadvantages of VoIP include additional equipment needs and volatile service quality. Beyond the fact that potentially expensive special equipment and/or software may be required to place VoIP calls, there is often a noticeable time delay between two parties in a conversation. End-users are not accustomed to delays in conversations when using the public switched network and this may or may not be an acceptable tradeoff for the advantages offered through VoIP. Internet telephony also lacks the back-up power provided within the public network so if power is lost or the Internet connection is dropped, there is no ability to place or receive calls.

The advantage of being able to use VoIP in any location with broadband Internet access also represents one of its major disadvantages – the location of a caller may not be identifiable by emergency service personnel. If there is a need to call 911 to contact police or rescue personnel, the VoIP caller must be able to communicate his or her location to the emergency call center. VoIP providers are attempting to resolve 911 issues by, for example, developing a voluntary registry for end-users to record their location information but the registry is not all-inclusive and it must be maintained with current information as users move between locations. As a matter of fact, the Texas Attorney General recently filed a lawsuit against Vonage, the largest VoIP provider in the country, alleging that Vonage is deceiving consumers by not revealing in its television

[94] Federal Communications Commission. *Petition for Declaratory Ruling that pulver.com's Free World Dialup is Neither Telecommunications Nor a Telecommunications Service*, WC Docket No. 03-45, February 19, 2004.

commercials, brochures or other marketing materials that customers must proactively sign up for 911 service and that even after signing up, there are limitations to the service.[95]

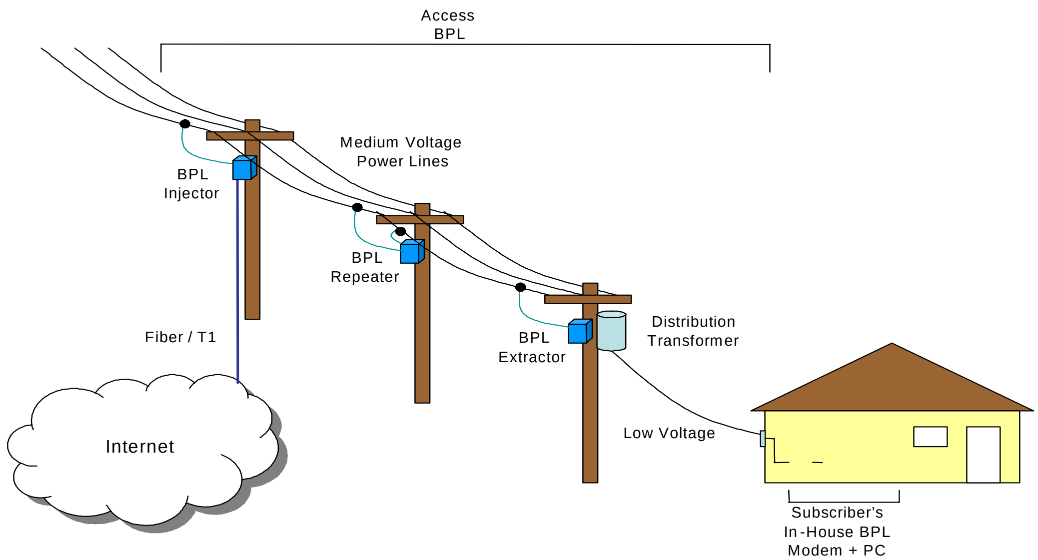
Other regulatory issues that must be addressed in order to broaden the mass appeal for VoIP services include improved CALEA capabilities and access for physically challenged individuals. The impact of lost assessments on the universal service funds must also be addressed and the Nebraska Public Service Commission recently took action in this regard by voting to assess a state USF surcharge on the intrastate portion of facilities-based providers of VoIP services[96], effective June 1, 2005. Further, additional educational and marketing efforts will be necessary in order to inform the mass market of the availability and benefits of VoIP telephony services. This is evidenced by a recent *Telecommunications Consumer Survey*[97] completed for the Oregon Public Utility Commission, which indicates that only 0.4% of Oregon residents reported that they currently use the Internet to place calls from home. Nonetheless, VoIP represents an alternative for some telephone subscribers, with a significant upside potential for the mass market that is largely dependent upon continued technological improvements.

I. Broadband over Power Lines (BPL)

Broadband Internet access is currently offered to residential and small-business customers through DSL, cable-modem, wireless, optical fiber, and satellite technologies. Broadband over Power Lines, or BPL, is another mode of broadband access. BPL, also known as power-line communication, utilizes electric power distribution wires for the high-speed transmission of data by transmitting high-frequency data signals through the same power distribution network used for carrying electric power to household users. In a common form of BPL, the broadband connection is provided over the electrical wires that enter a house; a customer can obtain Internet access by plugging a BPL modem into any residential electric outlet served by the BPL system. In another form of BPL, Internet access is provided using a wireless device (such as a WiFi access point) connected to a BPL distribution system outside of the home that communicates with the customer's computer or other equipment inside the home.

[95] Texas Office of the Attorney General. News Release: *Texas Attorney General Abbott Takes Legal Action To Protect Internet Phone Customers,* March 23, 2005, accessed at http://www.oag.state.tx.us/oagnews/release.php?id=850&PHPSESSID=6ruslcve5a8v0r5htbjqej4qs7.
[96] Application NUSF-40/PI-86.
[97] The Gilmore Research Group. *Telecommunications Consumer Survey Prepared for the Oregon Public Utility Commission*, February 2005, accessed at http://www.puc.state.or.us/telecomm/consumer_survey.pdf.

Figure 12 - Sample Broadband over Power Line System[98]



Source: NTIA Report 04-413, p. 2-2.

BPL is a synergistic technology used to deliver high-speed data to end-users over existing electric power networks and lines. BPL allows electric customers to obtain broadband service and, with it, access to the Internet. In rural areas, BPL could provide access to broadband service, either as an initial sole service or a competitive option, in otherwise expensive-to-serve markets. In more densely populated markets that already have broadband options via digital subscriber line (DSL) or cable modem, BPL could provide a “third pipe” or “third wire” facilities-based option needed to facilitate competition. At least equally as important is the fact that BPL systems may be used by electric utilities to more efficiently manage their electric power networks. Potential uses for BPL include automatic meter reading, voltage control, supervisory control and data acquisition (SCADA), equipment monitoring, energy management, remote connect and disconnect, power outage notification, and the ability to collect detailed power usage information (e.g., time-of-day power demand). The integration of BPL technology with electrical operations could position utilities to achieve greater network automation.

In a joint Press Release,[99] the Chairmen of both the FCC and FERC identified BPL as one emerging technology that could increase competitive broadband choices. BPL potentially offers multi-faceted benefits ranging from enhancing the security and reliability of electric service to enhancing competition in the broadband space. However, it is important to note that BPL technology, in its current form, is not suitable for carrying broadband signals over long distances and BPL deployment remains in the developmental stage in most locations where it is available.

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[98] U.S. Dept. of Commerce, National Telecommunications and Information Administration (NTIA). *Potential Interference from Broadband over Power Line (BPL) Systems to Federal Government Radiocommunications at 1.7-80 MHz - Phase 1 Study*, NTIA Report 04-413, April 2004.

[99] *Joint statement of FERC Chairman Wood and FCC Chairman Powell*, October 14, 2004, accessed at http://www.ferc.gov/press-room/pr-current/10-14-04.asp#skipnavsub.

VII. CONCLUSION/RECOMMENDATIONS

In order to address the issues raised by the Task Force on the Deregulation of the Oklahoma Telecommunications Service Provider Industry, PUD Staff collected vast amounts of data and comments from all segments of the industry. Much of this Oklahoma-specific information was collected and analyzed for the first time. Although the most comprehensive data only allows for an in-depth analysis of the level of competition between traditional, wireline local service providers, Staff attempted to incorporate information about the potential ramifications of alternative technologies such as wireless, Voice over IP and Broadband over Power Lines.

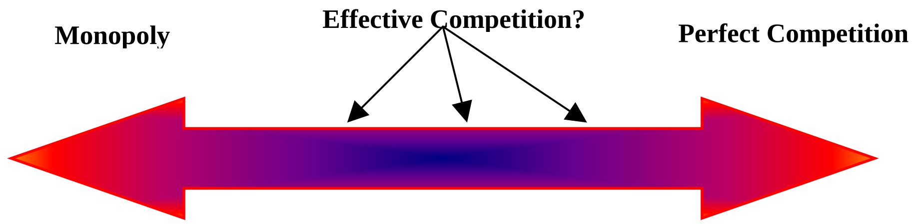
The current data demonstrates that although some degree of competition may be materializing in Oklahoma, the local wireline competitive numbers lag the national average in terms of CLEC market share. Competitive local exchange carriers in Oklahoma have captured approximately 13% of the voice lines in the state but the national average CLEC access line share is roughly 18%, with a range of 4% in the state with the lowest CLEC share to 32% in the state with the highest.[100] Further, based on the data collected in this proceeding, CLECs accounted for only 5% of the total Oklahoma retail revenues and just 12% of the local service revenues in 2004.

When looking at trends over time, the total revenues for CLECs increased more than 4.5 times from 2000 through 2004, and the CLEC line share grew from approximately 5% to almost 13% over this same period. The trends are indicative of the fact that CLECs are establishing a footprint in the state, however, with Oklahoma on the lower end of the national spectrum for CLEC market share, the Commission should continue to pursue its efforts to attract additional competitors in order to create a more vibrant local market. New alternative technologies currently in their formative stages represent potential sources for increased competition as they demonstrate improvements in reliability, quality and service capabilities. However, the data shows that these alternatives have not yet materialized as substitutes with mass market appeal.

In many ways, competition is in the eye of the beholder as there is no “off-the-shelf” definition or set of criteria that can be applied to all circumstances. Neither can competition be viewed as a “frozen state” or evaluated only at a point in time; it is better represented as a continuum with varying degrees or levels. The exact location of an industry or market along this continuum is dependent upon the defined goals and objectives as well as the measurement standards. Additionally, and possibly more importantly, a measured degree or level within the range does not mean that progress will continue in only one direction. For example, interexchange services are generally considered to be competitive but the continued consolidation of large interexchange carriers could move this market segment in the opposite direction along the competition continuum, towards a less competitive environment.

[100] Federal Communications Commission, Industry Analysis and Technology Division, Wireline Competition Bureau. *Local Telephone Competition: Status as of June 30, 2004*, December 2004, Table 7.

Competition Continuum



Given the evolutionary nature of business markets, an industry's location along the "Competition Continuum" must be periodically measured and evaluated because conditions change over time. Once the Commission establishes specific parameters for defining effective competition, or true customer choice, Staff could use the data collected in this proceeding as a baseline for evaluating, at the desired level of granularity, the level of effective competition. If so directed, Staff could also propose a definition of, or a model for monitoring, effective competition in Oklahoma.

STAFF RECOMMENDATIONS

Based on the data collected and analyzed in support of this Study, Staff recommends the following:

1) The OCC should continue to review and revise its telecommunications Rules with the objective of reducing regulatory oversight as market conditions warrant. The current level of regulation may be appropriate for today's market but the Commission should adamantly pursue a policy of monitoring and reevaluation to proactively address change.

2) The OCC should continue to work with carriers in all segments of the industry to ensure that Rules are appropriate and evolutionary in nature. Working with all segments of the industry should include the proliferation of rules that encourage new market entrants, regardless of the technology employed, to establish a presence as local service alternatives, whether via traditional or non-traditional means.

3) The OCC should develop a definition of effective competition, or true customer choice, using an approach that evaluates the competitive nature of a market by accounting for relative market shares and the number of effective competitive choices available to customers.

4) The OCC should use the information contained in this Report to establish a baseline set of data and initiate a process to perform regular, comprehensive reviews of the state of competition in Oklahoma. This would afford the Commission with the opportunity to maintain current market information and to study trends over time while also investigating relevant issues and factors as they arise in the future.

Appendix 1
Table of Contents

ENROLLED SENATE
CONCURRENT
RESOLUTION NO. 74

By: Hobson of the Senate

and

Adair, Adkins, Armes, Askins, Balkman, Benge, Blackburn, Blackwell, Bonny, Boren, Braddock, Brannon, Calvey, Carey, Cargill, Case, Claunch, Coleman, Covey, Cox, Dank, Davis, Deutschendorf, DeWitt, Dorman, Eddins, Ellis, Ericson, Erwin, Ferguson, Gilbert, Graves, Greenwood, Hamilton, Harrison, Hastings, Hefner, Hiett, Hilliard, Hutchison, Ingmire, Jones, Kirby, Lamons, Langmacher, Leist, Lindley, Liotta, Maddux, Mass, McCarter, McClain, McIntyre, Miller (Doug), Miller (Ray), Mitchell, Morgan (Danny), Morgan (Fred), Nance, Nations, Newport, O’Neal, Paulk, Perry, Peters, Peterson (Pam), Peterson (Ron), Pettigrew, Phillips, Piatt, Plunk, Pope, Reynolds, Rice, Roan, Roberts, Roggow, Smaligo, Smith, Smithson, Staggs, Stanley, Steele, Sullivan, Sweeden, Taylor, Tibbs, Toure, Trebilcock, Turner, Tyler, Vaughn, Walker, Wells, Wilson, Wilt, Winchester, Worthen, Wright and Young of the House

A Concurrent Resolution creating the Task Force on Deregulation of the Oklahoma Telecommunications Service Provider Industry; stating purpose; providing for membership, qualifications, appointment of officers and certain reimbursements; authorizing meetings; requiring compliance with the Oklahoma Open Meeting Act and the Oklahoma Open Records Act; providing for staff support; defining parameters of study; requiring a report; and directing distribution.

WHEREAS, the deregulation of the telecommunications service provider industry is one of the most complex and prominent business issues to be considered by the Oklahoma State Legislature.

WHEREAS, deregulation will affect dozens of large and small telecommunications service providers and virtually every Oklahoman throughout the state.

WHEREAS, before any dramatic changes are made in state law relating to regulating the telecommunications service provider industry, the Oklahoma State Legislature is committed to fully understand the impact not only on the companies that provide such services, but most importantly, upon the consumers who pay the phone bills.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE OF THE 2ND SESSION OF THE 49TH OKLAHOMA LEGISLATURE, THE HOUSE OF REPRESENTATIVES CONCURRING THEREIN:

THAT there is hereby created, until January 31, 2005, the Task Force on Deregulation of the Oklahoma Telecommunications Service Provider Industry.

THAT the Task Force shall advise the Oklahoma Legislature in an effort to determine the necessity and feasibility of abolishing certain statutory provisions, relating to the telecommunications service provider industry in the State of Oklahoma.

THAT the Task Force shall consist of sixteen (16) members as follows:

1. The Oklahoma Attorney General or a designee;

2. Five members appointed by the President Pro Tempore of the Senate as follows:

    a. one member who is a legal resident of this state,

    b. two members of the Oklahoma State Senate,

    c. one member representing a local exchange telecommunications service provider serving fewer than fifty thousand (50,000) access lines, and

    d. one member representing the telecommunications industry;

3. Five members appointed by the Speaker of the House of Representatives as follows:

    a. one member who is a legal resident of this state,

    b. two members of the Oklahoma House of Representatives,

    c. one member representing a local exchange telecommunications service provider serving more than fifty thousand (50,000) access lines, and

    d. one member representing the telecommunications industry; and

4. Five members appointed by the Governor as follows:

    a. one member who is a legal resident of this state,

    b. one consumer of services from a local exchange telecommunications service provider serving more than fifty thousand (50,000) access lines,

c. one consumer of services from a local exchange telecommunications service provider serving fewer than fifty thousand (50,000) access lines, and

d. two members representing the telecommunications industry.

THAT the Governor, the President Pro Tempore of the Senate and the Speaker of the House of Representatives shall jointly appoint from among the membership a chair and vice-chair.

THAT members shall serve at the pleasure of their appointing authorities. Any vacancy on the Task Force shall be filled by the original appointing authority.

THAT the members of the Task Force shall receive no compensation for their service on the Task Force, but shall receive travel reimbursement in the following manner:

1. Legislative members shall be reimbursed for their necessary travel expenses incurred in the performance of their duties in accordance with the provisions of Section 456 of Title 74 of the Oklahoma Statutes; and

2. Nonlegislative members shall be reimbursed by their appointing authority for necessary expenses incurred in the performance of their duties in accordance with the State Travel Reimbursement Act.

THAT the Task Force shall be authorized to meet at the call of the chair at such times as may be required in order to perform the duties imposed upon it by law.

THAT the Task Force shall be subject to the Oklahoma Open Meeting Act and the Oklahoma Open Records Act.

THAT the Corporation Commission shall be requested to provide such staff support as is required by the Task Force with necessary and appropriate staff assistance from the Oklahoma State Senate and the Oklahoma House of Representatives.

THAT the Task Force shall conduct a study of the telecommunications service provider industry in Oklahoma. The study shall include, but not be limited to, the following:

1. Providing an overview of existing telecommunications service provider industry regulations;

2. Assessing the strengths and weaknesses of the existing industry regulations;

3. Examining how telecommunications service provider deregulation in the State of Oklahoma will impact consumers, rates, industry competition, delivery and efficiency of services, potential industry growth, research and technological advancements, telecommunications service provider industry workforce, investment by telecommunications service providers in the state’s telecommunications service infrastructure and the economy of the state;

4. Determining ways in which the State of Oklahoma can deregulate the telecommunications service provider industry that will have the greatest positive impact on consumers in terms of rates,

equipment, access to services and promoting equity of competition among telecommunications service providers;

5. Ascertaining if there are any final recommendations of previous task forces, commissions, working groups, associations or other entities that have previously undertaken studies of telecommunications service providers industry deregulation efforts within the preceding ten (10) years. The Task Force shall determine the extent to which any of such recommendations have been implemented pursuant to changes in either state law or policy, and to the extent possible, the Task Force shall determine whether the implementation of the recommendations from such prior studies was effective; and

6. Developing recommendations specifically intended to assist the Oklahoma State Legislature to determine the necessity and appropriateness of enacting legislation deregulating the telecommunications service provider industry. Such recommendations shall result in, but not be limited to:

a. improving telecommunications services to consumers in all rural and metropolitan areas of the state,

b. ensuring equity of rates for consumers in all rural and metropolitan areas of the state,

c. promoting fairness in competition among the telecommunications service providers offering services in all rural and metropolitan areas of the state, and

d. encouraging a healthy climate for economic growth in the telecommunications service provider industry throughout the State of Oklahoma.

THAT the Task Force recommendations shall be contained in a final report to be submitted to the Governor, the President Pro Tempore of the Senate and the Speaker of the House of Representatives not later than November 30, 2004.

THAT a copy of this resolution be distributed to the Governor, the Attorney General and the members of the Corporation Commission.

Adopted by the Senate the 20th day of May, 2004.

Presiding Officer of the Senate

Adopted by the House of Representatives the 26th day of May, 2004.

Presiding Officer of the House
of Representatives

SUBCHAPTER 13. OPERATING AND MAINTENANCE REQUIREMENTS

PART 1. NEW AND UNFILLED APPLICATIONS FOR SERVICE

PART 1. NEW AND UNFILLED APPLICATIONS FOR SERVICE

165:55-13-1. Service objectives; service period

(a) Where facilities are available, a telecommunications service provider shall have as a service objective the installation of service to all end-users making application in a least

ninety-five percent (95%) of all cases, within four (4) working days or as otherwise agreed to by the end-user; and for service requiring special equipment, within the time negotiated with the end-user. Whenever the service objective cannot be met, the telecommunications service provider shall notify the end-user thereof, stating the estimated delay and any interim service available. Service orders should be filled as quickly as practicable, but within no longer than thirty (30) days unless unavoidable delays are experienced.
(b) Whenever due to lack of adequate facilities or for any other reason, the telecommunications service provider is unable to install service within the service period set forth in subsection (a) of this Section, it shall obtain and keep on file a written application of service from each end-user applying for service not yet furnished. A telecommunications service provider shall not, under any circumstances, refuse to accept an application for service or request the end-user to withhold application for service. As a service objective, each telecommunications service provider shall keep at least ninety-eight (98%) of its residence installation appointments, unless advance notice is given to the end-user. The end-user must provide the telecommunications service provider with a telephone number or other means of reaching said end-user in the event the telecommunications service provider may be unable to meet the scheduled appointment.

[**Source:** Amended at 13 Ok Reg 2437, eff 7-1-96]

165:55-13-2. Unfilled applications
(a) **Record of unfilled applications.** The telecommunications service provider shall keep a complete record of unfilled applications for each exchange, showing the name and address of the applicant, date of application, date service desired, estimated date service was promised, class of service applied for, and reason for failure to give service on a timely basis.
(b) **Priorities of unfilled applications.** Priority in filling unfilled applications will be given to furnishing service essential to public health and service, after which priority will be given to furnishing residential service to premises not otherwise served. The telecommunications service provider will prepare and submit plans for meeting unfilled orders for service and reports of progress thereon as required by the Commission.

[**Source:** Amended at 13 Ok Reg 2437, eff 7-1-96]

PART 3. SERVICE STANDARDS

165:55-13-10. Minimum service standards
(a) The purpose of this Section is to create a uniform standard governing the minimum component telephone services for all telephone end-users.

(1) Each telecommunications service provider providing local exchange service shall make available to each local exchange end-user within its service territory the following service features:

(A) Individual line service on a local access line at uniform rates for end-users of a given class within the exchange without mileage or zone charges;

(B) Dual tone multi-frequency signaling;

(C) The telecommunications service provider shall install ninety percent (90%) of the following circuits within ninety (90) days of the date of the service order:

(i) Circuits necessary to provide interoffice capability at minimum speeds of fifty-six (56) kilobits per second;

(ii) For RUS borrowers, for RUS loans executed after February 13, 1996, all new facilities will be required, as built or with additional equipment, to provide transmission and reception data at a rate no lower than one (1) megabit per second. The deployment of new facilities shall be scheduled in a way to where advanced services will be implemented in a uniform manner with both rural and nonrural areas receiving services at the same time. New facilities which do not use system powering shall be required to use an alternative powering source for voice telephone service during electrical utility power outages;

(D) Availability of custom calling features (e.g., call waiting, call forwarding, etc.);

(E) Emergency telephone number services capable of automatic number identification, automatic location identification and call routing facilities to facilitate public safety response; e.g., Enhanced 911 Service, where the local government agency serving the end-user has in place a Public Safety Answering Point;

(F) Lifeline and Link-up Programs pursuant to OAC 165:55-13-14 and 165:55-13-14.1;

(G) Equal access to interexchange long-distance service;

(H) Access to telecommunications relay services by dialing 711;

(I) Access to Directory assistance service;

(J) Access to operator services; and

(K) Access to 211 service, where available.

(2) Any telephone company incapable of providing the technologies and service features listed in (a)(1)(F) and (a)(1)(G) of this Section at the date of the amendment of this Section shall begin immediate efforts to attain compliance with this Section and shall file network development schedules with the Commission pursuant to this part.

(3) Upon replacement of facilities incapable of providing the technologies and service feature listed in this Chapter at the date of the effectiveness of this Section, the telecommunications service provider shall replace such facilities with those technologies capable of providing Custom Local Area Signaling Services (CLASS).

(4) Incumbent LECs that incur additional investment as a result of this Section may seek recovery through a general review of the company's rates for regulated telecommunications services.

(5) A Less than Minimum Service Provider that seeks authority to offer service which does not comply with all of the minimum service standards set forth in this Section

shall specifically state in its application for a certificate of convenience and necessity the minimum service standards with which it will not comply.
(b) This Part is not intended to supersede the currently effective rates or prescribe prospective rates for telecommunications services affected by this Part.

[**Source:** Amended at 11 Ok Reg 2585, eff 6-13-94; Amended at 13 Ok Reg 2437, eff 7-1-96; Amended at 15 Ok Reg 3054, eff 7-15-98; Amended at 16 Ok Reg 2261, eff 7-1-99; Amended at 19 Ok Reg 1985, eff 7-1-02; Amended at 20 Ok Reg 2302, eff 7-15-03]

165:55-13-10.1. Calling areas
(a) Wide Area Calling Plans ("WACPs") and Extended Area Service ("EAS") arrangements established as of the effective date of this Section, and any modifications thereafter approved by the Commission, shall be the standard level of service provided by all incumbent LECs providing service within said WACPs and EAS arrangements, unless the end-user elects otherwise pursuant to subsection (b) of this Section.
(b) An incumbent LEC may offer a calling scope which is different than an established WACP or EAS arrangement as an optional service, after notice and hearing, provided however, that end-users shall be deemed to have elected to receive the entire EAS or WACP area until such time as the end-user makes an affirmative election of a different calling scope.
(c) Any competitive LEC may elect to offer service to a calling area which includes all or a portion of a WACP or EAS arrangement, after notice and hearing.
(d) In the event the competitive LEC provides an optional toll service that is consistent with an EAS or WACP calling scope, the competitive LEC shall be required to pay any contribution associated with minutes of use as established by the Commission in Order No. 399040, issued in Cause Nos. PUD 950000117 and PUD 950000119.

[**Source:** Added at 13 Ok Reg 2437, eff 7-1-96]

165:55-13-11. Maximum number of parties on one line [REVOKED]

[**Source:** Revoked at 13 Ok Reg 2437, eff 7-1-96]

165:55-13-12. Extension of facilities
(a) A Carrier of Last Resort will extend its distribution plant to furnish permanent service to any applicant located within one-quarter (1/4) mile of its existing facilities without requiring a construction charge, provided that the amount of plant to be constructed does not exceed that amount deemed necessary to serve the end-user's location. When an end-user requests services requiring an excessive quantity of facilities which

(IV) Will not result in a degradation of the quality or availability of efficient telecommunications services;

(V) Will produce fair and reasonable rates for telecommunications services;

(VI) Will not unduly or unreasonably prejudice or disadvantage any particular customer class; and

(VII) Promotes effective competition among TSPs.

(C) Upon application by any person, or upon its own motion, the Commission may terminate its approval of an alternative form of regulation if, after notice and hearing, it finds that, as a result of the actions taken or not taken by the ILEC, the conditions set forth in paragraph (1)(B) of this Section can no longer be satisfied. Additionally, the Commission, an IXC, TSP, Reseller, or the Attorney General on behalf of the ratepayers may file a complaint alleging that the rates charged by a telecommunications service provider under an alternative form of regulation are unfair, unreasonable, or unduly discriminatory.

(2) An ILEC serving 75,000 or more access lines in the State of Oklahoma may implement the Oklahoma Plan set forth in Part 11 of this Subchapter, consistent with the requirements therein. The Commission shall either approve or reject the ILEC's application for approval of the Transition Plan to opt into the Oklahoma Plan. The proposed Transition Plan may be modified only with the consent of the ILEC. The Application for Approval of the Transition Plan may be heard by the Commission *en banc*.

[**Source:** Added at 14 Ok Reg 2847, eff 7-15-97; Amended at 16 Ok Reg 2261, eff 7-15-99; Amended at 17 Ok Reg 306, eff 11-2-99 (emergency); Amended at 17 Ok Reg 1043, eff 5-11-00]

PART 11. OKLAHOMA PLAN

165:55-5-64. Implementation of Oklahoma Plan

(a) In order to become subject to the Oklahoma Plan set forth in this Part, an ILEC serving 75,000 or more access lines in the State of Oklahoma shall file a proposed Transition Plan in the Commission's Court Clerk's Office.

(b) The Transition Plan may contain, but not be limited to proposals regarding the following:

(1) Incentives for opening the local market to competition;

(2) Commitment for the provision of non-discriminatory and functional Operations Support Systems, and;

(3) Ratepayer benefits that would include infrastructure improvements.

(c) The Transition Plan shall contain identification of the Basket into which each of the ILEC's services may be classified pursuant to the Oklahoma Plan.

(d) Before an ILEC may elect to participate in the Oklahoma Plan, the Transition Plan shall be approved by Commission order after notice and hearing.

(e) After approval of the Transition Plan, the ILEC may file, in the same Cause, an election to participate in the Oklahoma Plan, which shall include a commitment to fulfill the requirements of the Transition Plan and a commitment to remain in compliance with all of the requirements of the Oklahoma Plan.

[Source: Added at 17 Ok Reg 306, eff 11-2-99 (emergency); Added at 17 Ok Reg 1043, eff 5-11-00]

165:55-5-65. [RESERVED]

[**Source:** Reserved at 17 Ok Reg 306, eff 11-2-99 (emergency); Reserved at 17 Ok Reg 1043, eff 5-11-00]

165:55-5-66. Pricing

The prices for services provided by an ILEC once the ILEC has implemented the Oklahoma Plan shall be determined according to the level of competition for each service. At the time of election into the Plan, services will be priced according to the current existing tariff prices as approved by the Corporation Commission.

(1) **Basket 1 - Non-competitive services.** Basic local residential, basic local business and local operator services will be placed in Basket 1 upon implementation of the Oklahoma Plan. Prices for Basket 1 shall have a price floor of the lower of either the prices charged by the company as of the date of the ILEC's election into the Plan, or LRIC plus twenty percent (20%). Prices for Basket 1 shall be capped at the prices charged by the company as of the date of the ILEC's election into the Plan and shall not be increased for a period of five (5) years, except as set forth in this Section:

(A) Basic Local Residential Services and Local Operator Services.

(i) Upon the expiration of the five year period, basic local residential services and local operator services shall receive pricing flexibility pursuant to OAC 165:55-5-66(1)(C) in the absence of a Commission order issued pursuant to OAC 165:55-5-66 (1)(A)(ii).

(ii) An ILEC may petition the Commission for a determination of competition following the expiration of the Five Year Period pursuant to OAC 165:55-5-10.1. Following the expiration of the Five Year Period, if the Competitive Test pursuant to OAC 165:55-1-4 is met, then basic local residential services and local operator services shall have pricing flexibility not to exceed twelve percent (12%) in any twelve (12) month period. Tariff revisions in this Section shall become effective, without Commission order, thirty (30) days after the date of filing of the tariff, unless suspended by Commission order pursuant to OAC 165:55-5-13.

(B) Basic Local Business Services.

(i) Basic local business services shall be capped for three (3) or five (5) years, as outlined in (iii) of this subparagraph.
(ii) If the Competitive Test has been met, basic local business service shall have pricing flexibility not to exceed twelve percent (12%) in any twelve (12) month period. Tariff revisions in this Section shall become effective, without Commission order, thirty (30) days after the date of filing of the tariff, unless suspended by Commission order pursuant to OAC 165:55-5-13.
(iii) Basic local business service shall be capped until the expiration of the Five Year Period, if the Competitive Test has not been met. Not withstanding the foregoing, business access lines (i.e., multiline and PBX trunks), utilized in conjunction with telecommunications equipment or systems which are capable of terminating two or more such business lines, shall be capped for three years.
(iv) If at the end of the Three or Five Year Period, as applicable, the Competitive Test has not been met, basic local business service shall have pricing flexibility pursuant to OAC 165:55-5-66(1)(C).
(v) An ILEC may petition the Commission for a determination of competition pursuant to OAC 165:55-5-10.1.
(C) At the end of the initial Three or Five Year Period, as applicable, the ILEC shall have the following pricing flexibility:
(i) The ILEC may adjust rates on 30 days notice to the Commission, in an amount not to exceed the change in inflation less 1 percent. Inflation shall be measured by the changes in the Gross Domestic Product Fixed 1987 Weights Price Index, or successor fixed weight price index published in the Survey of Current Business or a publication by the United States Department of Commerce, or such other fixed weight price index as the FCC may designate by order for determining inflation. Rate adjustments pursuant to this subparagraph shall occur no more often than once within a 12 month period.
(ii) Notwithstanding any other provisions of this Section, if the ILEC can demonstrate that circumstances have changed such that a price increase exceeding the rate or ceiling established for the Basket 1 services is necessary, the ILEC may petition the Commission for a price adjustment. The Commission shall act upon such a petition within 90 days of filing and shall grant such a petition only after notice, hearing and a compelling showing of changed circumstances.
(2) **Basket 2 - Access services.**
(A) Access services will be placed in Basket 2.
(B) The ILEC shall be required to continue reducing access charges to fulfill all obligations under all Federal and State laws, rules, regulation, and orders, including 17 O.S. Section 139.103. The access charges will then be capped at that level for the remainder of the Five Year Period following election into the Oklahoma Plan.
(C) Access services may be granted pricing flexibility pursuant to OAC 165:55-5-10.1, but in no event will access rates be granted pricing flexibility prior to 17 O.S. § 139.103 being fulfilled.

(D) The Commission shall have continuing regulatory oversight of prices for intrastate network access services for purposes of determining the correctness of any rate change by a telecommunications company resulting from the application of this subsection.

(E) The ILEC may not seek recovery of any part of the revenue reduction associated with access reductions from the OUSF. In addition, the terms and conditions provisions of the intrastate access tariff of the company shall mirror the terms and conditions provisions of the interstate access tariffs of that company. All reductions in access rates shall be flowed through to customers and/or end-users, consistent with Commission rules.

(F) After the ILEC fulfills all obligations under 17 O.S. §139.103, nothing in this Section shall prohibit the ability of a third party to pursue reductions in access services and other services which remain in Basket 2.

(3) **Basket 3 - Emerging Competitive and Optional Services.**

(A) Services in Basket 3 will include services typically considered optional in nature, that are experiencing some degree of competition in that market but are not yet fully competitive and/ or new services.

(B) Prices in this basket shall not be increased more than once in any twelve month period.

(C) A price increase for any Basket 3 service shall not exceed five percent (5%) unless the Commission finds that the service is subject to competition pursuant to the definition of Competitive Test as set forth in OAC 165:55-1-4, in which event the price for that service may be increased in an amount not to exceed fifteen percent (15%). Tariffs for changes in prices in this Section shall become effective, without Commission order, thirty (30) days after the date of filing of the tariff, unless suspended by Commission order pursuant to OAC 165:55-5-13.

(D) An ILEC subject to this Section shall maintain tariffs with the Commission containing the terms, conditions, and rates for each of its Basket 3 services.

(E) The price floor for all services in this Basket will be the Long Run Incremental Cost ("LRIC") of the service under consideration plus 20% of the LRIC of that service, to assure recovery of appropriate joint and common costs and avoid cross subsidization between services within this basket, or by applying imputation where appropriate. The 20 percent add-on does not apply to non-recurring charges, toll, ICB or promotions.

(F) A new service may be placed in Basket 3 without Commission order, 30 days after filing of the tariff, unless suspended by Commission order pursuant to 165:55-5-13. A new service will not receive the pricing flexibility available pursuant to this subsection until 1 year after its initial placement in the basket.

(4) **Basket 4 - Competitive Services.**

(A) Services which are competitive, pursuant to OAC 165:55-5-10.1, and for which functionally equivalent and substitute services are available will be placed in Basket 4.

(B) The price floor for all services in this Basket will be the greater of the LRIC of the service under consideration or a price which is arrived at by applying imputation where appropriate.

(C) Price revisions to the tariffs for services in Basket 4 shall become effective on the date specified on the revised tariff sheets after the provider has delivered 3 copies of the revised tariff sheets to the Director of the Public Utility Division. The effective date shall be no earlier than the date the revised tariff pages are delivered.

[**Source:** Added at 17 Ok Reg 306, eff 11-2-99 (emergency); Added at 17 Ok Reg 1043, eff 5-11-00]

165:55-5-67. [RESERVED]

[**Source:** Reserved at 17 Ok Reg 306, eff 11-2-99 (emergency); Reserved at 17 Ok Reg 1043, eff 5-11-00]

165:55-5-68. Notice requirements
(a) Notice to customers on any rate increase shall be pursuant to OAC 165:55-5-11.
(b) Notice of tariff revisions and new service offerings by the ILEC shall be provided pursuant to OAC 165:55-5-11.

[**Source:** Added at 17 Ok Reg 306, eff 11-2-99 (emergency); Added at 17 Ok Reg 1043, eff 5-11-00]

165:55-5-69. [RESERVED]

[**Source:** Reserved at 17 Ok Reg 306, eff 11-2-99 (emergency); Reserved at 17 Ok Reg 1043, eff 5-11-00]

165:55-5-70. Packaging
(a) In addition to other pricing flexibility identified in this Part, an ILEC which has implemented the Oklahoma Plan may offer basic local exchange service, individually or as part of a package of services if all services are regulated telecommunications services.
(b) An ILEC which has implemented the Oklahoma Plan may continue to use packaging or combinations allowed pursuant to OAC 165:55-5-10.3.
(c) All new packages or combinations shall meet the following conditions:
(1) A package of regulated services that includes Basket 1 Services shall be priced as follows:

(A) Each Basket 1 service of the package shall be priced at either its tariffed rates or at a price that is above the LRIC of the Basket 1 service(s) when combined, plus 20% of the LRIC, to assure recovery of appropriate joint and common costs and avoid cross subsidization between services within the package, or by applying imputation where appropriate;
(B) Each Basket 2 and 3 service of the package shall be priced above the LRIC of the service when combined, plus 20% of the LRIC, to assure recovery of appropriate joint and common costs and avoid cross subsidization between services within the package, or by applying imputation where appropriate;
(C) Each Basket 4 service of the package shall be priced above the LRIC of the services when combined, or by applying imputation where appropriate.
(2) A package of regulated services that does not include Basket 1 services shall be priced for each service in the package in accordance with the pricing requirements specified for such service(s)' Basket.
(3) A package of regulated services filed pursuant to this subsection shall become effective, without Commission order, thirty (30) days after the date of filing of the tariff, unless suspended by Commission order pursuant to OAC 165:55-5-13.
(d) Packaging of regulated and not-regulated services by an ILEC shall become effective, without Commission order, thirty (30) days after the date of filing of the tariff, unless suspended by Commission order pursuant to OAC 165:55-5-13.

[**Source:** Added at 17 Ok Reg 306, eff 11-2-99 (emergency); Added at 17 Ok Reg 1043, eff 5-11-00; Amended at 18 Ok Reg 2415, eff 7-1-01]

165:55-5-71. [RESERVED]

[**Source:** Reserved at 17 Ok Reg 306, eff 11-2-99 (emergency); Reserved at 17 Ok Reg 1043, eff 5-11-00]

165:55-5-72. Reporting

(a) At least once annually from the time of election, any company electing alternative regulation shall file with the Commission a report as required by OAC 165:55-3-22.
(b) At the time the ILEC submits such information to the FCC, the ILEC shall provide to the Commission: copies of all Oklahoma-specific information contained in the Automated Reporting Management Information System (ARMIS) Data, and copies of completed FCC Form 499A Telecommunications Reporting Worksheets (required by the Report and Order issued July 14, 1999, in CC Docket No. 98-171).

[**Source:** Added at 17 Ok Reg 306, eff 11-2-99 (emergency); Added at 17 Ok Reg 1043, eff 5-11-00]

165:55-5-73. [RESERVED]

[**Source:** Reserved at 17 Ok Reg 306, eff 11-2-99 (emergency); Reserved at 17 Ok Reg 1043, eff 5-11-00]

165:55-5-74. Service standards

(a) An ILEC which has implemented the Oklahoma Plan shall continue to maintain, at a minimum, the service standards set forth in Subchapter 13 of this Chapter.

(b) An ILEC which has implemented the Oklahoma Plan shall continue to be subject to the Commission's jurisdiction over rates and charges even though it may be under alternative regulation. In addition, the ILEC shall continue to be subject to the Commission's enforcement authority regarding quality of service standards, customer service complaints, billing complaints, safety issues, and disconnection of service issues.

(c) The Commission shall make any necessary adjustments to Basket 1 and Basket 2 services as may be required to ensure that service quality standards are met and ensure a prompt resolution of service complaints.

(d) The Commission shall have continuing jurisdiction over Basket 3 services for purposes of ensuring resolution of service complaints, preventing cross-subsidization of non-basic services with revenues from basic services, and ensuring that all providers are treated fairly in the telecommunications market.

(e) The Commission or any person may file a complaint alleging that the rates charged by a telecommunications service provider under the Oklahoma Plan are unfair, unreasonable, or unduly discriminatory.

[**Source:** Added at 17 Ok Reg 306, eff 11-2-99 (emergency); Added at 17 Ok Reg 1043, eff 5-11-00]

165:55-5-75. [RESERVED]

[**Source:** Reserved at 17 Ok Reg 306, eff 11-2-99 (emergency); Reserved at 17 Ok Reg 1043, eff 5-11-00]

165:55-5-76. Enforcement of the Oklahoma Plan

(a) An ILEC operating under the Oklahoma Plan will completely implement its Transition Plan and the Oklahoma Plan.

(b) Failure to completely implement an ILEC's approved Transition Plan and the requirements of the Oklahoma Plan may subject the ILEC to the penalties and/or fines provided by Oklahoma Statute and such other remedies as may be available pursuant to Oklahoma law.

[**Source:** Added at 17 Ok Reg 306, eff 11-2-99 (emergency); Added at 17 Ok Reg 1043, eff 5-11-00]

SUBCHAPTER 7. DIRECTORIES, TELEPHONE NUMBERS, AND CUSTOMER-PROVIDED EQUIPMENT

Section

165:55-7-1. Telephone directories

(a) **Provision of directory to end-users; frequency.** Each telecommunications service provider shall provide in conjunction with the provisioning of local exchange service, or make arrangements to provide to its end-users an alphabetical, white page, telephone directory for each service territory, exchange or group of exchanges. Such directory shall be issued at intervals consistent with satisfactory service, which, in the absence of unusual circumstances, will be at least once each year. A directory for an exchange or calling area may be issued. A copy of each directory published, which contains exchanges located in the State of Oklahoma, shall be furnished to the Commission and the Director of the Public Utility Division (Oklahoma exchanges only).

(b) **Listing in directory.** Each telecommunications service provider shall provide its end-users in conjunction with the provisioning of local exchange service, without charge, one listing in the white page directory issued pursuant to this Chapter and inclusion in a database used to provide directory assistance for the end-user's geographic area. A request by an end-user that their listing or address be omitted from the directory or directory assistance database shall be honored by the telecommunications service provider, in accordance with tariff provisions and there will be no charge for nonpublication if the residential end-user has at least one listing in the directory. Additional listings shall be offered in accordance with approved tariffs. End-user listings in a white page directory or directory assistance data base shall be treated in a nondiscriminatory manner, regardless of the end-user's telecommunications service provider.

(c) **Form of listing in directory.** The form, location and appearance of directory listings of end-users, regardless of the end-user's telecommunications service provider, shall be provided in a nondiscriminatory manner, subject to review by the Commission.

Oklahoma Telecommunications Act of 1997
Oklahoma Statutes §17-139.101-110

§17-139.101. Short title.

Sections 139.101 through 139.109 and Section 3 of this act shall be known and may be cited as the "Oklahoma Telecommunications Act of 1997".

[1]Added by Laws 1997, c. 408, § 1, eff. July 1, 1997. Amended by Laws 2002, c. 80, § 1, eff. July 1, 2002.

[2]

§17-139.102. Definitions.

As used in the Oklahoma Telecommunications Act of 1997:

1. "Access line" means the facility provided and maintained by a telecommunications service provider which permits access to or from the public switched network;

2. "Commission" means the Corporation Commission of this state;

3. "Competitive local exchange carrier" or "CLEC" means, with respect to an area or exchange, a telecommunications service provider that is certificated by the Commission to provide local exchange services in that area or exchange within the state after July 1, 1995;

4. "Competitively neutral" means not advantaging or favoring one person over another;

5. "End User Common Line Charge" means the flat-rate monthly interstate access charge required by the Federal Communications Commission that contributes to the cost of local service;

6. "Enhanced service" means a service that is delivered over communications transmission facilities and that uses computer processing applications to:

a. change the content, format, code, or protocol of transmitted information,

b. provide the customer new or restructured information, or

c. involve end-user interaction with information stored in a computer;

7. "Exchange" means a geographic area established by an incumbent local exchange telecommunications provider as filed with or approved by the Commission for the administration of local telecommunications service in a specified area which usually embraces a city, town, or village and its environs and which may consist of one or more central offices together with associated plant used in furnishing telecommunications service in that area;

8. "Facilities" means all the plant and equipment of a telecommunications service provider, including all tangible

and intangible real and personal property without limitation, and any and all means and instrumentalities in any manner owned, operated, leased, licensed, used, controlled, furnished, or supplied for, by, or in connection with the regulated business of any telecommunications service provider;

9. “High speed Internet access service” or “broadband service” means, as used in Section 3 of this act, those services and underlying facilities that provide upstream, from customer to provider, or downstream, from provider to customer, transmission to or from the Internet in excess of one hundred fifty (150) kilobits per second, regardless of the technology or medium used including, but not limited to, wireless, copper wire, fiber optic cable, or coaxial cable, to provide such service;

10. "Incumbent local exchange telecommunications service provider" or "ILEC" means, with respect to an area or exchanges, any telecommunications service provider furnishing local exchange service in such area or exchanges within this state on July 1, 1995, pursuant to a certificate of convenience and necessity or grandfathered authority;

11. "Interexchange telecommunications carrier" or "IXC" means any person, firm, partnership, corporation or other entity, except an incumbent local exchange telecommunications service provider, engaged in furnishing regulated interexchange telecommunications services under the jurisdiction of the Commission;

12. "Internet" means the international research-oriented network comprised of business, government, academic and other networks;

13. "Local exchange telecommunications service" means a regulated switched or dedicated telecommunications service which originates and terminates within an exchange or an exchange service territory. Local exchange telecommunications service may be terminated by a telecommunications service provider other than the telecommunications service provider on whose network the call originated. The local exchange service territory defined in the originating provider's tariff shall determine whether the call is local exchange service;

14. "Local exchange telecommunications service provider" means a company holding a certificate of convenience and necessity from the Commission to provide local exchange telecommunications service;

15. "Not-for-profit hospital" means:

a. a hospital established as exempt from taxation pursuant to the provisions of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3), or

b. a not-for-profit hospital owned by a municipality, county, or the state,

that is primarily funded by county, state, or federal support, located in this state, and devoted primarily to the maintenance and operation of facilities for the diagnosis, treatment, or care of patients admitted overnight or longer in order to obtain medical care, surgical care, or obstetrical care;

16. "Oklahoma High Cost Fund" means the fund established by the Commission in Cause Nos. PUD 950000117 and 950000119;

17. "Oklahoma Lifeline Fund" means the fund established and required to be implemented by the Commission pursuant to Section 139.105 of this title;

18. "Oklahoma Universal Service Fund" means the fund established and required to be implemented by the Commission pursuant to Section 139.106 of this title;

19. "Person" means any individual, partnership, association, corporation, governmental entity, public or private organization of any character, or any other entity;

20. "Primary universal service" means an access line and dial tone provided to the premises of residential or business customers which provides access to other lines for the transmission of two-way switched or dedicated communication in the local calling area without additional, usage-sensitive charges, including:

a. a primary directory listing,

b. dual-tone multifrequency signaling,

c. access to operator services,

d. access to directory assistance services,

e. access to telecommunications relay services for the deaf or hard-of-hearing,

f. access to nine-one-one service where provided by a local governmental authority or multijurisdictional authority, and

g. access to interexchange long distance services;

21. "Public library" means a library or library system that is freely open to all persons under identical conditions and which is supported in whole or in part by public funds. Public library shall not include libraries operated as part of any university, college, school museum, the Oklahoma Historical Society or county law libraries;

22. "Public school" means all free schools supported by public taxation, and shall include grades kindergarten through twelve;

23. "Regulated telecommunications service" means the offering of telecommunications for a fee directly to the public where the rates for such service are regulated by the Commission. Regulated telecommunications service does not include the provision of nontelecommunications services, including, but not limited to, the printing, distribution, or sale of advertising in telephone directories, maintenance of inside wire, customer premises equipment, and billing and collection service, nor does it include the provision of wireless telephone service, enhanced service, and other unregulated services, including services not under the jurisdiction of the Commission, and services determined by the Commission to be competitive;

24. "Special Universal Services" means the telecommunications services supported by the OUSF which are furnished to public schools, public libraries, not-for-profit hospitals and county seats as provided for in Section 139.109 of this title;

25. "Tariff" means all or any part of the body of rates, tolls, charges, classifications, and terms and conditions of service relating to regulated services offered, the conditions under which offered, and the charges therefor, which have been filed with the Commission and have become effective;

26. "Telecommunications" means the transmission, between or among points specified by the user, of voice or data information of the user's choosing, without change in the form or content of the information as sent and received;

27. "Telecommunications carrier" means a person that provides telecommunications service in this state;

28. "Telecommunications service" means the offering of telecommunications for a fee;

29. "Universal service area" has the same meaning as the term "service area" as defined in 47 U.S.C., Section 214(e)(5); and

30. "Wire center" means a geographic area normally served by a central office.

[3]Added by Laws 1997, c. 408, § 2, eff. July 1, 1997. Amended by Laws 1998, c. 246, § 9, eff. Nov. 1, 1998; Laws 2001, c. 98, § 1, emerg. eff. April 16, 2001; Laws 2002, c. 80, § 2, eff. July 1, 2002.

[4]

§17-139.103. Commission approval of changes in regulated telecommunications service rates required - Charges for basic local exchange service rates limited - Application and effect of act - Alternative form of regulation - Enforcement of quality of service standards - Jurisdiction over access services and rates.

A. Except as provided as follows, no company shall increase or decrease any regulated telecommunications service rate without approval of the Corporation Commission, consistent with Commission rules. The Commission shall promulgate rules, to be effective no later than January 1, 1999, eliminating any regulatory disparities between the CLECs and ILECs with respect to the process of reviewing and approving tariffs.

B. Unless approved by the Legislature, no local exchange telecommunications service provider may charge a basic local exchange service rate that exceeds a basic local exchange service rate previously approved by the Commission and in effect on March 20, 1997, unless the local exchange telecommunications service provider is regulated under traditional rate base, rate of return regulation. Provided, companies serving less than fifteen percent (15%) of the total access lines in the state or which are subject to subsection B of Section 137 of this title may adjust local exchange rates in the manner provided for in subsection B of Section 137 of this title.

C. Nothing in this act shall be construed as modifying, affecting, or nullifying the responsibilities of the Commission or any telecommunications carrier as required pursuant to the National Labor Relations Act, the Communications Act of 1934 as amended by the Telecommunications Act of 1996, or the provisions relating to refund liability for overcharges pursuant to Section 121 et seq. of this title.

D. Except as otherwise provided for in this subsection, nothing in this act shall be construed as abrogating any rate case settlement agreement approved by the Corporation Commission prior to the effective date of this act. With respect to local exchange telecommunications service providers serving fifteen percent (15%) or more of the access lines in the state:

1. The company shall not request and the Commission shall not approve an increase in basic local exchange service rates before February 5, 2001;

2. The Commission shall not initiate or conduct a traditional rate base, rate of return or earnings proceeding for any such company before February 5, 2001,

unless such company proposes and the Commission approves an increase in a service rate that results in an increase in overall revenues of more than five percent (5%) on an annual basis for that company, excluding rate changes made pursuant to subsection E of Section 139.106 of this title and rate changes required or authorized by federal or state law, rules, orders or policies;

3. Notwithstanding any other provision of this act, no later than July 15, 1997, each such company shall submit to the Commission, and the Commission shall approve tariff changes reducing the intrastate access rates of that company by an amount necessary to generate a reduction in the annual intrastate access revenues of that company of Five Million Dollars ($5,000,000.00). The company may seek recovery from the OUSF of only that portion of the annual five-million-dollar revenue reduction taken as directed in this paragraph that exceeds that amount necessary to achieve parity with the interstate access rates of that company in effect on May 30, 1997. Thereafter the Commission shall continue to adjust the intrastate access rates of such company as necessary to keep such rates in parity with the interstate access rates of that company, until the intrastate access revenues of that company have been reduced by a cumulative annual amount of Eleven Million Five Hundred Thousand Dollars ($11,500,000.00), in addition to the five-million-dollar annual reduction taken as directed in this paragraph. The company may seek recovery of all or part of the eleven-million-five-hundred-thousand-dollar annual revenue reduction from the OUSF. If the company seeks recovery from the OUSF of such access revenue reductions described in this paragraph, the Commission shall, after notice and hearing, make a determination of the portion, if any, of the amounts requested that the company is eligible to receive from the OUSF;

4. No later than July 15, 1997, each such company shall submit to the Commission, and the Commission shall approve revised tariffs amending the terms and conditions provisions of the intrastate access tariffs of that company so that those tariffs are in parity with the terms and conditions provisions of the interstate access tariffs of that company. Thereafter, on an ongoing basis, such company shall maintain the terms and conditions provisions of the intrastate access tariffs of that company so that they are in parity with the terms and conditions provisions of the interstate access tariffs of that company; and

5. All reductions in access rates provided for in paragraph 3 of this subsection shall be flowed through to customers, consistent with the Commission's Order No. 282453, as issued by the Commission in Cause No. 29217.

E. Upon application of a provider of regulated telecommunications services, the Commission may implement an alternative form of regulation other than traditional rate base, rate of return regulation. In determining whether to approve an alternative form of regulation or whether to continue regulation as established in paragraph 2 of subsection D of this section beyond February 5, 2001, the Commission shall consider the compliance of the company with the federal Telecommunications Act of 1996 in opening its network to local competition and implementing the interconnection and access provisions of such act.

F. Nothing in this section shall be construed as restricting any right of a consumer to complain to the Commission regarding quality of service or the authority of the Commission to enforce quality of service standards through the Commission's contempt powers or authority to revoke or rescind a certificate of convenience and necessity if the provider fails to provide adequate service. A certificate shall not be revoked or rescinded without notice, hearing, and a reasonable opportunity to correct any inadequacy.

G. The rules of the Corporation Commission governing quality of service shall apply equally to all local exchange telecommunications service providers.

H. In a manner consistent with the provisions of this act and rules promulgated by the Commission, the Commission shall retain jurisdiction over access services and rates.

[5]Added by Laws 1997, c. 408, § 3, eff. July 1, 1997. Amended by Laws 2004, c. 240, § 2, emerg. eff. May 5, 2004.

[6]

§17-139.104. Compensation of Attorney General for enforcement duties - Oversight by Consumer Services Division.

A. For the exercise of duties and performance of responsibilities relating to telecommunications fraud pursuant to the Oklahoma Consumer Protection Act, Section 751 et seq. of Title 15 of the Oklahoma Statutes, and for representation in telecommunications matters as established in Section 18b of Title 74 of the Oklahoma Statutes, the Attorney General shall receive Two Hundred Fifty Thousand Dollars ($250,000.00) per fiscal year to be paid from the Oklahoma Universal Service Fund established in Section 6 of this act. For the 1998 fiscal year, the total amount of the monies shall be paid to the Attorney General in one payment. For each fiscal year thereafter, the monies shall be paid to the Attorney General in equal monthly payments. All monies shall be deposited in the Attorney General's Revolving Fund created pursuant to Section 20 of Title 74 of the Oklahoma Statutes.

B. In addition to any other duties prescribed by law or by Corporation Commission rules, the Commission, through its Consumer Services Division, shall mediate grievances between consumers and telecommunications carriers and ensure compliance with quality of service standards adopted for local exchange telecommunications service providers and other telecommunications carriers which operate in this state.

[7]Added by Laws 1997, c. 408, § 4, eff. July 1, 1997.

[8]

§17-139.105. Credit of End User Common Line Charge for qualifying customers - Oklahoma Lifeline Fund.

A. Each local exchange telecommunications service provider shall file tariffs with the Corporation Commission implementing a program to provide a full waiver of the End User Common Line Charge and a credit equal to the End User Common Line Charge on the monthly basic service rate of qualifying customers. Eligibility criteria for this program shall comply with the provisions of 47 C.F.R., Section 69.104(k)(1) and shall be limited to customers who:

1. Are eligible for or receive assistance or benefits, as certified by the Department of Human Services, under programs providing:

a. Temporary Assistance to Needy Families,

b. Food Stamps,

c. Medical Assistance, or

d. Supplemental Security Income;

2. Are eligible for or receive assistance or benefits, as certified by the State Department of Rehabilitation Services, under programs providing vocational rehabilitation, including, but not limited to, aid to the deaf or hard-of-hearing; or

3. Are eligible for or receive assistance or benefits, as certified by the Oklahoma Tax Commission, pursuant to the Sales Tax Relief Act.

B. There is hereby created within the Corporation Commission the "Oklahoma Lifeline Fund". The Commission shall administer and maintain the Oklahoma Lifeline Fund to help ensure that low-income Oklahomans are provided financial assistance in maintaining basic local exchange telecommunications service. Proceeds from the Oklahoma

Lifeline Fund shall be distributed to all local exchange telecommunications service providers who are required to file lifeline tariffs.

C. The Oklahoma Lifeline Fund charges shall be levied, collected, and administered pursuant to Section 139.107 of this title. Telecommunications carriers may, at their option, recover from their retail customers who are not eligible for lifeline assistance, on an equitable basis, the amount of the lifeline charges paid by the carrier. The Oklahoma Lifeline Fund charges shall not be subject to state or local taxes or franchise fees.

D. An eligible telecommunications carrier may not receive reimbursements from the Oklahoma Lifeline Fund unless it demonstrates that its rates have been reduced by an amount equal to the amount of the Lifeline payments which have been previously included in the rate structure of the carrier. A carrier shall be eligible for support from the Oklahoma Lifeline Fund for any amount which is greater than the amount which has been previously included in the rate structure of the carrier.

[9]Added by Laws 1997, c. 408, § 5, eff. July 1, 1997. Amended by Laws 1998, c. 246, § 10, eff. Nov. 1, 1998.

[10]

§17-139.106. Oklahoma Universal Service Fund.

A. There is hereby created within the Corporation Commission the "Oklahoma Universal Service Fund" (OUSF). Not later than January 31, 1998, the Corporation Commission shall promulgate rules implementing the OUSF so that, consistent with the provisions of this section, funds can be made available to eligible local exchange telecommunications service providers.

B. The fund shall be funded and administered to promote and ensure the availability of primary universal services, at rates that are reasonable and affordable and special universal services, and to provide for reasonably comparable services at affordable rates in rural areas as in urban areas. The OUSF shall provide funding to local exchange telecommunications service providers that meet the eligibility criteria established in this section.

C. The OUSF shall be funded by a charge paid by all telecommunications carriers as provided for in Section 7 of this act, at a level sufficient to maintain universal service.

D. Within ninety (90) days after receipt of a request for funds from an eligible provider, the Administrator designated pursuant to Section 7 of this act shall review and determine the accuracy of the request and advise the provider requesting the funds of the determination of eligibility made by the Administrator. Any affected party shall have fifteen (15) days to request reconsideration by the Commission of the determination made by the Administrator. If the Commission does not issue an order within thirty (30) days from the request for reconsideration, the request shall be deemed approved, on an interim basis, subject to refund with interest. Any refund shall include interest at a rate of not more than the interest rate established by the Commission on customer deposits and shall accrue for a period not to exceed ninety (90) days from the date the funds were received by the requesting eligible provider.

E. Telecommunications carriers may, at their option, recover from their retail customers the OUSF charges paid by the telecommunications carrier. The OUSF charges shall not be subject to state or local taxes or franchise fees.

F. The Commission shall not, prior to implementation and the availability of funds from the OUSF, require local exchange telecommunications service providers to reduce rates for intrastate access services.

G. Any eligible local exchange telecommunications service provider may request funding from the OUSF as necessary to maintain rates for primary universal services that are reasonable and affordable. OUSF funding shall be provided to eligible local exchange telecommunications service providers for the following:

1. To reimburse eligible local exchange telecommunications service providers for the reasonable investments and expenses not recovered from the federal universal service fund or any other state or federal government fund incurred in providing universal services;

2. Infrastructure expenditures or costs incurred in response to facility or service requirements established by a legislative, regulatory, or judicial authority or other governmental entity mandate;

3. For reimbursement of the Lifeline Service Program credits as set forth in Section 5 of this act;

4. To reimburse eligible local exchange telecommunications service providers for providing the Special Universal Services as set forth in subsection C of Section 9 of this act;

5. To defray the costs of administering the OUSF, including the costs of an annual independent audit, if not performed by the Commission staff; and

6. For other purposes deemed necessary by the Commission to preserve and advance universal service.

H. In identifying and measuring the costs of providing primary universal services, exclusively for the purpose of determining OUSF funding levels under this section, the eligible local exchange telecommunications service provider serving less than seventy-five thousand access lines shall, at its option:

1. Calculate such costs by including all embedded investments and expenses incurred by the eligible local exchange telecommunications service provider in the provision of primary universal service, and may identify high-cost areas within the local exchange area it serves and perform a fully distributed allocation of embedded costs and identification of associated primary universal service revenue. Such calculation may be made using fully distributed Federal Communications Commission parts 32, 36 and 64 costs, if such parts are applicable. The high-cost area shall be no smaller than a single exchange, wire center, or census block group, chosen at the option of the eligible local exchange telecommunications service provider; or

2. Adopt the cost studies approved by the Commission for a local exchange telecommunications service provider that serves seventy-five thousand or more access lines; or

3. Adopt such other costing or measurement methodology as may be established for such purpose by the Federal Communications Commission pursuant to Section 254 of the federal Telecommunications Act of 1996.

I. In identifying and measuring the cost of providing primary universal services, and exclusively for the purpose of determining OUSF funding levels pursuant to this section, each ILEC which serves seventy-five thousand or more access lines and each CLEC shall identify high-cost areas within the local exchange and perform a cost study using a Commission-approved methodology from those identified in subsection H of this section. The high-cost area shall be no smaller than a single exchange, wire center or census block group chosen at the option of the eligible ILEC or CLEC. If the Commission fails to approve the selected methodology within one hundred twenty (120) days of the filing of the selection, the selected methodology shall be deemed approved.

J. The Commission may by rule expand primary universal services to be supported by the OUSF, after notice and hearing. The Administrator, upon approval of the Commission, shall determine the level of additional OUSF funding to be made available to an eligible local exchange telecommunications service provider which is required to recover the cost of any expansion of universal services.

K. 1. Each request for OUSF funding by an eligible ILEC serving less than seventy-five thousand access lines shall be premised upon the occurrence of one or more of the following:

a. in the event of a Federal Communications Commission order, rule or policy, the effect of which is to decrease the federal universal service fund revenues of an eligible local exchange telecommunications service provider, the eligible local exchange telecommunications service provider shall recover the decreases in revenues from the OUSF,

b. if, as a result of changes required by existing or future federal or state regulatory rules, orders, or policies or by federal or state law, an eligible local exchange telecommunications service provider experiences a reduction in revenues or an increase in costs, it shall recover the revenue reductions or cost increases from the OUSF, the recovered amounts being limited to the net reduction in revenues or cost increases, or

c. if, as a result of changes made as required by existing or future federal or state regulatory rules, orders, or policies or by federal or state law, an eligible local exchange telecommunications service provider experiences a reduction in costs, upon approval by the Commission, the provider shall reduce the level of OUSF funding it receives to a level sufficient to account for the reduction in costs.

2. The receipt of OUSF funds for any of the changes referred to in this subsection shall not be conditioned upon any rate case or earnings investigation by the Commission. The Commission shall, pursuant to subsection D of this section, approve the request for payment or adjustment of payment from the OUSF based on a comparison of the total annual revenues received from the sources affected by the changes described in paragraph 1 of this subsection by the requesting eligible local exchange telecommunications service provider during the most recent twelve (12) months preceding the request, and the

reasonable calculation of total annual revenues or cost increases which will be experienced after the changes are implemented by the requesting eligible local exchange telecommunications service provider.

L. Upon request for OUSF funding by an ILEC serving seventy-five thousand or more access lines or a CLEC, the Commission shall after notice and hearing make a determination of the level of OUSF funds, if any, that the provider is eligible to receive for the purposes contained in subsection K of this section. If the Commission fails to make a determination within one hundred twenty (120) days of the filing of the request, the request for funding shall be deemed approved. Providers who are not prohibited from applying for OUSF funds as set forth in Section 9 of this act shall receive funding for any special universal services provided and contributions made to the Oklahoma E911 Emergency Service Fund and the Oklahoma Telecommunications Technology Training Fund from the OUSF without a hearing.

M. The incumbent local exchange telecommunications service provider, its successors and assigns, which owned, maintained and provided facilities for universal service within a local exchange area on January 1, 1996, shall be the local exchange telecommunications service provider eligible for OUSF funding within the local exchange area, except as otherwise provided for in this act.

N. 1. Where the incumbent local exchange telecommunications service provider receives or is eligible to receive monies from the OUSF, except as otherwise provided in this section, the Commission, after notice and hearing, may designate other local exchange telecommunications service providers to be eligible for the funding, provided:

a. the other local exchange telecommunications service provider is certificated by the Commission to provide and offers the primary universal services supported by the OUSF to all customers in the universal service area designated by the Commission, using its own facilities, or a combination of its own facilities and the resale of the services or facilities of another. Universal service support under this subsection shall not begin until the other local exchange telecommunications service provider has facilities in place,

b. the other local exchange telecommunications service provider may only receive funding for the portion of the facilities that it owns, maintains, and uses for regulated services,

c. the other local exchange telecommunications service provider shall not receive OUSF funding at a level higher than the level of funding the incumbent local exchange telecommunications service provider is eligible to receive for the same area if the incumbent local exchange telecommunications service provider is also providing service in the same area; provided, the cost of any cost studies required to be performed shall be borne by the party requesting such studies, unless the party performing the study utilizes the study for its own benefit,

d. the other local exchange telecommunications service provider advertises the availability and charges for services it provides through a medium of general distribution, and

e. it is determined by the Commission that the designation is in the public interest and the other local exchange telecommunications service provider is in compliance with all Commission rules for which a waiver has not been granted.

2. Notwithstanding the criteria set forth in this section for designation as an eligible local exchange telecommunications service provider, a commercial mobile radio service provider may, after notice and hearing, seek reimbursement from the OUSF for the provision of services supported by the OUSF, and any telecommunications carrier may seek reimbursement from the OUSF for the provision of Lifeline Service consistent with Section 5 of this act and for the provision of Special Universal Services consistent with Section 9 of this act.

O. In exchanges or wire centers where the Commission has designated more than one local exchange telecommunications service provider as eligible for OUSF funding, the Commission shall permit one or more of the local exchange telecommunications service providers in the area to relinquish the designation as a local exchange telecommunications service provider eligible for OUSF funding in a manner consistent with Section 214(e)(4) of the federal Telecommunications Act of 1996, upon a finding that at least one eligible local exchange telecommunications service provider shall continue to assume the carrier-of-last-resort obligations throughout the area.

P. For any area served by an incumbent local exchange telecommunications service provider which serves less than seventy-five thousand access lines within the state, only the incumbent local exchange telecommunications service provider shall be eligible for OUSF funding except:

1. Other eligible telecommunications carriers which provide Special Universal Services or Lifeline Service shall be eligible to request and receive OUSF funds in the same manner as the incumbent local exchange telecommunications service provider in the same area pursuant to this act;

2. The incumbent local exchange telecommunications service provider may elect to waive the right to be the only eligible local exchange telecommunications service provider within the local exchange area by filing notice with the Commission; or

3. When the Commission, after notice and hearing, makes a determination that it is in the public interest that another local exchange telecommunications service provider should also be deemed a carrier of last resort and be eligible to receive OUSF funding in addition to the incumbent local exchange telecommunications service provider. It shall not be in the public interest to designate another local exchange telecommunications service provider as being a carrier of last resort and eligible to receive OUSF funding if such designation would cause a significant adverse economic impact on users of telecommunications services generally or if the other carrier refuses to seek and accept carrier-of-last-resort obligations throughout the universal service area as designated by the Commission. The other local exchange telecommunications service provider shall not receive OUSF funding at a level higher than the level of funding the incumbent local exchange telecommunications service provider is eligible to receive for the same area if the incumbent local exchange telecommunications service provider is also providing service in the same area and the other local exchange telecommunications service provider meets the requirements of subparagraphs a, b, d and e of paragraph 1 of subsection N of this section.

[11]Added by Laws 1997, c. 408, § 6, eff. July 1, 1997.

[12]

§17-139.107. Administration of funds.

A. The Oklahoma Lifeline Fund and the Oklahoma Universal Service Fund shall be funded in a competitively neutral manner by all telecommunications carriers. The funding from each carrier shall be based on the total retail-billed Oklahoma intrastate telecommunications revenues, from both regulated and unregulated services, of the telecommunications carrier as a percentage of all telecommunications carriers' total retail-billed intrastate telecommunications revenues, from both regulated and unregulated services.

B. The Corporation Commission shall establish the Oklahoma Lifeline Fund charges and the Oklahoma Universal Service Fund charges at a level sufficient to recover costs of administration. The Commission shall provide for administration of the two funds by Commission employees or by contracting for such services with a party having no conflicting interest in the provision of telecommunications services. The administrative function shall be headed by an Administrator.

C. If the Commission determines after notice and hearing that a telecommunications carrier has acted in violation of this section, in addition to the other enforcement powers of the Commission, including its contempt powers and authority to revoke a provider's certificate of convenience and necessity, the Commission may bring an action on behalf of the Oklahoma Lifeline Fund or the Oklahoma Universal Service Fund, in the district court that the Commission deems appropriate, to recover any unpaid fees and charges the Commission has determined are due and payable, including interest, administrative and adjudicative costs, and attorney fees. Upon collection of the charges and costs, the Administrator shall pay the costs of the actions and deposit the remaining funds in the Oklahoma Lifeline Fund or the Oklahoma Universal Service Fund as appropriate.

D. The monies deposited in the Oklahoma Lifeline Fund, the Oklahoma Universal Service Fund and the Oklahoma High Cost Fund shall at no time become monies of the state and shall not become part of the general budget of the Corporation Commission or any other state agency. Except as otherwise authorized by this act, no monies from the Oklahoma Lifeline Fund, the Oklahoma Universal Service Fund, or the Oklahoma High Cost Fund shall be transferred for any purpose to any other state agency or any account of the Corporation Commission or be used for the purpose of contracting with any other state agency or reimbursing any other state agency for any expense. Payments from the

Oklahoma Lifeline Fund, the Oklahoma Universal Service Fund, and the Oklahoma High Cost Fund shall not become or be construed to be an obligation of this state. No claims for reimbursement from the Oklahoma Lifeline Fund, the Oklahoma Universal Service Fund or the Oklahoma High Cost Fund shall be paid with state monies.

[13]Added by Laws 1997, c. 408, § 7, eff. July 1, 1997.

[14]

§17-139.108. Provisions applicable to OneNet and the Oklahoma Government Telecommunications Network.

A. Except for the provisions of this section, nothing in this act shall be construed as applicable to the telecommunications network known as OneNet or to any other component of the Oklahoma Government Telecommunications Network. Neither OneNet nor any other component of the Oklahoma Government Telecommunications Network shall be assessed any fee or other charge for the support of universal service.

B. No provider of Internet service or any company providing telecommunications services or its affiliate or subsidiary, may price such Internet service in an anticompetitive, discriminatory, or predatory manner or subsidize the price of Internet service with revenues received from other services. No governmental agency or entity using or being eligible to use OneNet facilities may price such Internet services in an anticompetitive or predatory manner. Any governmental agency or entity using OneNet facilities is hereby prohibited from reselling OneNet access directly to the general public at any nonpublic site. Any company or individual damaged from a violation of this subsection by a private company or individual shall be entitled to treble damages. The Attorney General shall be responsible for bringing an action for violation of this section against a private company or individual.

C. The Corporation Commission shall not approve, endorse, forward or file any application for reimbursement submitted pursuant to subsection (h) of Section 254 of the Communications Act of 1934, as amended, for transmission services requiring a circuit of T-1 or greater capacity unless OneNet is the circuit provider. For purposes of this subsection, "T-1" means a digital, one-million-five-hundred-forty-four-thousand-bit (1.544 Mbit) circuit with capacity sufficient to simultaneously transmit twenty-four (24) voice or data channels at sixty-four thousand bits per second (64 Kbits/sec).

[15]Added by Laws 1997, c. 408, § 8, eff. July 1, 1997.

[16]
§17-139.109. Oklahoma E911 Emergency Service Fund - Oklahoma Telecommunications Technology Training Fund - Special Universal Services.

A. There is hereby created within the Oklahoma Corporation Commission the “Oklahoma E911 Emergency Service Fund”. Beginning September 1, 1997, each local exchange telecommunications service provider shall annually contribute fifty cents ($0.50) per retail local exchange access line to the Oklahoma E911 Emergency Service Fund until the total amount contributed by all providers to the Fund equals Five Million Dollars ($5,000,000.00). The contribution amount for each service provider shall be based upon the number of retail local exchange access lines of that service provider in service on July 1 of each applicable year. The Oklahoma E911 Emergency Service Fund shall be administered by the Oklahoma Corporation Commission and used to defray the cost of purchasing and installing equipment for enhanced 911 emergency systems across the state. Preference for funding shall be given first to those systems established in areas of the state which do not have access to 911 emergency service before July 1, 1997, and second to areas of the state which do not have access to enhanced 911 emergency services. Funding from the E911 Emergency Service Fund shall not be used for ongoing operating costs of any emergency telephone service system. To qualify for funding, the emergency telephone service system shall have been or be in the process of being approved as provided for in the Nine-One-One Emergency Number Act. Local exchange telecommunications service providers serving fifteen percent (15%) or more of the access lines in the state may not apply for recovery of the contributions made to the E911 Emergency Service Fund from the Oklahoma Universal Service Fund created in Section 139.106 of this title. All monies in the Oklahoma E911 Emergency Service Fund shall be expended only for the purposes set forth in this subsection.

B. There is hereby created within the Oklahoma Department of Career and Technology Education the “Oklahoma Telecommunications Technology Training Fund”. Beginning September 1, 1997, each local exchange telecommunications service provider shall annually contribute seventy-five cents ($0.75) per retail local exchange access line to the Oklahoma Telecommunications Technology Training Fund until the total amount contributed by all providers to the Fund equals Seven Million Dollars ($7,000,000.00). The contribution amount for each service provider shall be based upon the number of retail local exchange access lines of that service provider in service on July 1 of each applicable year. The Oklahoma Telecommunications Technology Training Fund shall be administered by the Oklahoma Department of Career and Technology Education working in conjunction with OneNet, and shall be used to provide statewide training of teachers and school administrators in the most effective use of telecommunications and distance learning technology for the enhancement of education throughout the state. Local exchange telecommunications service providers serving fifteen percent (15%) or more of the access lines in the state may not apply for recovery of the contributions made to the Oklahoma Telecommunications Technology Training Fund from the Oklahoma Universal Service Fund created in Section 139.106 of this title. All monies in the Oklahoma Telecommunications Technology Training Fund shall be expended only for the purposes set forth in this subsection.

C. The following services are hereby declared to be Special Universal Services and such services shall be provided only after funding for the Oklahoma Universal Service Fund is implemented as set forth in Section 139.101 et seq. of this title:

1. Each not-for-profit hospital in the state shall, upon written request, receive one incoming, toll-free phone number and up to a total of five access lines, free of charge, to allow incoming, toll-free calls from any location within the geographic area served by the hospital;

2. Each not-for-profit hospital, county health department, city-county health department, and federally qualified health center in this state shall, upon written request, receive, free of charge, one telecommunications line or wireless connection sufficient for providing such telemedicine, clinical and health consultation services as the entity is equipped to provide. The telecommunications carrier shall be entitled to reimbursement from the Oklahoma Universal Service Fund for providing the line or connection. In no case, however, shall reimbursement from the fund be made for an Internet subscriber fee or charges incurred as a result of services accessed via the Internet;

3. Each public school building wherein classrooms are contained and each public library in the state shall, upon written request, receive one incoming, toll-free phone number and up to a total of five access lines, free of charge, to allow incoming, toll-free calls from any

location within the geographic area served by the school or the public library;

4. Each public school building wherein classrooms are contained and each public library in the state shall, upon written request, receive one access line, free of charge, with the ability to connect to an Internet service provider at 56 kbps, in the most economically efficient manner for the carrier, or an equivalent dollar credit to be applied by the public school or public library toward similar services provided by the same carrier, for the purpose of accessing the Internet. In no case shall the Oklahoma Universal Service Fund reimburse an entity for an Internet subscriber fee or charges incurred as a result of services accessed via the Internet; and

5. Each county seat in the state shall, upon written request of the board of county commissioners, receive one incoming, toll-free phone number and up to a total of five access lines, free of charge, to allow incoming, toll-free calls from any location within the geographic area served by the county seat.

D. To the extent Special Universal Services are purchased from a telecommunications service provider by another carrier, the Special Universal Services are for the exclusive use of the not-for-profit hospital, county health department, city-county health department, federally qualified health center, public school, public library or county government. Under no circumstances shall the not-for-profit hospital, county health department, city-county health department, federally qualified health center, public school, public library or county government sell, repackage or share Special Universal Services with any other entity.

[17]Added by Laws 1997, c. 408, § 9, eff. July 1, 1997. Amended by Laws 2000, c. 44, § 1, eff. Nov. 1, 2000; Laws 2000, c. 319, § 1, emerg. eff. June 5, 2000; Laws 2001, c. 33, § 17, eff. July 1, 2001; Laws 2004, c. 409, § 1, eff. Nov. 1, 2004.

[18]

§17-139.110. High speed Internet access or broadband service – Regulation by Corporation Commission prohibited – Requirements of local exchange telecommunications service providers – Taxation.

A. The Oklahoma Corporation Commission shall not, by entering any order, adopting any rule, or otherwise taking any agency action, impose any regulation upon a provider of high speed Internet access service or broadband service in its provision of such service, regardless of technology or medium used to provide such service.

B. An incumbent local exchange telecommunications service provider (ILEC) subject to the provisions of 47 U.S.C., Section 251(c) shall be required to provide unbundled access to network elements, including but not limited to loops, subloops, and collocation space within the facilities of the ILEC, to the extent specifically required under 47 C.F.R., Section 51.319 or any successor regulations issued by the Federal Communications Commission.

C. Nothing in this section shall effect the assessment of any company under Article X of the Oklahoma Constitution or Section 2801 et seq. of Title 68 of the Oklahoma Statutes.

[19]Added by Laws 2002, c. 80, § 3, eff. July 1, 2002.

[20]

Oklahoma Statutes
§17-137 OS 137 to 137.1

§17-137. Rates - Telephone companies not subject to local exchange rate regulation.

A. Except as otherwise hereafter provided, any proceeding under Section 136 of this title and in any other proceeding to regulate the rates of a telephone utility subject to the jurisdiction of the Corporation Commission, said Commission shall prescribe and enforce rates to provide a fair return on the fair value of the property devoted to public service in this state.

B. Telephone companies which serve less than fifteen thousand (15,000) subscribers within the state and telephone cooperatives shall not be subject to local exchange rate regulation by the Corporation Commission unless:

1. The company elects by action of its board of directors to be subject to such local exchange rate regulation by the Commission;

2. The proposed local exchange rate increase exceeds Two Dollars ($2.00) per access line per month in any one (1) year;

3. Fifteen percent (15%) of the subscribers petition the Commission to regulate local exchange rates pursuant to subsections, D, E and F of this section; or

4. The Commission declares that the company shall be subject to local exchange rate regulation by the Commission pursuant to subsection G of this section.

C. Each telephone company, which serves more than five percent (5%) but less than fifteen percent (15%) of the subscribers of telephone service within the state, that increases its local exchange rates in accordance with this section shall invest an amount equivalent to the annual revenues produced from such rate increase to upgrade its facilities used for the provision of services to subscribers served within the exchange from which revenues from such rate increase are generated.

D. Each such telephone company not subject to local exchange rate regulations, at least sixty (60) days before the effective date of any proposed rate change, shall notify the Commission and each of the subscribers of such company of the proposed local exchange rate change. Notice to the Commission shall include a list of the published subscribers of such company. Notice by the company to all subscribers shall:

1. Be in a form prescribed by the Commission;

2. Be by regular mail and may be included in regular subscriber billings; and

3. Include a schedule of the proposed local exchange rates, the effective date of the said rates, and the procedure necessary for the subscribers to petition the Commission to examine and determine the reasonableness of the proposed rates. If the telephone directory published by the company for its subscribers sets forth the procedure for petitioning the Commission, a reference to the location in the directory shall be adequate notice of the procedure.

E. The subscribers of a telephone company not subject to the Commission's local exchange rate regulation may petition the Commission to examine and determine the reasonableness of the local exchange rate change proposed by the company pursuant to subsection C of this section. The Commission shall adopt and promulgate rules and regulations governing the form of such petitions. A petition substantially in compliance with such rules and regulations shall not be deemed invalid due to minor errors in its form.

F. If, by the effective date of the proposed local exchange rate change, the Commission has received petitions from fewer than fifteen percent (15%) of the subscribers requesting that the Commission examine the proposed local exchange rate change, the Commission shall immediately certify such fact to the company and the proposed local exchange rates shall become effective as published in the notice to subscribers. If, on or before the effective date of the proposed local exchange rate change, the Commission has received petitions from fifteen percent (15%) or more of the subscribers requesting that the Commission examine and determine the reasonableness of the proposed local exchange rates, the Commission shall notify the company that it will examine and determine the reasonableness of the proposed local exchange rate change. Local exchange rates and charges established by the Commission or by a telephone company pursuant to this subsection and subsection D of this section shall be in force for not less than one (1) year.

G. In addition to the procedure for petition prior to any proposed local exchange rate change pursuant to subsections D through F of this section, the subscribers of a telephone company not subject to the Commission's local exchange rate regulation may at any time petition the Commission to declare the company be subject to such rate regulation. If the Commission determines that at least fifty-one percent (51%) of the subscribers of a company have properly petitioned that the company be subject to the Commission's rate regulation, the Commission shall certify such fact to the company and thereafter the company shall be subject to rate regulation by the Commission until at least fifty-one percent (51%) of the subscribers of the company properly petition that the company no longer shall be subject to the Commission's local exchange rate regulation. The Commission shall adopt and promulgate rules and regulations governing the petition procedure and the form of such petitions and a petition substantially in compliance with such rules and regulations shall not be deemed invalid due to minor errors in its form.

H. Subsections A through G of this section apply only to local exchange rates and charges and shall have no effect on the Oklahoma Corporation Commission's jurisdiction over, and regulation of, intrastate toll and access rates and charges.

I. The Commission shall have the right to investigate and determine the reasonableness of the increase in local exchange rates and charges of each telephone company or cooperative not subject to local exchange rate regulation within one (1) year of the time local exchange rates or charges are increased. If the Commission determines such rate or charge increases are unreasonable, the Commission shall have the authority to order a rate hearing and, after such hearing, shall have the authority to rescind all or any portion of the increases found to be unreasonable.

J. When any telephone utility subject to the jurisdiction of the Corporation Commission shall file with the Commission a request for review of its rates and charges, such request shall be conducted in accordance with the provisions of subsection B of Section 152 of this title.

K. It is the intention of the Legislature that this entire section is an amendment to, and alteration of Sections 18 through 34, inclusive, of Article IX of the Constitution of the State of Oklahoma, as authorized by Section 35, Article IX of said Constitution.

[1]Added by Laws 1959, p. 86, § 3, emerg. eff. June 22, 1959. Amended by Laws 1986, c. 97, § 1, eff. Jan. 1, 1987; Laws 1993, c. 365, § 2, emerg. eff. June 11, 1993; Laws 1994, c. 315, § 18, eff. July 1, 1994; Laws 2004, c. 240, § 1, emerg. eff. May 5, 2004.

§17-137.1. Repealed by Laws 1997, c. 408, § 12, eff. July 1, 1997.

§17-137.2. Repealed by Laws 1996, c. 331, § 6, emerg. eff. June 12, 1996.
§17-137.3. Universal service fee.

The Corporation Commission may, after notice and hearing, assess a universal service fee upon all providers of telecommunications services, as defined by the rules of the Corporation Commission, and upon cellular and other radio carriers, to support state and federal universal service objectives.

[2]Added by Laws 1996, c. 331, § 3, emerg. eff. June 12, 1996.

§ 214. Extension of lines or discontinuance of service; certificate of public convenience and necessity

Release date: 2003-08-01

(a) Exceptions; temporary or emergency service or discontinuance of service; changes in plant, operation or equipment
No carrier shall undertake the construction of a new line or of an extension of any line, or shall acquire or operate any line, or extension thereof, or shall engage in transmission over or by means of such additional or extended line, unless and until there shall first have been obtained from the Commission a certificate that the present or future public convenience and necessity require or will require the construction, or operation, or construction and operation, of such additional or extended line: Provided, That no such certificate shall be required under this section for the construction, acquisition, or operation of

(1) a line within a single State unless such line constitutes part of an interstate line,

(2) local, branch, or terminal lines not exceeding ten miles in length, or

(3) any line acquired under section 221 of this title: Provided further, That the Commission may, upon appropriate request being made, authorize temporary or emergency service, or the supplementing of existing facilities, without regard to the provisions of this section. No carrier shall discontinue, reduce, or impair service to a community, or part of a community, unless and until there shall first have been obtained from the Commission a certificate that neither the present nor future public convenience and necessity will be adversely affected thereby; except that the Commission may, upon appropriate request being made, authorize temporary or emergency discontinuance, reduction, or impairment of service, or partial discontinuance, reduction, or impairment of service, without regard to the provisions of this section. As used in this section the term “line” means any channel of communication established by the use of appropriate equipment, other than a channel of communication established by the interconnection of two or more existing channels: Provided, however, That nothing in this section shall be construed to require a certificate or other authorization from the Commission for any installation, replacement, or other changes in plant, operation, or equipment, other than new construction, which will not impair the adequacy or quality of service provided.

(b) Notification of Secretary of Defense, Secretary of State, and State Governor
Upon receipt of an application for any such certificate, the Commission shall cause notice thereof to be given to, and shall cause a copy of such application to be filed with, the Secretary of Defense, the Secretary of State (with respect to such applications involving service to foreign points), and the Governor of each

State in which such line is proposed to be constructed, extended, acquired, or operated, or in which such discontinuance, reduction, or impairment of service is proposed, with the right to those notified to be heard; and the Commission may require such published notice as it shall determine.

(c) Approval or disapproval; injunction

The Commission shall have power to issue such certificate as applied for, or to refuse to issue it, or to issue it for a portion or portions of a line, or extension thereof, or discontinuance, reduction, or impairment of service, described in the application, or for the partial exercise only of such right or privilege, and may attach to the issuance of the certificate such terms and conditions as in its judgment the public convenience and necessity may require. After issuance of such certificate, and not before, the carrier may, without securing approval other than such certificate, comply with the terms and conditions contained in or attached to the issuance of such certificate and proceed with the construction, extension, acquisition, operation, or discontinuance, reduction, or impairment of service covered thereby. Any construction, extension, acquisition, operation, discontinuance, reduction, or impairment of service contrary to the provisions of this section may be enjoined by any court of competent jurisdiction at the suit of the United States, the Commission, the State commission, any State affected, or any party in interest.

(d) Order of Commission; hearing; penalty

The Commission may, after full opportunity for hearing, in a proceeding upon complaint or upon its own initiative without complaint, authorize or require by order any carrier, party to such proceeding, to provide itself with adequate facilities for the expeditious and efficient performance of its service as a common carrier and to extend its line or to establish a public office; but no such authorization or order shall be made unless the Commission finds, as to such provision of facilities, as to such establishment of public offices, or as to such extension, that it is reasonably required in the interest of public convenience and necessity, or as to such extension or facilities that the expense involved therein will not impair the ability of the carrier to perform its duty to the public. Any carrier which refuses or neglects to comply with any order of the Commission made in pursuance of this subsection shall forfeit to the United States $1,200 for each day during which such refusal or neglect continues.

(e) Provision of universal service

(1) Eligible telecommunications carriers

A common carrier designated as an eligible telecommunications carrier under paragraph (2), (3), or (6) shall be eligible to receive universal service support in accordance with section 254 of this title and shall, throughout the service area for which the designation is received—

(A) offer the services that are supported by Federal universal service support mechanisms under section 254 (c) of this title, either using its own facilities or a combination of its own facilities and resale of another carrier’s services (including the services offered by another eligible telecommunications carrier); and

(B) advertise the availability of such services and the charges therefor using media of general distribution.

(2) Designation of eligible telecommunications carriers

A State commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (1) as an eligible telecommunications carrier for a service area designated by the

State commission. Upon request and consistent with the public interest, convenience, and necessity, the State commission may, in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the State commission, so long as each additional requesting carrier meets the requirements of paragraph (1). Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest.

(3) Designation of eligible telecommunications carriers for unserved areas

If no common carrier will provide the services that are supported by Federal universal service support mechanisms under section 254 (c) of this title to an unserved community or any portion thereof that requests such service, the Commission, with respect to interstate services or an area served by a common carrier to which paragraph (6) applies, or a State commission, with respect to intrastate services, shall determine which common carrier or carriers are best able to provide such service to the requesting unserved community or portion thereof and shall order such carrier or carriers to provide such service for that unserved community or portion thereof. Any carrier or carriers ordered to provide such service under this paragraph shall meet the requirements of paragraph (1) and shall be designated as an eligible telecommunications carrier for that community or portion thereof.

(4) Relinquishment of universal service

A State commission (or the Commission in the case of a common carrier designated under paragraph (6)) shall permit an eligible telecommunications carrier to relinquish its designation as such a carrier in any area served by more than one eligible telecommunications carrier. An eligible telecommunications carrier that seeks to relinquish its eligible telecommunications carrier designation for an area served by more than one eligible telecommunications carrier shall give advance notice to the State commission (or the Commission in the case of a common carrier designated under paragraph (6)) of such relinquishment. Prior to permitting a telecommunications carrier designated as an eligible telecommunications carrier to cease providing universal service in an area served by more than one eligible telecommunications carrier, the State commission (or the Commission in the case of a common carrier designated under paragraph (6)) shall require the remaining eligible telecommunications carrier or carriers to ensure that all customers served by the relinquishing carrier will continue to be served, and shall require sufficient notice to permit the purchase or construction of adequate facilities by any remaining eligible telecommunications carrier. The State commission (or the Commission in the case of a common carrier designated under paragraph (6)) shall establish a time, not to exceed one year after the State commission (or the Commission in the case of a common carrier designated under paragraph (6)) approves such relinquishment under this paragraph, within which such purchase or construction shall be completed.

(5) “Service area” defined

The term “service area” means a geographic area established by a State commission (or the Commission under paragraph (6)) for the purpose of determining universal service obligations and support mechanisms. In the case of an area served by a rural telephone company, “service area” means such company’s “study area” unless and until the Commission and the States, after taking into account recommendations of a Federal-State Joint Board instituted under section 410 (c) of this title, establish a different definition of service area for such company.

(6) Common carriers not subject to State commission jurisdiction

In the case of a common carrier providing telephone exchange service and exchange access that is not subject to the jurisdiction of a State commission, the Commission shall upon request designate such a common carrier that meets the requirements of paragraph (1) as an eligible telecommunications carrier for a service area designated by the Commission consistent with applicable Federal and State law. Upon request and consistent with the public interest, convenience and necessity, the Commission may, with respect to an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated under this paragraph, so long as each additional requesting carrier meets the requirements of paragraph (1). Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the Commission shall find that the designation is in the public interest.

§ 254. Universal service

Release date: 2003-08-01

(a) Procedures to review universal service requirements

(1) Federal-State Joint Board on universal service

Within one month after February 8, 1996, the Commission shall institute and refer to a Federal-State Joint Board under section 410 (c) of this title a proceeding to recommend changes to any of its regulations in order to implement sections 214 (e) of this title and this section, including the definition of the services that are supported by Federal universal service support mechanisms and a specific timetable for completion of such recommendations. In addition to the members of the Joint Board required under section 410 (c) of this title, one member of such Joint Board shall be a State-appointed utility consumer advocate nominated by a national organization of State utility consumer advocates. The Joint Board shall, after notice and opportunity for public comment, make its recommendations to the Commission 9 months after February 8, 1996.

(2) Commission action

The Commission shall initiate a single proceeding to implement the recommendations from the Joint Board required by paragraph (1) and shall complete such proceeding within 15 months after February 8, 1996. The rules established by such proceeding shall include a definition of the services that are supported by Federal universal service support mechanisms and a specific timetable for implementation. Thereafter, the Commission shall complete any proceeding to implement subsequent recommendations from any Joint Board on universal service within one year after receiving such recommendations.

(b) Universal service principles

The Joint Board and the Commission shall base policies for the preservation and advancement of universal service on the following principles:

(1) Quality and rates

Quality services should be available at just, reasonable, and affordable rates.

(2) Access to advanced services

Access to advanced telecommunications and information services should be provided in all regions of the Nation.

(3) Access in rural and high cost areas

Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.

(4) Equitable and nondiscriminatory contributions

All providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service.

(5) Specific and predictable support mechanisms

There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.

(6) Access to advanced telecommunications services for schools, health care, and libraries

Elementary and secondary schools and classrooms, health care providers, and libraries should have access to advanced telecommunications services as described in subsection (h) of this section.

(7) Additional principles

Such other principles as the Joint Board and the Commission determine are necessary and appropriate for the protection of the public interest, convenience, and necessity and are consistent with this chapter.

(c) Definition

(1) In general

Universal service is an evolving level of telecommunications services that the Commission shall establish periodically under this section, taking into account advances in telecommunications and information technologies and services. The Joint Board in recommending, and the Commission in establishing, the definition of the services that are supported by Federal universal service support mechanisms shall consider the extent to which such telecommunications services—

(A) are essential to education, public health, or public safety;

(B) have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers;

(C) are being deployed in public telecommunications networks by telecommunications carriers; and

(D) are consistent with the public interest, convenience, and necessity.

(2) Alterations and modifications

The Joint Board may, from time to time, recommend to the Commission modifications in the definition of the services that are supported by Federal universal service support mechanisms.

(3) Special services

In addition to the services included in the definition of universal service under paragraph (1), the Commission may designate additional services for such support mechanisms for schools, libraries, and health care providers for the purposes of subsection (h) of this section.

(d) Telecommunications carrier contribution

Every telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service. The Commission may exempt a carrier or class of carriers from this requirement if the carrier's telecommunications activities are limited to such an extent that the level of such carrier's contribution to the preservation and advancement of universal service would be de minimis. Any other provider of interstate telecommunications may be required to contribute to the preservation and advancement of universal service if the public interest so requires.

(e) Universal service support

After the date on which Commission regulations implementing this section take effect, only an eligible telecommunications carrier designated under section 214 (e) of this title shall be eligible to receive specific Federal universal service support. A carrier that receives such support shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Any such support should be explicit and sufficient to achieve the purposes of this section.

(f) State authority

A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State. A State may adopt regulations to provide for additional definitions and standards to preserve and advance universal service within that State only to the extent that such regulations adopt additional specific, predictable, and sufficient mechanisms to support such definitions or standards that do not rely on or burden Federal universal service support mechanisms.

(g) Interexchange and interstate services

Within 6 months after February 8, 1996, the Commission shall adopt rules to require that the rates charged by providers of interexchange telecommunications services to subscribers in rural and high cost areas shall be no higher than the rates charged by each such provider to its subscribers in urban areas. Such rules shall also require that a provider of interstate interexchange telecommunications services shall provide such services to its subscribers in each State at rates no higher than the rates charged to its subscribers in any other State.

(h) Telecommunications services for certain providers

(1) In general

(A) Health care providers for rural areas

A telecommunications carrier shall, upon receiving a bona fide request, provide telecommunications services which are necessary for the provision of health care services in a State, including instruction relating to such services, to any public or nonprofit health care provider that serves persons who reside in rural areas in that State at rates that are reasonably comparable to rates charged for similar services in urban areas in that State. A telecommunications carrier providing service under this paragraph shall be entitled to have an amount equal to the difference, if any, between the rates for services provided to health care providers for rural areas in a State and the rates for similar services provided to other customers in comparable rural areas in that State treated as a service obligation as a part of its obligation to participate in the mechanisms to preserve and advance universal service.

(B) Educational providers and libraries

All telecommunications carriers serving a geographic area shall, upon a bona fide request for any of its services that are within the definition of universal service under subsection (c)(3) of this section, provide such services to elementary schools, secondary schools, and libraries for educational purposes at rates less than the amounts charged for similar services to other parties. The discount shall be an amount that the Commission, with respect to interstate services, and the States, with respect to intrastate services, determine is appropriate and necessary to ensure affordable access to and use of such services by such entities. A telecommunications carrier providing service under this paragraph shall—

(i) have an amount equal to the amount of the discount treated as an offset to its obligation to contribute to the mechanisms to preserve and advance universal service, or

(ii) notwithstanding the provisions of subsection (e) of this section, receive reimbursement utilizing the support mechanisms to preserve and advance universal service.

(2) Advanced services

The Commission shall establish competitively neutral rules—

(A) to enhance, to the extent technically feasible and economically reasonable, access to advanced telecommunications and information services for all public and nonprofit elementary and secondary school classrooms, health care providers, and libraries; and

(B) to define the circumstances under which a telecommunications carrier may be required to connect its network to such public institutional telecommunications users.

(3) Terms and conditions

Telecommunications services and network capacity provided to a public institutional telecommunications user under this subsection may not be sold, resold, or otherwise transferred by such user in consideration for money or any other thing of value.

(4) Eligibility of users

No entity listed in this subsection shall be entitled to preferential rates or treatment as required by this subsection, if such entity operates as a for-profit business, is a school described in paragraph (7)(A) with an endowment of more than $50,000,000, or is a library or library consortium not eligible for assistance from a State library administrative agency under the Library Services and Technology Act [20 U.S.C. 9121 et seq.].

(5) Requirements for certain schools with computers having Internet access

(A) Internet safety

(i) In general Except as provided in clause (ii), an elementary or secondary school having computers with Internet access may not receive services at discount rates under paragraph (1)(B) unless the school, school board, local educational agency, or other authority with responsibility for administration of the school—

(I) submits to the Commission the certifications described in subparagraphs (B) and (C);

(II) submits to the Commission a certification that an Internet safety policy has been adopted and implemented for the school under subsection (l) of this section; and

(III) ensures the use of such computers in accordance with the certifications.

(ii) Applicability The prohibition in clause (i) shall not apply with respect to a school that receives services at discount rates under paragraph (1)(B) only for purposes other than the provision of Internet access, Internet service, or internal connections.

(iii) Public notice; hearing An elementary or secondary school described in clause (i), or the school board, local educational agency, or other authority with responsibility for administration of the school, shall provide reasonable public notice and hold at least one public hearing or meeting to address the proposed Internet safety policy. In the case of an elementary or secondary school other than an elementary or secondary school as defined in section 8801 [1] of title 20, the notice and hearing required by this clause may be limited to those members of the public with a relationship to the school.

(B) Certification with respect to minors

A certification under this subparagraph is a certification that the school, school board, local educational agency, or other authority with responsibility for administration of the school—

(i) is enforcing a policy of Internet safety for minors that includes monitoring the online activities of minors and the operation of a technology protection measure with respect to any of its computers with Internet access that protects against access through such computers to visual depictions that are—

(I) obscene;

(II) child pornography; or

(III) harmful to minors; and

(ii) is enforcing the operation of such technology protection measure during any use of such computers by minors.

(C) Certification with respect to adults

A certification under this paragraph is a certification that the school, school board, local educational agency, or other authority with responsibility for administration of the school—

(i) is enforcing a policy of Internet safety that includes the operation of a technology protection measure with respect to any of its computers with Internet access that protects against access through such computers to visual depictions that are—

(I) obscene; or

(II) child pornography; and

(ii) is enforcing the operation of such technology protection measure during any use of such computers.

(D) Disabling during adult use

An administrator, supervisor, or other person authorized by the certifying authority under subparagraph (A)(i) may disable the technology protection measure concerned, during use by an adult, to enable access for bona fide research or other lawful purpose.

(E) Timing of implementation

(i) In general Subject to clause (ii) in the case of any school covered by this paragraph as of the effective date of this paragraph under section 1721(h) of the Children's Internet Protection Act, the certification under subparagraphs (B) and (C) shall be made—

(I) with respect to the first program funding year under this subsection following such effective date, not later than 120 days after the beginning of such program funding year; and

(II) with respect to any subsequent program funding year, as part of the application process for such program funding year.

(ii) Process

(I) Schools with Internet safety policy and technology protection measures in place A school covered by clause (i) that has in place an Internet safety policy and technology protection measures meeting the requirements necessary for certification under subparagraphs (B) and (C) shall certify its compliance with subparagraphs (B) and (C) during each annual program application cycle under this subsection, except that with respect to the first program funding year after the effective date of this paragraph under section 1721(h) of the Children's Internet Protection Act, the certifications shall be made not later than 120 days after the beginning of such first program funding year.

(II) Schools without Internet safety policy and technology protection measures in place A school covered by clause (i) that does not have in place an Internet safety policy and technology protection measures meeting the requirements necessary for certification under subparagraphs (B) and (C)—

> **(aa)** for the first program year after the effective date of this subsection in which it is applying for funds under this subsection, shall certify that it is undertaking such actions, including any necessary procurement procedures, to put in place an Internet safety policy and technology protection measures meeting the requirements necessary for certification under subparagraphs (B) and (C); and
>
> **(bb)** for the second program year after the effective date of this subsection in which it is applying for funds under this subsection, shall certify that it is in compliance with subparagraphs (B) and (C).
>
> Any school that is unable to certify compliance with such requirements in such second program year shall be ineligible for services at discount rates or funding in lieu of services at such rates under this subsection for such second year and all subsequent program years under this subsection, until such time as such school comes into compliance with this paragraph.

(III) Waivers Any school subject to subclause (II) that cannot come into compliance with subparagraphs (B) and (C) in such second year program may seek a waiver of subclause (II)(bb) if State or local procurement rules or regulations or competitive bidding requirements prevent the making of the certification otherwise required by such subclause. A school, school board, local educational agency, or other authority with responsibility for administration of the school shall notify the Commission of the applicability of such subclause to the school. Such notice shall certify that the school in question will be brought into compliance before the start of the third program year after the effective date of this subsection in which the school is applying for funds under this subsection.

(F) Noncompliance

(i) Failure to submit certification Any school that knowingly fails to comply with the application guidelines regarding the annual submission of certification required by this paragraph shall not be eligible for services at discount rates or funding in lieu of services at such rates under this subsection.

(ii) Failure to comply with certification Any school that knowingly fails to ensure the use of its computers in accordance with a certification under subparagraphs (B) and (C) shall reimburse any funds and discounts received under this subsection for the period covered by such certification.

(iii) Remedy of noncompliance

(I) Failure to submit A school that has failed to submit a certification under clause (i) may remedy the failure by submitting the certification to which the failure relates. Upon submittal of such certification, the school shall be eligible for services at discount rates under this subsection.

(II) Failure to comply A school that has failed to comply with a certification as described in clause (ii) may remedy the failure by ensuring the use of its computers in accordance with such certification. Upon submittal to the Commission of a certification or other appropriate evidence of such remedy, the school shall be eligible for services at discount rates under this subsection.

(6) Requirements for certain libraries with computers having Internet access

(A) Internet safety

(i) In general Except as provided in clause (ii), a library having one or more computers with Internet access may not receive services at discount rates under paragraph (1)(B) unless the library—

(I) submits to the Commission the certifications described in subparagraphs (B) and (C); and

(II) submits to the Commission a certification that an Internet safety policy has been adopted and implemented for the library under subsection (l) of this section; and

(III) ensures the use of such computers in accordance with the certifications.

(ii) Applicability The prohibition in clause (i) shall not apply with respect to a library that receives services at discount rates under paragraph (1)(B) only for purposes other than the provision of Internet access, Internet service, or internal connections.

(iii) Public notice; hearing A library described in clause (i) shall provide reasonable public notice and hold at least one public hearing or meeting to address the proposed Internet safety policy.

(B) Certification with respect to minors

A certification under this subparagraph is a certification that the library—

(i) is enforcing a policy of Internet safety that includes the operation of a technology protection measure with respect to any of its computers with Internet access that protects against access through such computers to visual depictions that are—

(I) obscene;

(II) child pornography; or

(III) harmful to minors; and

(ii) is enforcing the operation of such technology protection measure during any use of such computers by minors.

(C) Certification with respect to adults

A certification under this paragraph is a certification that the library—

(i) is enforcing a policy of Internet safety that includes the operation of a technology protection measure with respect to any of its computers with Internet access that protects against access through such computers to visual depictions that are—

(I) obscene; or

(II) child pornography; and

(ii) is enforcing the operation of such technology protection measure during any use of such computers.

(D) Disabling during adult use

An administrator, supervisor, or other person authorized by the certifying authority under subparagraph (A)(i) may disable the technology protection measure concerned, during use by an adult, to enable access for bona fide research or other lawful purpose.

(E) Timing of implementation

(i) In general Subject to clause (ii) in the case of any library covered by this paragraph as of the effective date of this paragraph under section 1721(h) of the Children’s Internet Protection Act, the certification under subparagraphs (B) and (C) shall be made—

(I) with respect to the first program funding year under this subsection following such effective date, not later than 120 days after the beginning of such program funding year; and

(II) with respect to any subsequent program funding year, as part of the application process for such program funding year.

(ii) Process

(I) Libraries with Internet safety policy and technology protection measures in place A library covered by clause (i) that has in place an Internet safety policy and technology protection measures meeting the requirements necessary for certification under subparagraphs (B) and (C) shall certify its compliance with subparagraphs (B) and (C) during each annual program application cycle under this subsection, except that with respect to the first program funding year after the effective date of this paragraph under section 1721(h) of the Children's Internet Protection Act, the certifications shall be made not later than 120 days after the beginning of such first program funding year.

(II) Libraries without Internet safety policy and technology protection measures in place A library covered by clause (i) that does not have in place an Internet safety policy and technology protection measures meeting the requirements necessary for certification under subparagraphs (B) and (C)—

(aa) for the first program year after the effective date of this subsection in which it is applying for funds under this subsection, shall certify that it is undertaking such actions, including any necessary procurement procedures, to put in place an Internet safety policy and technology protection measures meeting the requirements necessary for certification under subparagraphs (B) and (C); and

(bb) for the second program year after the effective date of this subsection in which it is applying for funds under this subsection, shall certify that it is in compliance with subparagraphs (B) and (C).

Any library that is unable to certify compliance with such requirements in such second program year shall be ineligible for services at discount rates or funding in lieu of services at such rates under this subsection for such second year and all subsequent program years under this subsection, until such time as such library comes into compliance with this paragraph.

(III) Waivers Any library subject to subclause (II) that cannot come into compliance with subparagraphs (B) and (C) in such second year may seek a waiver of subclause (II)(bb) if State or local procurement rules or regulations or competitive bidding requirements prevent the making of the certification otherwise required by such subclause. A library, library board, or other authority with responsibility for administration of the library shall notify the Commission of the applicability of such subclause to the library. Such notice shall certify that the library in question will be brought into compliance before the start of the third program year after the effective date of this subsection in which the library is applying for funds under this subsection.

(F) Noncompliance

(i) Failure to submit certification Any library that knowingly fails to comply with the application guidelines regarding the annual submission of certification required by this paragraph shall not be eligible for services at discount rates or funding in lieu of services at such rates under this subsection.

(ii) Failure to comply with certification Any library that knowingly fails to ensure the use of its computers in accordance with a certification under subparagraphs (B) and (C) shall reimburse all funds and discounts received under this subsection for the period covered by such certification.

(iii) Remedy of noncompliance

(I) Failure to submit A library that has failed to submit a certification under clause (i) may remedy the failure by submitting the certification to which the failure relates. Upon submittal of such certification, the library shall be eligible for services at discount rates under this subsection.

(II) Failure to comply A library that has failed to comply with a certification as described in clause (ii) may remedy the failure by ensuring the use of its computers in accordance with such certification. Upon submittal to the Commission of a certification or other appropriate evidence of such remedy, the library shall be eligible for services at discount rates under this subsection.

(7) Definitions

For purposes of this subsection:

(A) Elementary and secondary schools

The term “elementary and secondary schools” means elementary schools and secondary schools, as defined in section 7801 of title 20.

(B) Health care provider

The term “health care provider” means—

(i) post-secondary educational institutions offering health care instruction, teaching hospitals, and medical schools;

(ii) community health centers or health centers providing health care to migrants;

(iii) local health departments or agencies;
(iv) community mental health centers;
(v) not-for-profit hospitals;
(vi) rural health clinics; and
(vii) consortia of health care providers consisting of one or more entities described in clauses (i) through (vi).

(C) Public institutional telecommunications user
The term "public institutional telecommunications user" means an elementary or secondary school, a library, or a health care provider as those terms are defined in this paragraph.

(D) Minor
The term "minor" means any individual who has not attained the age of 17 years.

(E) Obscene
The term "obscene" has the meaning given such term in section 1460 of title 18.

(F) Child pornography
The term "child pornography" has the meaning given such term in section 2256 of title 18.

(G) Harmful to minors
The term "harmful to minors" means any picture, image, graphic image file, or other visual depiction that—
(i) taken as a whole and with respect to minors, appeals to a prurient interest in nudity, sex, or excretion;
(ii) depicts, describes, or represents, in a patently offensive way with respect to what is suitable for minors, an actual or simulated sexual act or sexual contact, actual or simulated normal or perverted sexual acts, or a lewd exhibition of the genitals; and
(iii) taken as a whole, lacks serious literary, artistic, political, or scientific value as to minors.

(H) Sexual act; sexual contact
The terms "sexual act" and "sexual contact" have the meanings given such terms in section 2246 of title 18.

(I) Technology protection measure
The term "technology protection measure" means a specific technology that blocks or filters Internet access to the material covered by a certification under paragraph (5) or (6) to which such certification relates.

(i) Consumer protection
The Commission and the States should ensure that universal service is available at rates that are just, reasonable, and affordable.

(j) Lifeline assistance
Nothing in this section shall affect the collection, distribution, or administration of the Lifeline Assistance Program provided for by the Commission under regulations set forth in section 69.117 of title 47, Code of Federal Regulations, and other related sections of such title.

(k) Subsidy of competitive services prohibited
A telecommunications carrier may not use services that are not competitive to subsidize services that are subject to competition. The

Commission, 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.

(l) Internet safety policy requirement for schools and libraries

(1) In general

In carrying out its responsibilities under subsection (h) of this section, each school or library to which subsection (h) of this section applies shall—

(A) adopt and implement an Internet safety policy that addresses—

(i) access by minors to inappropriate matter on the Internet and World Wide Web;

(ii) the safety and security of minors when using electronic mail, chat rooms, and other forms of direct electronic communications;

(iii) unauthorized access, including so-called “hacking”, and other unlawful activities by minors online;

(iv) unauthorized disclosure, use, and dissemination of personal identification information regarding minors; and

(v) measures designed to restrict minors’ access to materials harmful to minors; and

(B) provide reasonable public notice and hold at least one public hearing or meeting to address the proposed Internet safety policy.

(2) Local determination of content

A determination regarding what matter is inappropriate for minors shall be made by the school board, local educational agency, library, or other authority responsible for making the determination. No agency or instrumentality of the United States Government may—

(A) establish criteria for making such determination;

(B) review the determination made by the certifying school, school board, local educational agency, library, or other authority; or

(C) consider the criteria employed by the certifying school, school board, local educational agency, library, or other authority in the administration of subsection (h)(1)(B) of this section.

(3) Availability for review

Each Internet safety policy adopted under this subsection shall be made available to the Commission, upon request of the Commission, by the school, school board, local educational agency, library, or other authority responsible for adopting such Internet safety policy for purposes of the review of such Internet safety policy by the Commission.

(4) Effective date

This subsection shall apply with respect to schools and libraries on or after the date that is 120 days after December 21, 2000.

BOB ANTHONY
Commissioner

DENISE A. BODE
Commissioner

JEFF CLOUD
Commissioner

OKLAHOMA CORPORATION COMMISSION

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Joyce E. Davidson, Director
Public Utility Division

Data Request #1

Date:	December 1, 2004
To:	All Providers of Telecommunications Services Providing Service to Customers in Oklahoma
Respond To:	Eric Seguin (405) 522-3765 e.seguin@occemail.com
Due Date:	December 31, 2004

Pursuant to Senate Concurrent Resolution No. 74 (SCR 74) and Staff's Application, **Cause No. PUD 200400605**, please provide Staff with the following information. Where appropriate, please cite statutes, rules or references. Please see the attached definitions for assistance in completing this data request.

1) a) Please check the carrier type(s) for which your company is (are) certificated:

☐ ILEC ☐ CLEC ☐ CAP ☐ IXC ☐ Wireless ☐ Reseller ______ Other (Explain)

b) Please check the PRIMARY carrier type that best describes your company (check one):

☐ ILEC ☐ CLEC ☐ CAP ☐ IXC ☐ Wireless ☐ Reseller ______ Other (Explain)

c) Please check if your company is an ETC in Oklahoma: ☐

d) Please list the telecommunications services offered by your company (check all that apply):

	Residential	Business
Local Exchange	☐	☐
Private Line	☐	☐
Access Service	☐	☐
Operator Service	☐	☐
Intrastate Toll	☐	☐
Interstate Toll	☐	☐
Wireless	☐	☐
DSL	☐	☐
VoIP	☐	☐

Other (Explain): ________________________________

2) Please detail any limitations that current regulations pose for your company to compete in the Oklahoma telecommunications market – be specific and cite any relevant state or federal statutes or rules (e.g., 17 O.S. Chapter 6, Section 139.102).

3) Please describe the competition faced by your company within your exchange(s) or service area(s). If your company operates in more than one area, please specify the exchanges or areas being discussed. Identify, by name and carrier type, the alternative providers of comparable services; the extent to which comparable services are available; and the ability of your competitors to provide functionally equivalent or substitute services at competitive rates, terms, and conditions, regardless of the technology used:

a. Rural Exchanges
b. Suburban Exchanges
c. Urban Exchanges

4) Please identify recent mergers or acquisitions that may have a potential significant influence on the Oklahoma telecommunications industry and explain the possible impact(s).

5) Please explain in detail how deregulation could impact the following areas:

a. Consumers
b. Rates
c. Competition
d. Delivery of Services
e. Potential Growth
f. Technological Advancement
g. Industry Workforce
h. Investment in the State

6) Please provide your Basic Local Service rates:

	2000	**2001**	**2002**	**2003**	**Current (As of 9/30/04)**
			Residential		
Rural					
Suburban					
Urban					
			Business		
Rural					
Suburban					
Urban					

7) Please identify the methodology used by your company to increase or decrease Basic Local Service rates (e.g., 17 O.S. Chapter 6 Section 137, tariff filings, rate cases, etc.).

8) Please provide your company's Oklahoma Intrastate Retail Revenues:

	2000	2001	2002	2003	1/1/04- 9/30/04
RESIDENTIAL					
BUSINESS					
TOTAL					

9) Please detail the type(s) and amount(s) of Federal/State Universal Service support your company has received:

	2000	2001	2002	2003	1/1/04- 9/30/04
Federal USF					
OUSF					
TOTAL					

10) Please detail the annual assessments your company has paid into the Federal/State Universal Service funds:

	2000	2001	2002	2003	1/1/04- 9/30/04
Federal USF					
OUSF					
TOTAL					

11) Please provide detailed information about your company's Broadband Deployment (as defined by 17 O.S. Chapter 6, Section 139.102) over the past five years, and/or your plans for future deployment.

a. Number of customers who have access to your company's deployed Broadband services:

b. Number of customers currently subscribing to Broadband services offered by your company:

12) Please provide the total number of retail voice lines provided by your company to end-users (as of 9/30/04): ________________

13) Please provide the total number of wholesale voice lines provided by your company to other carriers (as of 9/30/04): _______________

14) Please provide a breakdown of customers, switched access lines and revenues. (**NOTE**: Include ISDN and Centrex lines in the Business categories.)

	2000	2001	2002	2003	Current (As of 9/30/04)
Residential Customers					
Rural					
Suburban					
Urban					
Residential Lines					
Rural					
Suburban					
Urban					
Residential Revenues					(Through 9/30/04)
Rural					
Suburban					
Urban					
Business Customers					(As of 9/30/04)
Rural					
Suburban					
Urban					
Business Lines					
Rural					
Suburban					
Urban					
Business Revenues					(Through 9/30/04)
Rural					
Suburban					
Urban					

15) If your company provides Private Line service, please provide the following information:

	2000	2001	2002	2003	Current (As of 9/30/04)
Total number of Private Line customers					
Total number of Private Lines					
					(Through 9/30/04)
Total Private Line Revenue					

16) Please detail your company's annual capital expenditures for the provision of telecommunications service in Oklahoma:

	2000	2001	2002	2003	1/1/04- 9/30/04
Capital Expenditures Relating to the Provision of Local Exchange Service					
Total Annual Capital Expenditures					

17) Please identify the factors that limit your company's ability to capture a greater share of the local exchange service market in Oklahoma (check all that apply):

Reasons	Residence	Business
Cannot compete on price		
Cannot compete on facilities		
ILEC has name familiarity		
Do not have enough capacity		
Cell phones have decreased the demand for wire lines		
Hard to compete due to location		
Other (explain below in detail)		

The information provided to the Oklahoma Corporation Commission Staff in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Oklahoma Corporation Commission Staff if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above request.

Signature of Company Representative: ______________________________

Company Representative Name & Title: ______________________________

Company Name: ______________________________

Company Address: ______________________________

Phone: ______________________________

E-Mail: ______________________________

Date: __________

Please note: Staff reserves the right to request additional information, studies, or analysis.

SCR 74 DATA REQUEST DEFINITIONS

ACCESS LINES - the facility provided and maintained by a telecommunications service provider that permits access to and/or from the public switched network.

ACCESS SERVICE - any tariffed wholesale service provided by one LEC to another LEC, CLEC, IXC or an end-user, that allows for access to the local exchange telecommunications network, excluding local interconnection arrangements.

BROADBAND OVER POWER LINES (BPL) - the provision of Broadband utilizing electric power lines for the high-speed transmission of data services.

BROADBAND SERVICE - See 17 O.S. Chapter 6, Section 139.102 (below).

CENTREX - short for Central Office Exchange service, a type of PBX service in which switching occurs at a local telephone station instead of at the company premises. Typically, the telephone company owns and manages all the communications equipment necessary to implement the PBX and then sells various services to the company.

COMPETITIVE ACCESS PROVIDER (CAP) - a company that provides exchange access services via a private network, independent of and in competition with a Local Exchange Carrier.

COMPETITIVE LOCAL EXCHANGE CARRIER (CLEC) - means, with respect to an area or exchange(s), a telecommunications service provider that is certificated by the Commission to provide local exchange services in such area or exchange(s) within the State of Oklahoma after July 1, 1995.

DIGITAL SUBSCRIBER LINE (DSL) - a broadband data service provided using the existing telephone wires.

ELIGIBLE TELECOMMUNICATIONS CARRIER (ETC) – a telecommunications service provider as designated by the Commission pursuant to OAC 165:55-17-29 and 47 USC §§ 254 and 214(e).

INCUMBENT LOCAL EXCHANGE COMPANY (ILEC) - means, with respect to an area or exchange(s), any telecommunications service provider furnishing local exchange service in such area or exchange(s) within the State of Oklahoma on July 1, 1995, pursuant to a Certificate of Convenience and Necessity or grandfathered authority.

INTEGRATED SERVIES DIGITAL NETWORK (ISDN) - the extension of the digital transmission capabilities and common channel signaling concepts of the public telephone network to the customer premises. Defines a standard set of services, interfaces, and protocols for interoperability. Two access interfaces, called user-to-network interfaces, are defined for ISDN: Basic Rate Interface (BRI) and Primary Rate Interface (PRI).

INTEREXCHANGE TELECOMMUNICATIONS CARRIER (IXC) - any person, firm, partnership, corporation, or other entity, except incumbent LECs, resellers, or OSPs engaged in furnishing regulated interexchange telecommunications services under the jurisdiction of the Commission.

INTERSTATE TOLL - any call that is originated in one state and terminated within the boundaries of another state.

INTRASTATE TOLL - any call that is originated and terminated within the boundaries of the State of Oklahoma, regardless of whether such call crosses state boundaries prior to reaching its termination point.

LOCAL EXCHANGE - the telephone company exchange where subscriber lines are terminated and switched. Also called an “End Office”.

OPERATOR SERVICE PROVIDER (OSP) - any common carrier that provides intrastate operator services or any other person or entity determined by the Commission to be providing operator services.

PRIVATE LINE SERVICE - dedicated circuits or channels or switching arrangements whether virtual or physical, which provide interexchange communications between specific locations.

RESELLER - any person, partnership, cooperative corporation, corporation, or lawful entity that offers telecommunications services to the public through the use of the transmission facilities of other carriers or a combination of its own facilities and the transmission facilities of other carriers for resale to the public for profit.

TELECOMMUNICATIONS SERVICE PROVIDER (TSP) - any authorized provider of local exchange service, whether an incumbent ILEC or a competitive CLEC.

VOICE OVER INTERNET PROTOCOL (VOIP) - a method of changing voice calls into data packets and sending them over the Internet or a similar network.

WIRELESS CARRIER - any person engaged as a common carrier for hire, in interstate or foreign communications by wire or radio or interstate or foreign radio transmission of energy, including but not limited to, commercial mobile radio service ("CMRS"), cellular & personal cellular service ("PCS") providers.

RURAL EXCHANGES - include Rate Zones 1, 2 & 3.
SUBURBAN EXCHANGES - include Rate Zones 4 & 5**.**
URBAN EXCHANGES - include Rate Zones 6 & 7.

RATE ZONES:

Zone 1 – 0 to 1,800 access lines
Zone 2 – 1,801 to 5,000 access lines
Zone 3 – 5,001 to 20,000 access lines
Zone 4 – 20,001 to 50,000 access lines
Zone 5 – 50,001 to 100,000 access lines
Zone 6 – 100,001 to 500,000 access lines
Zone 7 – 500,001 or more access lines

RELEVANT STATUTES/RULES

17 O.S. Chapter 6, Section 139.102 - "High speed Internet access service" or "broadband service" means, as used in Section 3 of this act, those services and underlying facilities that provide upstream, from customer to provider, or downstream, from provider to customer, transmission to or from the Internet in excess of one hundred fifty (150) kilobits per second, regardless of the technology or medium used including, but not limited to, wireless, copper wire, fiber optic cable, or coaxial cable, to provide such service.

17 O.S. Section 190 – The addition of optical fiber as part of the static wire attached to electricity towers and appurtenant structures together with all associated equipment for the transmission of communications and information services by optical fiber shall be considered a part of the transmission system and shall not constitute an additional burden on the land or require an additional easement or license; provided, however, no additional poles or other structures are installed on the property; and provided further, no additional poles, structures, wires, cables, or other facilities may be placed except as provided by the existing easement; and provided further, no damage shall be permitted either within or outside of the existing easement during the installation, repair, replacement, or maintenance of the optical fiber line.

Communication services or information services provided over such facilities shall be solely for the internal use of the company or cooperative. Such services shall not be offered to any other entity on a wholesale, retail or any other basis.

17 O.S. Chapter 6, Section 137 - Telephone companies which serve less than fifteen-thousand (15,000) subscribers within the state and telephone cooperatives shall not be subject to local exchange rate regulation by the Corporation Commission unless: 1.) The company elects by action of its board of directors to be subject to such local exchange rate regulation by the Commission; 2.) The proposed local exchange rate increase exceeds Two Dollars ($2.00) per access line per month in any one (1) year; 3.) Fifteen percent (15%) of the subscribers petition the Commission to regulate local exchange rates pursuant to subsections C, D and E of this section, or 4.) The Commission declares that the company shall be subject to local exchange rate regulation by the Commission pursuant to subsection F of this section.

BOB ANTHONY
Commissioner

DENISE A. BODE
Commissioner

JEFF CLOUD
Commissioner

OKLAHOMA CORPORATION COMMISSION

Suite 580, Jim Thorpe Office Building
P.O. Box 52000-2000
Oklahoma City, OK 73152-2000
(405) 521-3908
FAX: (405) 522-3371
http://www.occ.state.ok.us

Joyce E. Davidson, Director
Public Utility Division

Data Request #2

Date:	January 18, 2005
To:	All ILECs and CLECs Operating in Oklahoma
Respond To:	Eric Seguin
	e.seguin@occemail.com
Due Date:	January 28, 2005

Pursuant to Senate Concurrent Resolution No. 74 (SCR 74) and Staff's Application in PUD Cause No. 2004-605, please provide Staff with the requested information by completing the appropriate attached spreadsheet (i.e., ILECs complete ILEC spreadsheet and CLECs complete CLEC spreadsheet). Where appropriate, please cite relevant statutes, rules or references.

ILECs:

1) Detail, by exchange/rate center, the name of each CLEC providing local exchange service within the exchange and the number of wholesale lines provided by your company to each CLEC. Also indicate whether the lines are provided on a UNE-P, UNE-L or resale basis.

2) Provide the total number of analog switched access lines for your company as of the dates requested.

3) Provide the total number of bundled retail lines for your company as of the dates requested. A bundled retail line is a retail line combined with any one of the following: at least one key service, long distance, DSL, wireless, video service, etc.

4) Detail the number of UNE loops provided by your company, by type, as of the dates requested.

5) Detail, by exchange/rate center, the number of analog loops with and without local switching, resale lines, retail lines, and analog and digital business lines for your company.

CLECs:

1) Detail, by exchange/rate center, the number of access lines provided by your company to end users, and indicate whether the lines are provided on a UNE-P, UNE-L, or resale basis, or through facilities-based provisioning.

2) State whether you object to ILECs providing information to the Commission in response to ILEC Question #1 above. If you do object to the release of this information to the Commission, state the basis for your objection.

BOB ANTHONY
Commissioner

DENISE A. BODE
Commissioner

JEFF CLOUD
Commissioner

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Joyce E. Davidson, Director
Public Utility Division

Data Request #3

Date: February 8, 2005
To: All ILECs and CLECs Operating in Oklahoma
Respond To: Eric Seguin
e.seguin@occemail.com
Due Date: February 18, 2005

Pursuant to Staff's Application in Cause No. PUD 2004-605, please provide Staff with the requested information. Where appropriate, please cite relevant statutes, rules or references.

1) Please provide the total annual advertising expenditures incurred by your company to market your services to customers in Oklahoma. Also detail the advertising media used.

	2000	2001	2002	2003	1/1/04- 9/30/04
Advertising Expenditures					
Media Used to Advertise [(e.g., TV, Radio, Newspaper, Internet, Direct Mail, Bill Inserts, Telemarketing, Other (specify)].					

2) Please provide the total number of permanent staff employed by your company in Oklahoma.

	2000	2001	2002	2003	As of 9/30/04
Permanent Staff in Oklahoma					

3) Please provide the number of corporate, marketing, customer service or other offices maintained by your company in Oklahoma.

	2000	2001	2002	2003	As of 9/30/04
Number of Offices in Oklahoma					

4) Please identify your corporate ownership type (e.g., public corporation, private corporation, partnership, sole proprietorship, etc.) and any affiliated companies.

5) Please explain how your company has adapted to the threat of competition in Oklahoma. For example, please demonstrate how your company has diversified its service offerings, modified product pricing, etc., in order to respond to competitive market forces.

BOB ANTHONY
Commissioner

DENISE A. BODE
Commissioner

JEFF CLOUD
Commissioner

OKLAHOMA CORPORATION COMMISSION

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Joyce E. Davidson, Director
Public Utility Division

Data Request #4

Date: February 23, 2005
To: All ILECs and CLECs Operating in Oklahoma
Respond To: Eric Seguin
e.seguin@occemail.com
Due Date: February 25, 2005

VIA E-MAIL

As a follow-up to the February 22, 2005, Technical Conference held in Cause No. PUD 200400605, please provide Staff with the requested information. Statements of Position are due from all interested parties on February 28, 2005, so Staff requests that replies to this data request be submitted no later than February 25, 2005. If you have responded to prior data requests in this Cause and informed Staff that your company has no customers in Oklahoma, you do not need to respond to this data request.

ILECs:

1) In response to Data Request #2, ILEC Question #1, Staff was provided with the number of wholesale access lines sold to CLECs in each exchange. Please update this count to ensure that it represents the aggregate number of wholesale voice lines sold to all CLECs in each exchange/rate center.

2) Please confirm whether the bundled retail lines reported in response to Staff Data Request #2, ILEC Question #3, represent only those bundles offered by your local exchange operations and do not include any bundles offered by long distance or other affiliated companies.

CLECs:

1) In response to Data Request #2, CLEC Question #1, Staff was provided with the number of access lines provided to end users in each exchange. Please update this count to ensure that it represents the total number of retail voice lines provided in exchange/rate center. Further, please ensure that Private Lines are not included in this total and report any Private Line counts separately.

COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
1-800-Reconex, Inc.	N/A	N/A	We have not analyzed the Oklahoma Market.	The Company has not increased or decreased its basic local rates.	N/A
360 Networks (USA)	N/A	N/A	N/A	N/A	N/A
7-Eleven d/b/a ConvenienTel	Not an active CLEC.				
ACN Communications		No recent merger activity.	ACN believes that retail price deregulation will have an adverse impact on consumers of telecom services in Oklahoma. Without regulatory price oversight, it is quite possible that incumbent local exchange companies will utilize market power and engage in predatory pricing that would drive competitors out of the market place.	Tariff filings.	For residence and business; cannot compete on price, facilities, name familiarity, and wholesale (UNE prices) are excessive relative to SBC retail rates.
AKS	N/A	N/A	N/A	N/A	N/A
ALLTEL Oklahoma	Maintaining and filing tariffs is an administrative burden. Rule reference is OAC 165:55-5-1.	Mergers and acquisitions of any type have the potential to influence the telecom industry. The purpose of a merger/acquisition is to become more efficient. Companies advance, strengthen and promote competitive markets. If the players in the market are saddled with regulation and are not allowed to	**Consumers** - deregulations will promote competition, which will benefit the customer through competitive pricing and the development of new and innovative services. **Rates –** deregulation will lead to competitive pricing **Competition –** deregulation will enhance and compliment the competitive process **Delivery of Services –** deregulation will enhance and compliment the competitive process and will spur the development of new and innovative services and will allow these new services to be delivered faster than in a regulatory environment. **Potential Growth –** Operational efficiency and competitive pressure will be reflected in a communications service prices (more affordable), thereby allowing more consumers to participate in the communications market. **Technological Advancement** – by promoting	Changes to Basic Local Service are done pursuant to 17 O.S. Chapter 6, Section 139 103.B.	**Residential customers:** Company cannot compete on price, cell phones have decreased the demand for wire lines, hard to compete due to location and the ILECs need the ability to compete in a geographic area equal or similar to our unregulated competitors.

"N/A" = No response, no opinion/comment or not applicable.

COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
		fully compete, then the effectiveness of the competitive process is diminished.	and enhancing competition, carriers will bring new and advanced services to the market. The new services that come to the market will be those services that consumers demand, not services that are mandated by regulators (e.g., wireless, VoIP and broadband via electric lines.) These unregulated services compete head to head with ILECs. Deregulating of ILECs will level the playing field so that ILECs can fairly compete with those providers and bring the consumer even more of the technology that they want. **Industry Workforce –** Regulated ILECs can't compete with the unregulated providers. If the ILECs can't compete effectively or efficient, they will lose the market share to unregulated providers, which will ultimately affect the industry workforce. **Investment in the State –** deregulation would allow the ILEC to manage their operations in a manner that best fit their business model, which in turn allows the carrier to maintain a level of capital expenditures or investment in the state that might not otherwise be feasible.		
American Fiber Network	N/A	We have not had nor participated in any mergers or acquisitions	Generally, without regulation of local services, there would be no competition. The RBOCs have it.	Losses, which are directly related to incumbent rates.	With the demise of UNE-P, there will be no competition for residential or business services, and cannot compete on price.
AT&T	As of July 22, 2004, AT&T is no longer competing for residential or small business local and stand-alone long distance customers in	N/A	**Consumers** – Deregulated RBOCs will attempt to meet large customers demands. Demand for local phone service is inelastic, this suggest that only if the customer may easily receive his local service from several suppliers will the demand elasticity facing each supplier be large enough to ensure that suppliers pay attention to customer	Does not offer basic local service. However, company does use tariff filings for the local products they do offer.	Residential/business Cannot compete on price, facilities. No longer competing for residential or small business local or stand-alone long distance in OK.

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
	Oklahoma.				
Atlas Telephone (RLEC Response)	Article IX, Section 18 of the Oklahoma Constitution mandates that the OCC set each and every rate that a transportation or transmission company charges customers for services that fall within their public duties. Until the provision in the Constitution is modified, each rate that a telecommunications carrier charges customers for its regulated service must be approved by the OCC. The OCC can't delegate its authority to establish rates by allowing the company to enter into private contracts with its customers, with the exception that the contract has been approved by the	AT&T and Cingular. A merger of this type may result in the elimination of choice of carriers for consumers and it creates a large carrier with greater market power and economies of scale that may ultimately replace the small, non-dominant carriers in the marketplace. **(RLEC Response)**	The answer to this question will vary by geographic location and based on the various income levels of consumers within the various geographic areas throughout Oklahoma. It cannot be disputed that deregulation of telecommunications carriers will have different impacts depending on the geographic and economic markets in Oklahoma. For example, deregulation in a densely populated urban area where the cost to provide service to customers is less per customer to serve will have a different impact than deregulation in a sparsely populated, rural area where the costs to provide service to customers is greater on a per customer basis. If the assumption is that deregulation will somehow drive rates toward the cost to provide the service, with the intent to have lower customer prices, then by definition, deregulation will not result in lower rates in areas where the costs to provide the service are greater than current retail prices. As the representatives of wireless carriers stated on the record in RM 200400014, wireless carriers need to be designated as a competitive ETC in order to receive federal universal service funds so that they can build additional facilities in sparsely	N/A	Residential/Business Customers: Cell phones have decreased the demand for wire lines. The company continues to incur costs to terminate wireless traffic for which the wireless companies and the regulatory authorities have sanctioned for numerous years. The inability to recover these costs is very detrimental to the company.

"N/A" = No response, no opinion/comment or not applicable.

COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
	Commission, nor can the OCC delegate its authority to another governmental entity, but must establish the rates a telecommunications carrier charges its customers for regulated services. **(RLEC Response)**		populated rural high-cost areas to provide services comparable to those being offered in urban areas. By their own statements, wireless carriers are saying that without a subsidy, which is revenues not associated with their cost to provide service, they cannot provide services to customers in sparsely populated rural high cost areas at the same quality of service as is being provided in densely populated urban areas. Therefore, we believe that in examining the issue of deregulation of telecommunications in Oklahoma, the Commission should separate its examination between the areas served by carriers that do not fall within the definition of rural telephone companies under the Telecommunications Act of 1934, as amended, from the areas served by carriers that do fall under the definition of a rural telephone company. Under the federal Act a rural telephone company is defined as: A local exchange carrier operating entity to the extent that such entity-- (A) provides common carrier service to any local exchange carrier study area that does not include either (i) any incorporated place of 10,000 inhabitants or more, or any part thereof, based on the most recently available population statistics of the Bureau of Census; or (ii) any territory		

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
			incorporated or unincorporated, included in an urbanized area, as defined by the Bureau of Census as of August 10, 1993; (B) provides telephone exchange service including exchange access, to fewer than 50,000 access lines; (C) provides telephone exchange service to any local exchange carrier study area with fewer than 100,000 access lines; or (D) has less than 15% of its access lines in communities of more than 50,000 on the date of enactment of the Telecommunications Act of 1996. By keeping the distinction, the Commission will be able to avoid unintended consequences of uneconomic pricing in areas where true economic competition can be sustained. Additionally, we interpret this question as presuming a market place that can sustain economic competition among multiple carriers and/or providers of the same or similar services. In most, if not all, of the rural areas in the state of Oklahoma the customers are not paying their full cost to receive telecommunications services and cannot support one carrier, much less more than one carrier. Many of the laws and regulations that are in place are designed to ensure that		

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			consumers in rural high-cost areas have access to the telecommunications services that are reasonably comparable to both quality and price to those available to customers in more urban densely populated areas that may be able to sustain true economic competition for telecommunications services. My company is concerned how the federal and state regulators are interpreting and implementing the federal statutes, 47 U.S.C. Section 214(e), granting Eligible Telecommunications Carriers status (ETC) to wireless carriers and the finding that it is in the public interest that they receive monies that have no relationship to their cost and are thereby incenting uneconomic entry into the market place that will only cost the consumers more money. When the telecommunications industry was developing the high-cost rural areas were unserved until the introduction of support mechanisms used to encourage a single carrier of last resort to invest significant amounts of capital to provide services to customers not being served. Technological advances has help reduce some cost to provide service to rural customers, however, simply because there are fewer customers per mile means it cost more to serve rural customers. My company has been able to work within the existing rules and regulations with the Commission to develop ways to expedite getting new and advanced services to our customers comparable to those available to urban customers. It is critical that my company continue to receive Universal Service Funding Support, in order to be		

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
			able to continue to provide to our customers, services comparable to those offered in urban areas at reasonably comparable prices, with universal service support. **(RLEC Response)**		
Axces, Inc.	N/A	N/A	N/A	N/A	Cell phones have decreased the demand for wire lines.
BasicPhone	N/A	N/A	N/A	N/A	Residential/Business Customers: Cannot compete on price and cannot compete on facilities.
Beggs Telephone Co.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	Local rates need to change in response to capital expenditures and expenses of operations. Company has raised their rates twice, (1977 and 1988). Income from direct customer billing is supplemented by settlements from NECA and the OHCF. It is conceivable that local exchange rates will have to increase if these sources of revenue are decreased.	Residential/Business Customers: Cannot compete on price. Small rural carrier that does not have sufficient capital to provide quality service beyond their exchange boundaries.

"N/A" = No response, no opinion/comment or not applicable.

RESPONDENT COMMENT MATRIX
CAUSE NO. PUD 2004000605

COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
Bixby Telephone Co.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	Tariff rates, which are evaluated against revenue requirements and other factors to determine necessity of increase.	Residential/Business Customers: Cell phones have decreased the demand for wire lines.
Bixby Telephone Long Distance	N/A	Wireless mergers creating a larger wireless company and transitioning existing landlines that utilize long distance. Wireless will result in fewer and fewer subscribers to toll services.	Deregulation of the ILEC will virtually eliminate our long distance business.	N/A	We are not in the local exchange business.
Broadsat	Limitations of deploying Broadband via SBC definitions of access and tariff protections, and VPOP DAS being discontinued in May 2005. Deployment limitations: Present interconnection agreement definitions, prices and restrictions require collocation and the purchase of lines in rural markets at prices almost double that of non rural areas.	N/A	SBC is the only real provider. More competition or an effort to level the playing field.	N/A	Residential/Business Customers: Cannot compete on price and or facilities.

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
	VPOP DAS: Currently purchasing for 10 rural locations. Without this capability, customers will need to pay for long distance service from SBC to be able to dial-up to the internet. There is no alternative service, wholesale or retail, presented at this time.				
Bullseye Telecom	N/A	N/A	Retail price deregulation will ultimately have an adverse impact on consumers of telecommunications services in Oklahoma. Without regulatory oversight, it is possible that the incumbent companies will utilize market power and engage in predatory pricing, which would drive competitors out of the market.	Tariff filings	Residential/Business Customers: Cannot compete on price, cell phones have decreased the demand for wire lines, ILEC has named familiarity, and wholesale costs (UNE prices) are excessive relative to SBC retail rates.
Business Discount Plan	None	None	Not aware of any impact.	N/A	Have not looked into this. Do not know.
Carnegie Telephone	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	Tariff filings.	Residential/Business Customers: Cell phones have decreased the demand for wire lines.
Canadian Valley	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	No change for the period 2000-2004	Residential Customers: Cell phones have decreased the demand for

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
					wire lines. Unable to recover access charges due to wireless traffic.
Cellular Network Partnership	N/A	AT&T/Cingular	Sparse areas will have higher costs. Urban areas will have lower costs.	N/A	N/A
Central Cellular, Inc.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	N/A	N/A
Central Oklahoma Telephone	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	17 O.S. Chapter, 6, Section 137	**N/A**
CenturyTel of NW ARK	These exchanges are very close to the northwest Arkansas border and customers would like to have optional calling into northwest Arkansas.	N/A	N/A	Increases/decreases to Basic Local Service rates are achieved through rate cases in Arkansas. CenturyTel of Northwest Arkansas operates primarily in Arkansas and has only 3 exchanges in Oklahoma.	N/A
Charter Fiberlink OK-CCVII, LLC	N/A	N/A	N/A	N/A	N/A
Cherokee Telephone	Unable to recover all costs.	N/A	N/A	17 O.S. Chapter 6, Section 137.	Residential/Business Customers: Unable to compete with toll rates of wireless carriers. The company continues to incur costs to terminate wireless traffic for which the wireless companies and the regulatory authorities have sanctioned for numerous years. The inability to recover these costs is very detrimental to the

"N/A" = No response, no opinion/comment or not applicable.

COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
					company.
Chickasaw Long Distance	Chickasaw Long Distance is constrained by financial concerns more than regulatory limitations. Small companies are run over by large companies.	AT&T/Cingular. Merger of the two largest wireless carriers in OK create a huge competitor with no regulatory control, unless they apply for ETC status.	Consumers - Metro- potentially beneficial but also opens the door for substantial problems with quality of service as price and or cost of service becomes the primary motivator. Potential of materially higher rates especially from providers that have had implicit subsidies from metro/suburban consumers **Rates -** should help rates as competitors fight for market share. Could potentially hurt rates as deregulation would allow for de-average rates, which will financially impact rural customers **Competition -** deregulation could potentially hurt competition even in metro areas. Without price regulation, large established companies could use predatory pricing to drive out competition. For the vast majority of rural areas, competition is not economically feasible except for wireless carriers who are already deregulated on a state level for entry and rates. **Delivery of Services** - without regulation companies would be tempted to increase profitability by decreasing the emphasis on service quality **Potential growth** - the biggest threats to growth are lack of regulation on VOIP and wireless. Technological Advancement **-** I believe the emphasis on price, competition will hinder technological advancements. Without support, technological advancement is not financially feasible in rural areas. **Industry workforce** - deregulation is only going to encourage cost-cutting measures, which will in turn hurt the workforce in OK.	N/A	N/A

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			Investment in the State - deregulation will lead to pricing competition that will be a disincentive in OK.		
Chickasaw Telecommunications	Rate regulation of UNE loops rates and availability of copper/ds0, ds1, and ds3 local loops and interoffice transport, represent the largest uncertainty and will have a tremendous impact on company's ability to compete. The price of rural UNE loops have inflated to a point where it is wholly uneconomical to consider facilities-based competition using the switches and DSLAMs in conjunction with the UNE loops to provide voice or broadband services in rural areas. Most communities where company would invest are off limits due to the incumbent's pricing structure.	Cingular/AT&T Wireless: motivate customers to port their number to a wireless carrier to take advantage of the "unlimited calling" plans.	**Consumers** - Consumers will have a negative impact by the deregulation of incumbent. Decrease in pricing will lead to predatory pricing schemes designed to win back customers. **Rates** - Anticipate that the incumbent will lower rates to predatory levels or offer loss-leader promotions, which will force the competitors to lower rates that would reduce the market shares and viability. Incumbent may also take advantage of the situation and increase rates. Incumbent has ultimate control of market pricing in either direction where resellers are concerned because the resale discounts are set as a parentage off SBC's retail rates. Deregulation leads to rate instability. **Competition** - Competitors will be forced out of the marketplace. Delivery of Service - Monopolistic practices will return to pre-1996 levels, including service ordering intervals, call center hold times, and overall customer satisfaction. Potential Growth - Any and all types of growth will be countered by further deregulation of SBC. **Technological Advancement** - Competition, not the pace of technological innovation, was the driving force between the improvements in quality with a simultaneous decrease in cost in long distance. If competition is impeded in the local market, advancement will suffer. **Industry Workforce** - lay-offs, poor management, middle-heavy bureaucracy within the company, cost-cutting measures and	Tariff filings	Residential/Business Customers: Cannot compete on price, cannot compete on facilities, ILEC has name familiarity, and cell phones have decreased the demand for wire lines.

"N/A" = No response, no opinion/comment or not applicable.

COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
			competitors going defunct will impact the workforce. **Investment in the State** - SBC's investments in Oklahoma have been either cost-saving or revenue-increasing measures in SBC's own interest, not returning over billed monies due otherwise to be refunded to subscribers. DSL deployments have largely been driven by SBC's identification of locations where competitors have deployed broadband capabilities, and customers are told by SBC that DSL would be many years down the road are being offered DSL.		
Chickasaw Telephone	Lack of regulation placed upon wireless and VoIP providers.	Cingular/AT&T Wireless: Merger of two of the largest wireless carriers in Oklahoma crates a huge competitor with no state regulatory control, unless they apply for ETC status.	Company described the impact in two parts: Metro/Suburban and II. Rural. Consumers I. Potentially beneficial but also opens the door for substantial problems with quality of service, as price and or cost of service become primary motivator. II. Potential of higher rates in rural areas especially from providers that have implicit subsidies from metro/suburban customers. Rates I. Should help rates as competitor fight for market share. II. Could hurt rates as deregulation would allow for deaveraged rates, which would financially impact rural customers **Competition** I. Deregulation could hurt competition even in metro areas. Without price regulation, large established companies could use predatory pricing to drive out competition. II. For the vast majority of rural areas, competition is not economically feasible; except	N/A	Residential/Business Customers: Cell phones have decreased the demand for wire lines.

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			for wireless carriers, who are already deregulated on the state level. **Delivery of Services** Service quality would decrease and more emphasis would be placed on increase profitability. **Potential Growth** Wireless and VoIP providers using the network without having to reimburse the ILEC. **Technological Advancement** I. Emphasis on price and competition will hinder investment. II. Without support, technological advancement is not financially feasible in rural areas. Company can't continue to make investments to provide better services only to have them furnished to the competitor with no reimbursement to the company. **Industry Workforce** Deregulation will encourage cost cutting measures, which will in turn hurt the workforce in Oklahoma. Without any need to deal with local regulators, the incumbent will have no need for offices in OKC. **Investment in the State** Deregulation will lead to pricing competition, which in turn, would be a disincentive for investment in Oklahoma. There is no incentive for investment when others are allowed to use the network for free.		

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Chouteau Telephone	The rules and filing requirements are more efficient and appropriate for the competitive market. The adoption of the wireless ETC requirements assists in ensuring universal service providers compete on more equal footing.	N/A	**Consumers/Rates**: Deregulations would reduce the cost recovery available through regulatory mechanisms, which would result in increases in both retail and wholesale rates. To the extent that cost recovery is not available, quality of services would decline and the company would be unable to make infrastructure enhancement and improvements. **Competition**: Since the rural ILEC is the carrier of last resort and must meet quality of service requirements, the ILEC has invested significantly in telecommunication's infrastructure in the rural area. If forced to increase rates to unaffordable levels in order to recover these costs, it would make it very difficult to compete with other providers (wireless) that do not have these requirements and costs. **Delivery of Services**: The quality and availability would decline in the rural areas. **Potential Growth**: Restricted in the rural areas. **Technological Advancement**: Not aware of any technology that would enable a company to provide quality service to the entire rural area that is currently being served by a rural ILEC on a more efficient basis. **Industry Workforce**: Would have to be reduced to be brought in line with lower revenues (rural) **Investment in the State**: Investment in the state would decline. Deregulation will hurt economic development in rural areas of the state.	17 O.S. Chapter 6, Section 137.	N/A

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Cimarron Telephone	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	Tariff filings	Residential/Business Customers: Cell phones have decreased the demand for wire line.
Cimco	N/A	N/A	N/A	N/A	N/A
Cim-Tel Cable	N/A	N/A	N/A	N/A	N/A
Cingular Wireless	N/A	AT&T/Cingular	To spur competition.	N/A	Rates and terms and conditions for transport and termination of traffic.
Claricom Networks	N/A	N/A	N/A	N/A	N/A
COVAD	Regulations that remove access limit facilities based carriers' ability to compete in Oklahoma market.	N/A	Facilities based and UNEL based carriers need reasonable and non- discriminatory access to the last mile facilities, transport, and collocation space. If facilities based carriers are unable to provide innovative services to those customers, those customers will lose competitive choice at competitive rates	N/A	N/A
Cox	Lack of restrictions/regulations: Winbacks, regulatory restrictions on bundled services, predatory pricing, term agreements, promotional offerings, and DSL.	N/A	**Consumers –** There will be even fewer choices of providers and no benefits of competitive offerings. **Rates -** Negative impact due to lack of choices. Competitors exiting the market will increase rates **Competition -** Diminished allowing the incumbent with the monopoly power to participate in the market with regulatory oversight.	Tariff revision	Residential/Business Customers: Cannot compete on facilities. Ability to compete with the incumbents, utilizing its own facilities within company's own network areas, which is limited across all markets, but

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			Delivery of Service - With the decline or elimination of competitors, services will be delivered in a manner that is dictated by the incumbent. Consumers will have no voice in how would prefer their services delivered. **Potential Growth -** Competitors and competitive choice would be nil. **Technological advancement** - Technological advancement will suffer. Without the effort of competitors developing and deploying more efficient and less costly technology, the incumbent will have no incentive to bring new technology to the market. **Industry Workforce** - Elimination of competitors would result in a reduction in the number of telecom workers in the industry in Oklahoma. **Investment in the State** - Investment in the state would suffer. Elimination of competitors means the elimination of investment dollars that could be spent in a favorable competitive environment.		enjoyed by the incumbents. ILEC has name familiarity, and hard to compete due to location. Other issues include access to inside wire subloops at multi-tenant environment (MTEs) and Valor Port limitations.
Craw-Kan Telephone	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	Tariff filings and/or rate case with OCC	Residential/Business Customers: Cell phones have decreased the demand for wire lines and hard to compete due to location.
Cross Telephone	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	Tariff filings.	N/A

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DCT Telecom Group	N/A	N/A	N/A	N/A	We do not provide local service in the state of OK. We started providing long distance in 2004.
Dial-Around Telecom	N/A				Cell phones have decreased the demand for wire lines.
Dobson Telephone.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	N/A	N/A
Elkhart Telephone	N/A	N/A	N/A	Tariff filings.	N/A
Entrix Telco	N/A	N/A	Entrix is not sufficiently familiar with the telecom market in OK to comment.	N/A	N/A
Excel	FCC Order 04-290 which no longer require ILECs to make unbundled elements available in the telecommunications market.	Wireless consolidation may lead to increased competition do to their ability to replace local line service.	**Consumers**: Deregulation should have favorable impact on consumers. **Rates:** Deregulation would increase competition and lower rates for consumers. **Competition:** Deregulation would have little affect on competition in Oklahoma. **Delivery of Service**: A deregulated industry would generate more innovation and new services. **Technological Advancement**: Same as above. **Industry Workforce**: Deregulation results in a focused customer service and improved marketing and retention efforts. It allows competitors to offer new services to expand their customer base thereby increasing the industry workforce. **Investment in the State:** Deregulation would simplify entry into the Oklahoma market, which	Wholesale cost from underlying provider and competitive response to pricing in the market place.	Residential customers: Cannot compete on price, ILEC familiarity and cell phones have decreased the demand for wire lines.

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			may increase investment in the state.		
Global Connection	Not an active CLEC.				
Grand Telephone Co.	See Chouteau's Response	N/A	See Chouteau's Response	17 O.S. Chapter 6, Section 137.	N/A
GTC, Inc.	Commission has been moving in a positive direction by making the rules and filing requirements more efficient for competitive markets.	No apparent significant impact that recent mergers and acquisitions have had on GTC.	**Consumers**: GTC provides Long distance service in Grand Telephone exchanges. Any regulation that adversely affects Grand Telephone will likely hurt GTC. **Rates**: The rates GTC charges are greatly determined by the rates charged by the wholesaler. If deregulation results in IXCs charging lower rates, then GTC will have more flexibility in offering competitive rates. **Competition/Potential growth and Delivery of Service**: If deregulation forces Grand Telephone customers to convert to a competitive phone service that does no offer equal access long distance, GTC will lose customers and be unable to compete **Technological Advancements**: If deregulation reduces a customer's ability to obtain a broadband service at an affordable rate, then VoIP would not be technically feasible. **Industry Workforce**: Industry workforce for the rural telephone company will have to be reduced to be brought in line with lower revenues. **Investment in the State**: Deregulation will likely hurt economic development in the rural areas.	Do not provide basic local service.	Cannot compete on price-res/bus and have difficultly in negotiating competitive usage rates. It is difficult to compete with the large IXCs long distance service offerings.
GTC Telecom, Inc	N/A	N/A	N/A	N/A	Not a local service provider.

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Hinton Telephone Co.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	17 O.S. Chapter 6, Section 137	Company does not have the ability to offer long distance services to subscribers. Company is an access provider for the carriers who do not provide long distance service. IXC pays company access at the Oklahoma tariff rate but the wireless carriers are not required to pay anything. Since the wireless carrier is not under any obligation to pay access charges, they are able to provide large blocks of/unlimited long distance at very low rates, which in turn moves minutes of use from the IXCs who are paying the access charge to the wireless carrier who is not paying the charge.
IDT America	N/A	N/A	N/A	N/A	N/A
Intellical Operator Services	N/A	N/A	N/A	Does not provide local service.	Does not offer local exchange service.
Intermedia Communications	Company no longer exists after January, 2005.				

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ITE	N/A	N/A	N/A	Annual review of wholesale rates.	Residential Customers: Cell phones have decreased the demand for wire lines.
KanOkla Telephone	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	17 O.S. Chapter 6, Section 137.	Residential/Business Customers: Cell phones have decreased the demand for wire lines and it is hard to compete due to location. Company is in a high-cost rural area and believes that without USF it would be difficult to maintain quality services that are currently being offered to customers. Limited resources would prohibit expanding territory. Unable to compete w/VoIP and wireless providers because they are unregulated and are able to provide customers the amenities of urban counterparts.

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Level 3	Regulation always imposes added costs on business; however, Level 3 cannot point to any specific regulatory obligations that present effective barriers to entry to the Oklahoma telecommunications market.	N/A	Effective competition depends upon the existence of viable economic alternatives to the facilities and services provided by the dominant carrier - driven by market and consumer demands. There should be a fair, reasonable and nondiscriminatory access to ILEC owned or controlled facilities, which connect carriers and their customers to the PSTN. Deregulation of these facilities on a wholesale level would fundamentally undermine competition. The end-result of deregulation would be the inevitable increase in rates and/or costs to competitive carriers.	Don't offer basic local service as defined in OAC 165:55-13-10.	The largest barrier to prevent competition is the refusal by an ILEC to allow interconnection to its network on fair, reasonable and non-discriminatory cost-based terms. Without regulatory oversight that enforces the ability to exchange traffic on fair, reasonable and nondiscriminatory terms, competitors are at a distinct and perhaps insurmountable disadvantage.
Lightyear	N/A	N/A	No opinion but stated that local competition is eliminated by the FCC's new rules, which will force CLECs out of the market. VoIP provides an alternative, but the availability is limited - consumers have to use broadband access to use the service.	Company has not filed for an increase or decrease in Oklahoma.	Residential/Business Customers: Cannot compete on price. UNE prices are excessive relative to retail rates of the incumbent. The company is no longer actively marketing their local services that are provided under UNE-P arrangements. Company is focusing on developing services based on resale and VoIP.
Matrix Telecom	N/A	N/A	N/A	N/A	N/A

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McGraw Communications	N/A	N/A	Carrier to carrier rates will skyrocket and hamper competition.	N/A	No local service.
MCI WorldCom Network Services	OAC 165:55, Subchapter 5 imposes limitations on IXCs in Oklahoma that do not exist in most other states. In most cases IXC tariffs are effective on an as-filed basis.	Difficult to gauge.	Company advocates "real deregulation " meaning that no one carrier can or should be protected by regulation. The Commission should ensure that competitive wireline telecommunications carriers, which possess no market power or other source of dominance in the OK wireline marketplace, are not disadvantaged by more burdensome regulation while relaxing regulation of the dominant ILECs. Symmetry of regulation or the concept of a level playing filed needs to be considered in the context of all market participants, including those such as cable companies, wireless, and VoIP providers.	MCI will supplement response	MCI will supplement response
MCI WorldCom	OAC 165:55, Subchapter 5 imposes limitations on IXCs in Oklahoma that do not exist in most other states. In most cases IXC tariffs are effective on an as-filed basis.	Difficult to gauge.	Company advocates "real deregulation " meaning that no one carrier can or should be protected by regulation. The Commission should ensure that competitive wireline telecommunications carriers, which possess no market power or other source of dominance in the OK wireline marketplace, are not disadvantaged by more burdensome regulation while relaxing regulation of the dominant ILECs. Symmetry of regulation or the concept of a level playing filed needs to be considered in the context of all market participants, including those such as cable companies, wireless, and VoIP providers.	MCI will supplement response	MCI will supplement response

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MCIMetro	Tariff approval requirement. Company states that the requirements impose limitations on IXCs who operate in Oklahoma. The company suggests that the Commission should eliminate their regulations governing tariff filing and require companies to file their tariffs, which would become effective upon filing.	N/A	Company advocates deregulation and believes that it will foster more competition.		
McLoud Telephone Co.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	N/A	N/A
Medicine Park Telephone Company	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	17 O.S. Chapter 6, Section 137.	N/A
Metropolitan Telecommunications of Oklahoma (MetTel)	Do not provide service.				
Mextel, LLC	N/A	N/A	N/A	N/A	Residential - cannot compete on price or facilities and cell phones have decreased the demand for wire lines.

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Mid-America Telephone	See Atlas/RLEC Response	AT&T/Cingular and Sprint/Nextel mergers will provide significant advantages to the respective wireless products of these companies, which are direct competitive threats to landline services. In addition the wireless industry is without regulatory oversight and quality of service constraints which landline service providers are bound by.	N/A	17 O.S. Chapter 6, Section 137.	Residential/Business Customers: Cannot compete on price and cell phones have decreased the demand for wire lines. Deregulated companies have complete pricing flexibility, while ILECs must provide cost support and tariff their rates. Regulated companies are also required to charge federal subscriber line charge (SLC), whereas the competitor can choose whether or not to charge the SLC.
MOR Communications	N/A	N/A	N/A	Tariff filings.	Residential/Business Customers: Cannot compete on Price. Business Customers: Cannot compete on facilities, ILEC has name familiarity, do not have enough capacity, cell phones have decreased the demand for wire lines and hard to compete due to location.
Net Logix Telecom	N/A	N/A	N/A	N/A	N/A

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NII	The incumbent's ability to offer LD services is a barrier to entry to the local market. No new CLEC can enter the local market via the O2A interconnection agreement	AT&T Wireless	**Consumers** - deregulation of dominant carriers could result in new anti-competitive and predatory behavior resulting in harm to consumer and increase rates, if left unchecked. **Rates** - Incumbent retains market power in wholesale and retail services. CLEC penetration in Oklahoma is only around 11%. 95% of that 11% is still provided over SBC facilities. **Competition** - competition will banish without regulation. Rates will rise, companies will merge and consumers will have no choice. **Delivery of Service** - Quality of service will diminish. **Potential Growth** - RBOCS/ Incumbents will have most power and least incentive to grow. **Technological Advancement** - RBOCS/Incumbents will have no incentive to invest in research and development. **Industry Workforce** - if deregulation occurs, safeguards against abuses of market share are no longer there, and CLEC workforce is at risk as well as incumbent workforce that serve wholesale providers. **Investment in the State** - deregulation will further diminish incentives to invest in infrastructure and technology.	CLEC rates are directly impacted by increased incumbent rates that must be passed through to consumers in the event of significant change.	Mass Market customers: Per FCC Press Release dated 12/15/04, Incumbents will no longer have an obligation to provide CLECs with mass market local circuit switching. If denied access to Incumbent's unbundled local switching, we will be unable to continue to provide service.
NobelTel	N/A	N/A	N/A	N/A	N/A
NOS Communications	N/A	N/A	N/A	N/A	Residential/business-name familiarity

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NTS Communications	Considers RBOC rules and pricing for UNEs a limitation. Operates only as a long distance provider in Oklahoma.	N/A	Deregulation would render more untenable the ability of competitors to enter the OK telecommunications market. Further without choice rates would climb, competition would continue to wither. Service delivery metrics will worsen, growth and technological advancement will not happen.	N/A	Cannot secure local loops and end office connectivity at prices that justify the enormous capital investment required to become a facilities based CLEC.
Oklahoma ALLTEL	See ALLTEL Oklahoma response	See ALLTEL Oklahoma response	See ALLTEL Oklahoma response	17 O.S. Chapter 6, Section 139.103 B.	
Oklahoma Communication Systems	N/A	See Mid-America response	N/A	17 O.S. Chapter 6, Section 137	Residential/Business Customers: Same as Mid-America. In addition, competitors can bundle services and provide one list price while LECs must prove that regulated services are not subsidizing deregulated products when both types of services are bundled together. ILECs are bound to operate within their franchise territory, whereas competitors have more flexibility, resulting in the competitor's ability to provide volume and price incentives in various locations of the state while the ILEC is prohibited to serving the customer within its franchise territory.

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Oklahoma Telephone & Telegraph	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	No rate increases since 1995.	Residential/Business Customers: Cell phones have decreased the demand for wire lines.
Oklahoma Western Telephone Co.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	17 O.S. Chapter 6, Section 137.	Residential/Business Customers: Company cannot compete on price and cell phones have decreased the demand for wire lines. It is hard to compete when wireless and Internet (VoIP) use our facilities and pay no access charges.
Optic Tel	N/A	AT&T/Cingular and Sprint/Nextel.	It varies by geographic location and is based on the various income levels of consumers in those geographic areas throughout Oklahoma. It can't be disputed that deregulation of telecom carriers will have different impacts depending on the geographic and economic markets in Oklahoma. If the assumption is that deregulation will drive rates toward the cost to provide the service, with the intent to have lower customer prices, then by definition, deregulation will not result in lower rates in areas where the costs to provide the service area greater than current retail prices. Wireless carriers need to be designated as a competitive ETC in order to receive federal funding in order to build addition facilities in sparsely populated rural high-cost areas The Commission should separate its examination between the areas served by carriers that do not fall within the definition of rural telephone companies under the Telecom Act of 1934, as	N/A	N/A

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			amended, from the areas served by carriers that do fall under the definition of a rural telephone company because the distinction would allow the Commission to avoid unintended consequences of uneconomic pricing in areas where true economic competition can be sustained. In most, if not all, of the rural areas in the state of Oklahoma, the customers are not paying their full cost to receive telecommunications services and cannot support one carrier, much less more than one carrier. The laws and regulations that are in place are designed to ensure that consumers in rural high-cost areas have access to the services that are reasonably comparable to both quality and price to have available to customers in more urban densely populated areas that may be able to sustain true economic competition for telecom services		
Ozark Telephone Co.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	N/A	N/A
PAETEC Communications	N/A	PAETEC acquired 8 customers after an acquisition of customers from Covista.	N/A	N/A	Does not offer local service.
Panhandle Telecom Systems	N/A	AT&T/Cingular	Sparse areas will have higher costs/urban areas will have lower costs.	N/A	N/A

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Panhandle Telephone Coop.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	Tariff filings.	Residential/Business Customers: Cell phone have decreased the demand for wire lines. Local calling scopes and non-mobile.
Pine Cellular Phone	N/A	N/A	N/A	N/A	Difficulty negotiating nationwide roaming agreements.
Pine Telephone Co.	See Chouteau Response	N/A	See Chouteau Response	17 O.S. Chapter 6, Section 137.	N/A
Pinnacle Communications (Lavaca)	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	17 O.S. Chapter 6, Section 137.	Residential/Business Customers: Company cannot compete on price and cell phones have decreased the demand for wire lines. It is hard to compete when wireless and Internet (VoIP) use our facilities and pay no access charges.
Pinnacle Telecom	N/A	N/A	N/A	N/A	Residential/Business Cannot compete on Price, Location. Cell Phones has decreased the demand for wirelines.
Pioneer Long Distance	Article IX Section 18 of the Oklahoma Constitution.	AT&T/Cingular	See Atlas/RLEC Response	N/A	Residential and business, cell phones have decreased the demand for wire lines.

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Pioneer Telephone Coop.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	Chapter 6, Section 137	Residential/Business Customers: Cell phones have decreased the demand for wire lines.
Pottawatomie Telephone Co.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	Tariff filings.	N/A
Primetel Communications	Uncertainty of business plans due to constant relaxation of regulations from the ILEC provider	AT&T/Cingular. Sprint/Nextel	Deregulation of the incumbent will mean the end of virtually all CLECs	Comparisons to similar provider's rates.	Residential: Cannot compete on price, facilities and cell phones have decreased the demand for wire lines.
Qwest Communications	None	None	Telecom industry should be deregulated. Consumers will not benefit until all competitors can operate equally in the marketplace. Carriers will invest, innovate and price at the direction of the consumer. Regulation is forcing customers to accept what carriers are able to offer within government-imposed constraints.	N/A	N/A
Qwest Interprise America	None	None	Telecom industry should be deregulated. Consumers will not benefit until all competitors can operate equally in the marketplace. Carriers will invest, innovate and price at the direction of the consumer. Regulation is forcing customers to accept what carriers are able to offer within government-imposed constraints.	N/A	N/A
Red River Network	N/A	None	None	N/A	N/A
Reliant	Not doing business in Oklahoma.				

"N/A" = No response, no opinion/comment or not applicable.

RESPONDENT COMMENT MATRIX

CAUSE NO. PUD 2004000605

COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
Sage Telecom	Current regulations favor dominant carriers with regard to winbacks and promotional offerings. Absence of regulations to monitor such pricing may lead to predatory pricing.	N/A	**Consumers** - Deregulation of dominant carriers could result in new anti-competitive and predatory behavior resulting in harm to consumer and increase rates, if left unchecked.	Tariff filings.	N/A
Salina-Spavinaw Telephone Co.	Article IX Section 18 of the Oklahoma Constitution mandates that the Corporation Commission sets each and every rate that a transportation or transmission company charges customers for services that fall within their public duties.	See Atlas/RLEC Response	**Consumers** - more choices **Rates** - competitive **Competition** – robust **Delivery of Service** – improved **Potential Growth** – unlimited **Technological Advancement** – significant **Industry Workforce** – augmented **Investment in the State** – increased	Title 37, Section 137.	Residential/Business Customers: Cell phone have decreased the demand for wire lines. Wireless carriers currently enjoy unfair regulatory advantages.
Santa Rosa Communications	Article IX Section 18 of the Oklahoma Constitution	AT&T/Cingular	See Atlas/RLEC Response	N/A	Residential and business, cell phones have decreased the demand for wire lines.
Santa Rosa Telephone Coop.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	17 O.S. Section 137 or 8 O.S. Section 438.1 et. seq.	Residential/Business Customers: Cannot compete on price and cell phones have decreased the demand for wire lines.

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
SBC Oklahoma	Heavily regulated while competitors providing identical service have little to no regulation. Retail rates are not allowed to be set by the market but instead continue to be set by outdated regulation. Lacks the retail pricing flexibility to respond efficiently and effectively to the market. Hamstrung by wholesale marketing regulations that, while not the subject of this docket, nonetheless exert a profound drag upon landline telephony investment and innovation.	AT&T Wireless/Cingular has been approved by both the FCC and the DOJ. Sprint PCS/Nextel is currently being reviewed. A number of CLECs have merged in the past several years. Such mergers have not had a significant impact on the industry or on Oklahoma customers. However telecommunications companies evolve as the market changes. Federal law and regulatory agencies are more than adequate to review and either approve or deny such mergers.	SBC believes that the term "deregulation" is misleading in this data request. SBC supports reduced and symmetrical regulation that allows all carriers to be subject to the same retail rules regardless of technology, the market to set retail prices and all carriers to have the freedom to change retail prices rapidly in response to changing conditions. The unobtrusive and symmetrical regulation that SBC advocates will have immediate positive effects on the retail market on consumers. **Consumers** - Number of wireless customers doubled in the past five years, the number of wireline access lines has decreased by more than 20%. SBC/ILECs have little regulatory freedom to quickly offer innovative retail services and pricing plans to compete with wireless carriers. The effect of regulatory freedom can also be seen in the broadband market. Prices for DSL in Oklahoma have been cut in half since passage of the broadband parity bill. Unobtrusive and symmetrical regulation of traditional landline telephony retail service would spur the same type of competition, innovation and investment that has occurred in the wireless and broadband industries. Simple economics demonstrate that competition drives prices towards marginal cost while at the same time stimulating demand. Companies survive in competitive markets by stimulating demand i.e., by improving service, lowering rates and meeting customer needs. **Investment in Oklahoma** - According to Investor's Business Daily, investment in wireline telecommunications infrastructure dropped from	Oklahoma Plan. The current restrictions upon SBC's ability to change basic local service rates are a definite hindrance to competition in today's market. Oklahoma Plan's five-year transition will expire soon and company believes that it is time to change market conditions and revise the regulatory treatment pursuant to abilities contained within the plan.	Wireless is now a direct substitute for wireline service. Regulation restrictions/competitors providing identical service have little to no regulation. Retail rates are not allowed to be set by the market but instead continue to be set by outdated regulation. Lack of retail pricing flexibility to respond efficiently and effectively to the market. Unobtrusive and symmetrical regulation of all telecommunications providers would unleash landline telephone investment. The same market forces currently at work in broadband, VoIP, and wireless technologies will also occur in landline, given equal and limited regulatory oversight.

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
			$85 billion in 2000 to $30 billion in 2003, resulting in a drop in high tech telecom manufacturers. The lack of investment in the landline telephone network will prove detrimental to USA and Oklahoma economies. Investment should be promoted, not discouraged; the best way to do that is through unobtrusive and symmetrical regulation of all providers and all technologies. Oklahoma Legislature passed HB 2796 in 2002, which provided a measure of regulatory freedom in the provision of broadband DSL service. The company has demonstrated that when it is given a reasonable opportunity to compete, it will do so by investing in Oklahoma infrastructure and communities. The facts prove that the market is competitive; accordingly, all providers and all technologies should be allowed to meet customer needs pursuant to the same limited set of rules.		
SBC Advanced Solutions	None	SBC ASI is unable to predict significant influences any mergers or acquisitions would have on telecom services in OK.	Consumers - Generally, deregulation would stimulate competition, resulting in more choices, better services, and competitive prices for consumers.	SBC ASI does not offer voice service.	SBC ASI does not offer voice service.
SBC Long Distance	Tariff filings could be streamlined. Several other states and the FCC have de-tariffed interexchange services.	None	Deregulation has already occurred in many respects. SBC LD believes that deregulation has a positive effect on customers rates and delivery of services. An industry free of artificial restrictions can grow by responding to the market and by developing new markets, services and technologies. The boom in the wireless industry is a good example of how deregulated and	N/A	N/A

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
			competitive businesses can grow and develop from market incentives.		
Seneca	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	N/A	N/A
Shidler Telephone Co.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	No changes to basic local service for period within this report.	Residential customers: Cell phones have decreased the demand for wirelines.
South Central Telephone	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	Tariff filings.	Residential/Business Customers: Cell phones have decreased the demand for wire lines.
Southwest Oklahoma Telephone Co.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	No changes to basic local service for period within this report.	Residential/Business Customers: Cell phones have decreased the demand for wire lines. Cellular offers a service for local area plus toll free in a plan area.

"N/A" = No response, no opinion/comment or not applicable.

RESPONDENT COMMENT MATRIX

CAUSE NO. PUD 2004000605

COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
Sprint Communications Company, LP	No Limitations.	Sprint has no responsive information to provide at this time.	With reasonable safeguards to prevent inappropriate dominant behavior or abuse of market power (further protecting fledgling market entrants), less regulation is generally preferred.	Tariff filings.	N/A
SST Long Distance	Article IX Section 18 of the Oklahoma Constitution.		**Consumers**- more choices **Rates**- competitive **Competition** – robust **Delivery of Services** – improved **Potential Growth** – unlimited **Technological Advancement** – significant **Industry Workforce** – augmented **Investment in the State** – increased	One-day filings.	Residential/business, Cannot compete on Price and cell phones have decreased the demand for wire lines.
Talk America	N/A	N/A	N/A	TA has not filed for an increase or decrease in local exchange rates.	Wholesale costs (UNE prices) are excessive relative to SBC retail rates.
TelCove	Company does not provide service in OK.				
Telecare	N/A	N/A	N/A	N/A	Residential/business, Cannot compete on Price and cell phones have decreased the demand for wire lines.
Teleconnect LD Services & Systems d/b/a Telecom USA	Tariff approval requirements.	Difficult to gauge.	Company advocates deregulation and believes that it will foster more competition.		N/A

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
TerraCom	N/A	N/A	N/A	N/A	Residence - Cannot compete on facilities - ILEC has name familiarity.
Terral Telephone Co.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	N/A	N/A
The Pager & Phone Company	Recent federal decisions in USTA II. Recent FCC rules have sought to end unbundling obligations regarding fiber and are of great concern. Our customers have been turned off by the ILEC and have nowhere to go. The end of unbundling could be an end of their service availability.	The AT&T Wireless/Cingular Merger. Largest ILECs own 2 largest wireless companies - unlikely wireless will ever be priced to compete with wireline.	Deregulation is perfect in theory. Legacy network was built with monopoly incentives, some universal support, and high access charge. Deregulation would return monopoly control. **Consumers** - Choice is key for underserved customers. Large companies free of incentives will turn back on consumers. Small companies can't compete without regulatory control. **Rates** - Higher rates. **Competition** - Competition is coming to an end. Intermodal competition in infancy stage and out of reach for low-income consumers. **Delivery of Service** - Large corporations will change processes for best efficiency, which may not be best for consumer. **Potential Growth** - Growth will slow as incentive for technological advancement diminishes with competition. **Technological Advancement** - Competition begat innovation. It is unlikely competition will flourish. **Industry Workforce** - More competition means more jobs. **Investment in the State** - Invests and hires employees in States where operate. Ability to continue depends on regulations that protect ability to compete.	N/A	Business - Cannot compete on price - Residence & Business - Cannot compete on facilities - ILEC has name familiarity

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
The Phone Connection	No customers in Oklahoma at this time.				
The Telephone Company	N/A	N/A	N/A	**No rate increases.**	Residence – cannot compete on facilities.
Totah Telephone Co.	See Chouteau Response	N/A	See Chouteau Response	17 O.S. Section 137	N/A
Totel CSI	Commission has been moving in a positive direction. Making the rules and filing requirements more efficient for competitive markets.	No apparent significant impact that recent mergers and acquisitions have had on Totel.	**Consumers**: Totel provides Long distance service in Grand Telephone exchanges. Any regulation that adversely effects Grand Telephone will likely hurt Totel. **Rates**: The rates Totel charges are greatly determined by the rates charged by the wholesaler. If deregulation results in IXCs charging lower rates, then Totel will have more flexibility in offering competitive rates. **Competition/Potential growth and Delivery of Service**: If deregulation forces IXC customers to convert to a competitive phone service that does no offer equal access long distance, Totel will lose customers and be unable to compete **Technological Advancements**: If deregulation reduces a customer's ability to obtain a broadband service at an affordable rate, then VOIP would not be technically feasible. **Industry Workforce**: Industry workforce for the rural telephone company will have to be reduced to be brought in line with lower revenues. **Investment in the State**: Deregulation will likely hurt economic development in the rural areas.	Do not provide basic local service.	Cannot compete on price-res/bus and have difficultly in negotiating competitive usage rates. It is difficult to compete with the large IXCs long distance service offerings.

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RESPONDENT COMMENT MATRIX

CAUSE NO. PUD 2004000605

COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
Transnational Communications International	N/A	N/A	N/A	N/A	N/A
Transworld Network	N/A	N/A	**Consumers**- more choices **Rates**- forced down **Competition** – would stimulate **Delivery of Services** – pressure on carriers to keep improving **Potential Growth** –opportunity in areas that had not been easily accessed before **Investment in the State** – still a reseller	N/A	Not a local exchange carrier.
TTI	Tariff approval requirements.		Company advocates deregulation and believes that it will foster more competition.		N/A
UCN	N/A	N/A	Deregulation should not be extended to any market place where dominant incumbent carriers retain control over bottleneck facilities including the market for local exchange, exchange access and broadband services. Long distance market is hyper-competitive.		
United Telecommunications Association	N/A	N/A	N/A	Tariff filings	N/A
U.S. Cellular	ETC rules.	Nextel/Sprint	N/A	N/A	LNP waivers for ILECs and OUSF.
US South Communications	N/A	N/A	N/A	N/A	Residential/business, Cannot compete on Price and cell phones have decreased the demand for wire lines.

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
Valliant Long Distance	Article IX Section 18 of the Oklahoma Constitution.	AT&T/Cingular	See Atlas/RLEC Response	N/A	N/A
Valliant Telephone Co.	See Atlas/RLEC Response	See Atlas/RLEC Response	See Atlas/RLEC Response	N/A	Residential Customers: Cell phones have decreased the demand for wire lines. Residential/Business Customers: Hard to compete due to location.
Valor Long Distance	N/A	N/A	N/A	Tariff filings.	Residential/business, cell phones have decreased the demand for wirelines
Valor Telecom (GTE)	Proposed rules OAC 165:55-11-2(d) and 165:55-10.6 are not in the public interest and the Commission engages in unlawful interference with contracts. The rule prohibits a customer termination liability penalty associated with non-regulated services in a TSP's contracts with customers or for bundles or packages of services that include non-regulated services.	Wireless service provided a competitive alternative to the traditional wire line telephone service. Cingular's recent acquisition of AT&T Wireless and Sprint's recently announced merger with Nextel will result in stronger competitors in their markets and will continue to make the distinction between wireless and wireless	All providers on a level playing field. A deregulatory environment with regard to rates and service standards encourages innovative and competitive pricing and the development of services that consumer's desire. (i.e., wireless and the FCC are also taking a similar approach with VoIP).	General Rate Case.	Residential/Business Customers: Cannot compete on price, cell phones have decreased the demand for wire lines. State and Federal Taxes and Regulatory Fees and Surcharges.

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
		markets less apparent than in the past.			
VarTec	See Excel Response	See Excel Response	See Excel Response	See Excel Response	See Excel Response
VarTec Solutions	N/A	See Excel Response	N/A	N/A	N/A
Vidia Communications	Fed USF settlements, C/O Bill & Keep requirements.	N/A	Competitive rate structure and more capital Investments.	Increased customer base will lower rates.	Residence & Business - ILEC has name familiarity. Cell phones have decreased demand for wire lines.
Western Comm. d/b/a Logix	Interconnection Agreement allows incumbents to overcharge CLECs. Also, incumbents have a niche market where competitive options exists thereby squelching expansion for more consumers.	Historic monopolists have been able to use their captive customer base to fund mergers and acquisitions, such as Cingular by SBC and BellSouth, and AT&T.	**Consumers** - Consumers rely on regulations to prevent anticompetitive behavior where adequate competition is absent. Competitive options will be stalled thus, leading to higher prices. **Rates** - Rates will be lowered in the short run but anticompetitive behavior will lead to higher prices, and more regulation. **Competition** - Competition benefits when there is demonstrated competition. Competition will vary from ILEC territory to ILEC territory.	No change in basic local rates.	The ability of the incumbent on the one hand to niche market where a competitor exists while obtaining substantially higher rates where there is not adequate competition, while on the other hand the incumbent maintains

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COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
			Delivery of Service - Competition is harmed and incumbents have ability to manipulate markets, leading to fewer choices for consumers. Critical for rules to prevent market dominance in one sector from distorting development in other sectors. **Potential Growth** - It is new competitors that stimulate the market, as DSL and VOIP exemplify. **Technological Advancement** - Same as above. **Industry Workforce** - The workforce benefits best from robust competition. Instead, it appears that high-tech and high-level opportunities have waned as competition has been shrinking. **Investment in the State** - Same as Potential Growth.		high interconnection rates.
Western Wireless	Certificated CLEC/Reseller. No customers & no revenue in OK.	N/A	N/A	N/A	N/A
WilTel Communications	Limitations include tariff filings, requirement to contribute to the Oklahoma High Cost Fund and Universal Service fund and access charges.	N/A	Deregulation could impact consumers by reducing prices, increasing customer choice, and improve service quality. In the IXC market, deregulation will harm competition, if it results in similarly situated competitors being subject to divergent regulatory requirements. Deregulation could reduce the number of people in the state working on regulatory matters, but could also free industry resources to develop new and improved services and better service quality.	N/A	N/A
Working Assets Funding Service	Federal UNE rules make resale of local service untenable.	N/A	View deregulation of the telecom industry as leading to decreased competition, ultimately resulting in fewer choices and higher prices for consumers.	N/A	N/A

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RESPONDENT COMMENT MATRIX

CAUSE NO. PUD 2004000605

COMPANY	COMPETITIVE LIMITATIONS POSED BY CURRENT REGULATIONS	MERGERS OR ACQUISITIONS W/SIGNIFICANT POTENTIAL INFLUENCE	POTENTIAL IMPACTS OF DEREGULATION	METHODOLOGY USED TO MODIFY BASIC LOCAL SERVICE RATES	FACTORS THAT LIMIT ABILITY TO CAPTURE GREATER MARKET SHARE
Wyandotte Telephone	N/A	See OCSI Response	N/A	Section 137.	Residential/Business Customers: Cannot compete on price, cell phones have decreased the demand for wire lines. Deregulated companies have complete pricing flexibility, while ILECs must provide cost support and tariff their rates. Regulated companies are also required to charge federal subscriber line charges (SLC), whereas the competitor can choose whether or not the charge a SLC.
XO	Not currently marketing services in Oklahoma.	N/A	Company has not studied the market but believes that deregulation of retail telecom services would provide benefits in all areas. However, these benefits can only occur if the incumbent monopoly local exchange provider continues to be required to provide competitive local exchange carriers access to unbundled network elements at TELRIC basic rates.	Tariff became effective February 5, 2004. Company has not increased or decreased rates since that time.	Not currently marketing to end users in the Oklahoma market. Oklahoma is not one of XO's core local exchange states.
Z-Tel	High wholesale UNE rates (approved by OCC) and the uncertainty of UNE-P availability.	None.	Increased wholesale rates decrease competition and eliminate competitors. Increased retail rates and few competitors will slow market growth, and advancement.	Tariff filings.	Wholesale costs (UNE prices) are excessive relative to SBC retail rates.

"N/A" = No response, no opinion/comment or not applicable.

Figure DR1 8.1a

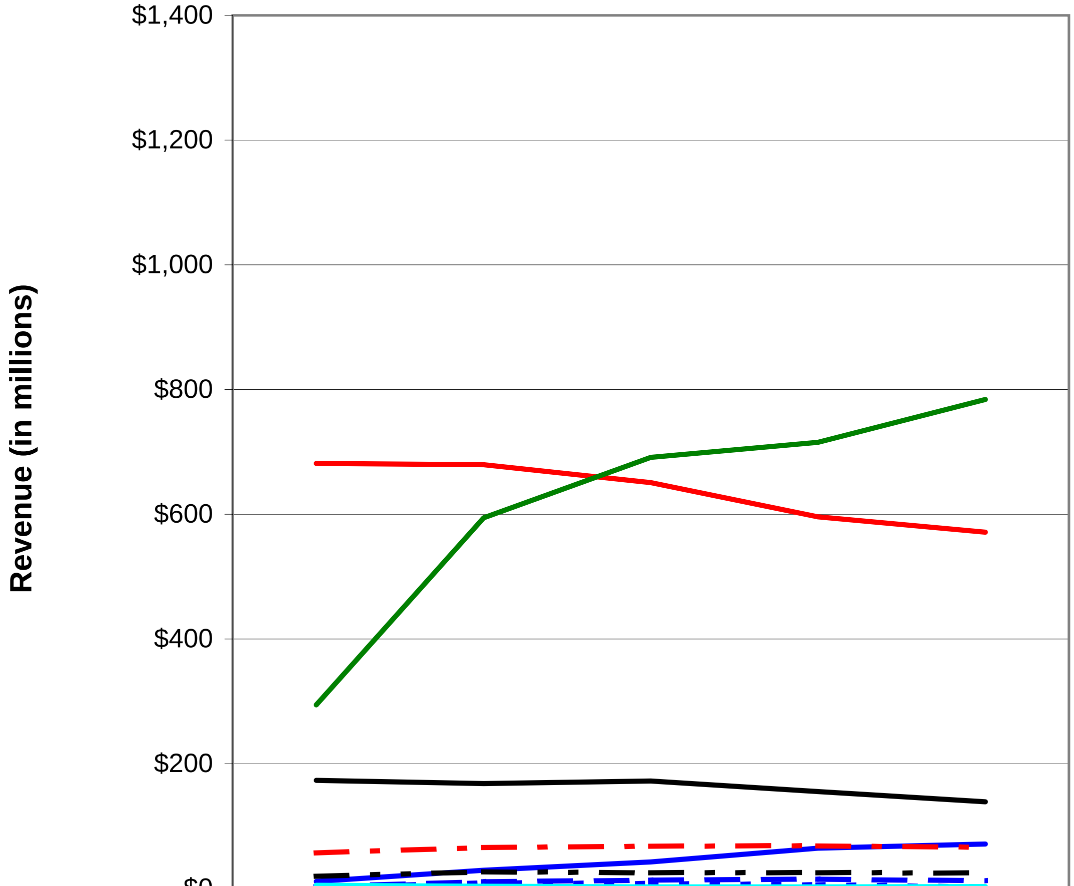
Total Intrastate Retail Revenue 2000-2004 (All Companies)

	2000	2001	2002	2003	2004 annualized
Totals	$1,246.7	$1,587.5	$1,673.7	$1,647.3	$1,674.4

Note: Revenue information is based on carrier responses to Data Requests issued in Cause No. PUD 200400605. For large non-respondent carriers, OUSF reporting data was used.

Figure DR1 8.1b

Total Intrastate Retail Revenue 2000-2004 (All Companies)



	2000	2001	2002	2003	2004 annualized
Facilities-Based CLECs	11.4	29.1	42.7	64.6	71.4
UNE-P-Based CLECs	3.0	10.8	13.6	14.8	12.5
Non-Facilities-Based CLECs	1.1	9.0	7.7	5.5	2.4
ILECs with > 100,000 lines	681.6	679.4	650.8	595.8	571.1
ILECs with < 100,000 lines	57.0	65.8	67.8	68.1	66.2
Interexchange Carriers	173.3	168.4	172.4	155.3	138.9
Resold Toll Providers	19.7	26.6	25.2	25.1	24.6
Other Carriers	5.1	3.8	2.4	2.7	3.1
Wireless Carriers	294.6	594.5	691.3	715.3	784.3

Note: Revenue information is based on carrier responses to Data Requests issued in Cause No. PUD 200400605. For large non-respondent carriers, OUSF reporting data was used.

Figure DR1 8.1c

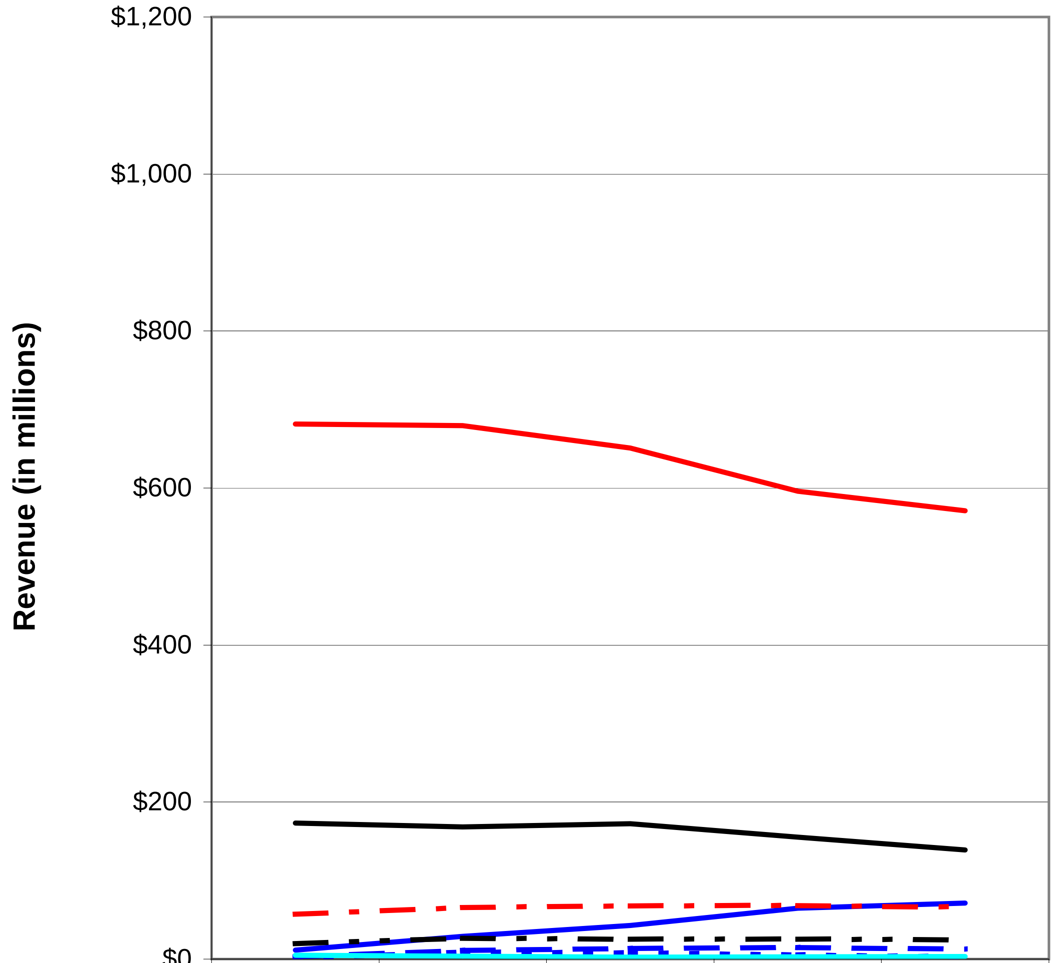
Intrastate Retail Revenue 2000-2004
(Wireline Companies)

	2000	2001	2002	2003	2004 annualized
Totals	$952.1	$992.9	$982.4	$931.9	$890.1

Note: Revenue information is based on carrier responses to Data Requests issued in Cause No. PUD 200400605. For large non-respondent carriers, OUSF reporting was used.

Figure DR1 8.1d

Intrastate Retail Revenue 2000-2004 (Wireline Companies)

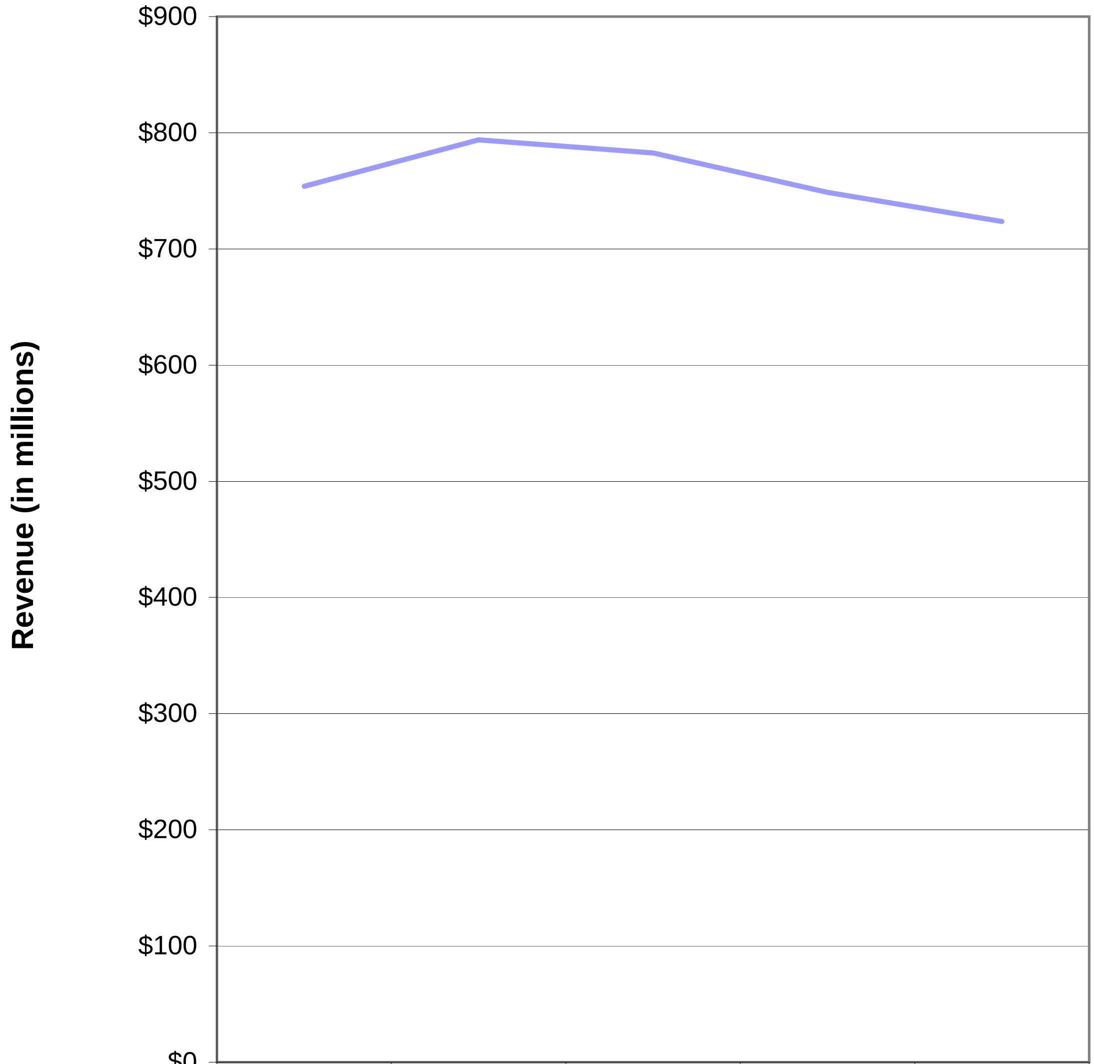


	2000	2001	2002	2003	2004 annualized
Facilities-Based CLECs	$11.4	$29.1	$42.7	$64.7	$71.4
UNE-P-Based CLECs	$3.0	$10.8	$13.6	$14.8	$12.5
Non-Facilities-Based CLECs	$1.1	$9.0	$7.7	$5.5	$2.4
ILECs with > 100,000 lines	$681.6	$679.4	$650.8	$595.8	$571.1
ILECs with < 100,000 lines	$57.0	$65.8	$67.8	$68.1	$66.2
Interexchange Carriers	$173.3	$168.4	$172.4	$155.3	$138.9
Resold Toll Providers	$19.7	$26.6	$25.2	$25.1	$24.6
Other Carriers	$5.1	$3.8	$2.4	$2.7	$3.1

Note: Revenue information is based on carrier responses to Data Requests issued in Cause No. PUD 200400605. For large non-respondent carriers, OUSF reporting data was used.

Figure DR1 8.2a

Intrastate Retail Revenue 2000-2004 (ILECs and CLECs)

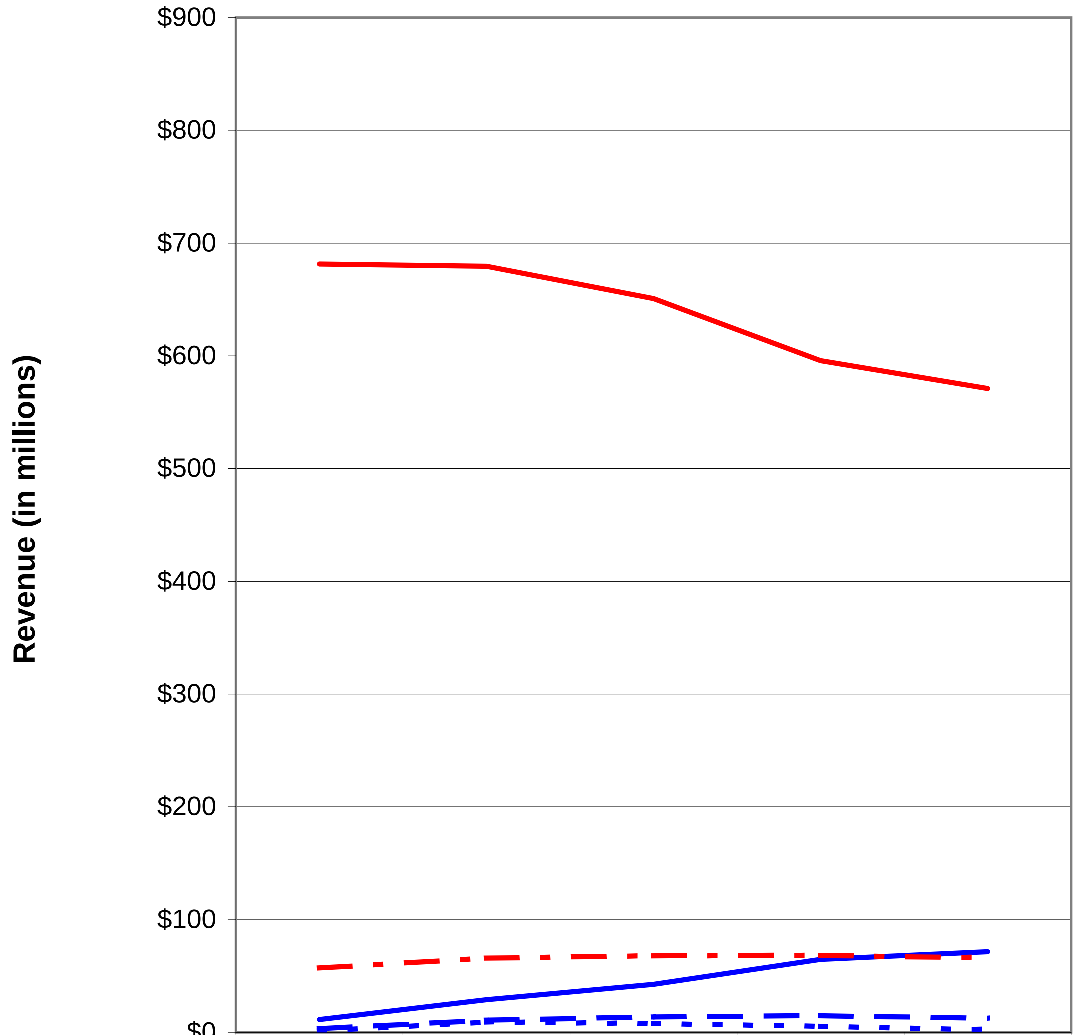


	2000	2001	2002	2003	2004 annualized
Total ILECs and CLECs	$754.0	$794.0	$782.5	$748.8	$723.5

Note: Revenue information is based on carrier responses to Data Requests issued in Cause No. PUD 200400605. For large non-respondent carriers, OUSF reporting data was used.

Figure DR1 8.2b

Intrastate Retail Revenue 2000-2004 (ILECs and CLECs)

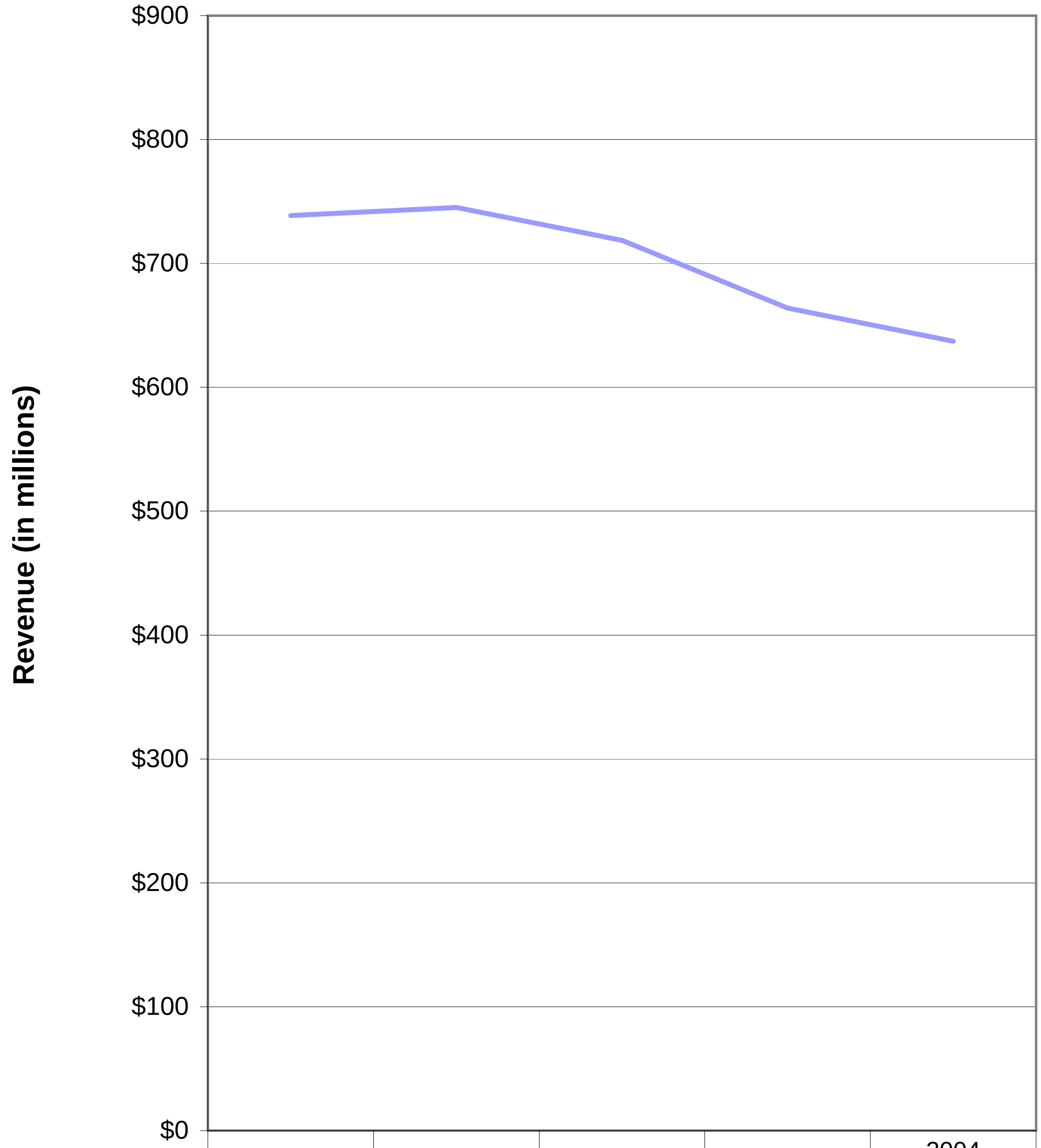


	2000	2001	2002	2003	2004 annualized
Facilities-Based CLECs	$11.4	$29.1	$42.7	$64.7	$71.4
UNE-P-Based CLECs	$3.0	$10.8	$13.6	$14.8	$12.5
Non-Facilities-Based CLECs	$1.1	$9.0	$7.7	$5.5	$2.4
ILECs with > 100,000 lines	$681.6	$679.4	$650.8	$595.8	$571.1
ILECs with < 100,000 lines	$57.0	$65.8	$67.8	$68.1	$66.2

Note: Revenue information is based on carrier responses to Data Requests issued in Cause No. PUD 200400605. For large non-respondent carriers, OUSF reporting data was used.

Figure DR1 8.3a

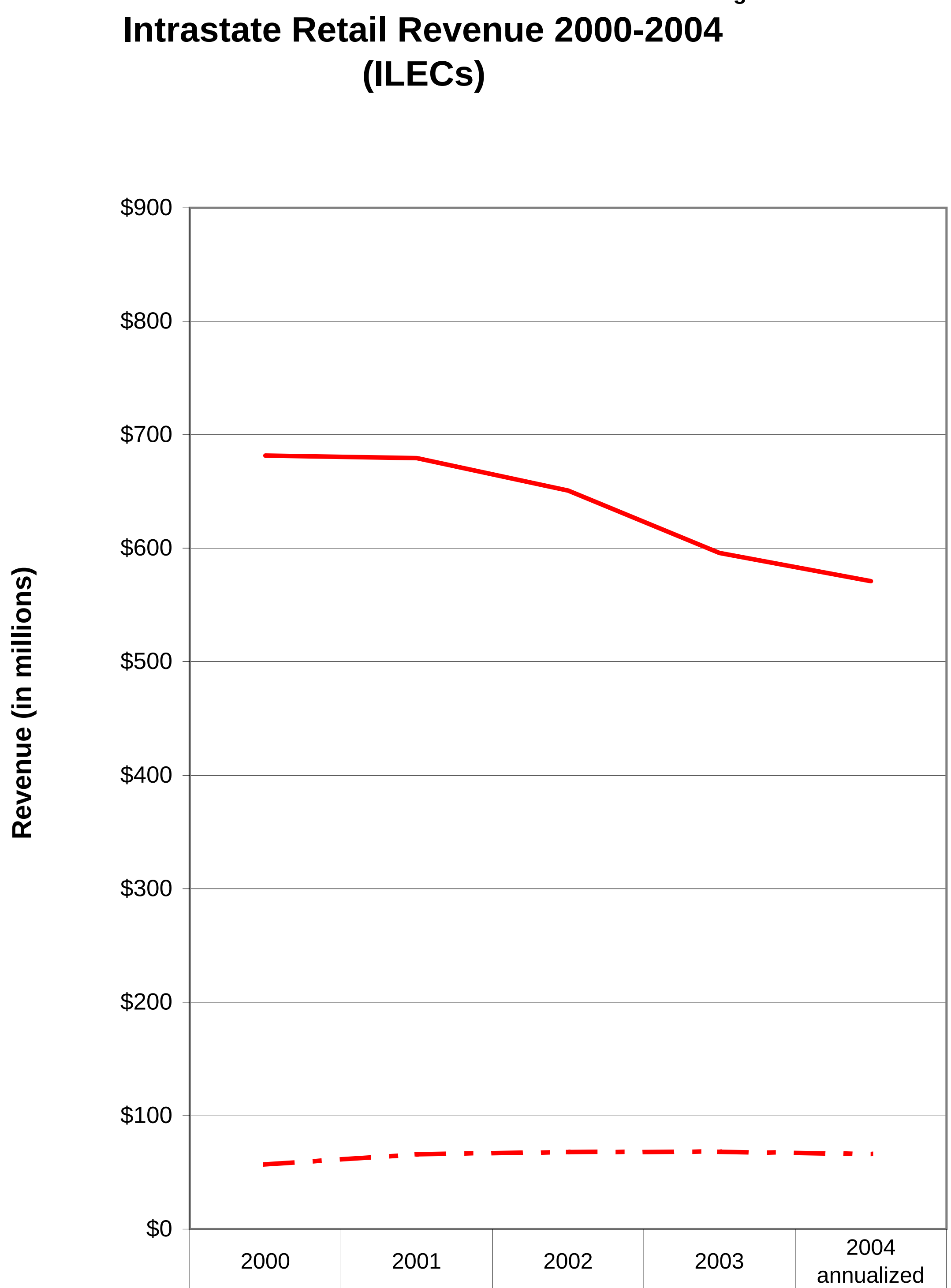
Intrastate Retail Revenue 2000-2004 (ILECs)



	2000	2001	2002	2003	2004 annualized
Total ILECs	$738.6	$745.2	$718.5	$663.9	$637.3

Note: Revenue information is based on carrier responses to Data Requests issued in Cause No. PUD 200400605. For large non-respondent carriers, OUSF reporting data was used.

Figure DR1 8.3b

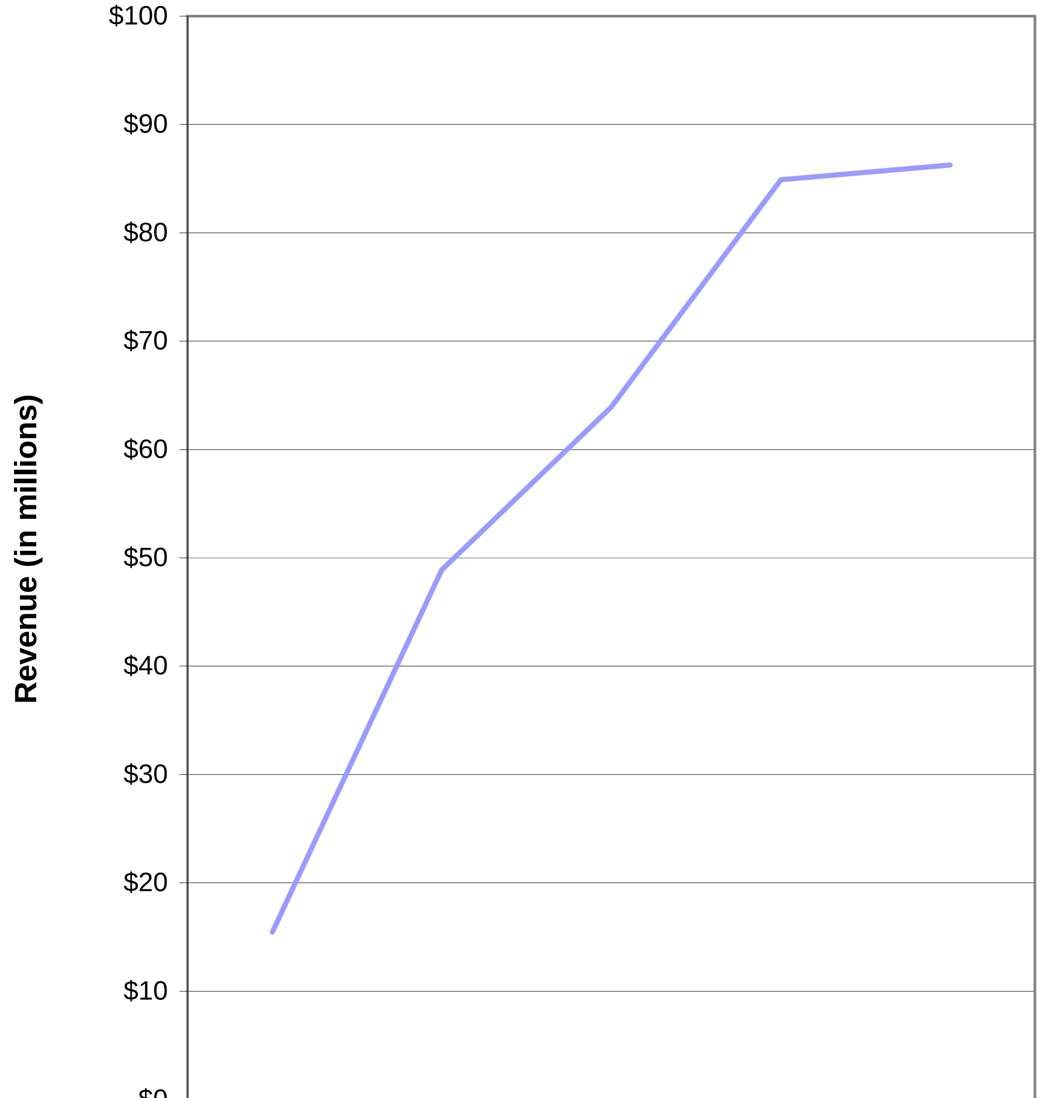


	2000	2001	2002	2003	2004 annualized
ILECs with > 100,000 lines	$681.6	$679.4	$650.8	$595.8	$571.1
ILECs with < 100,000 lines	$57.0	$65.8	$67.8	$68.1	$66.2

Note: Revenue information is based on carrier responses to Data Requests issued in Cause No. PUD 200400605. For large non-respondent carriers, OUSF reporting data was used.

Figure DR1 8.4a

Intrastate Retail Revenue 2000-2004 (CLECs)

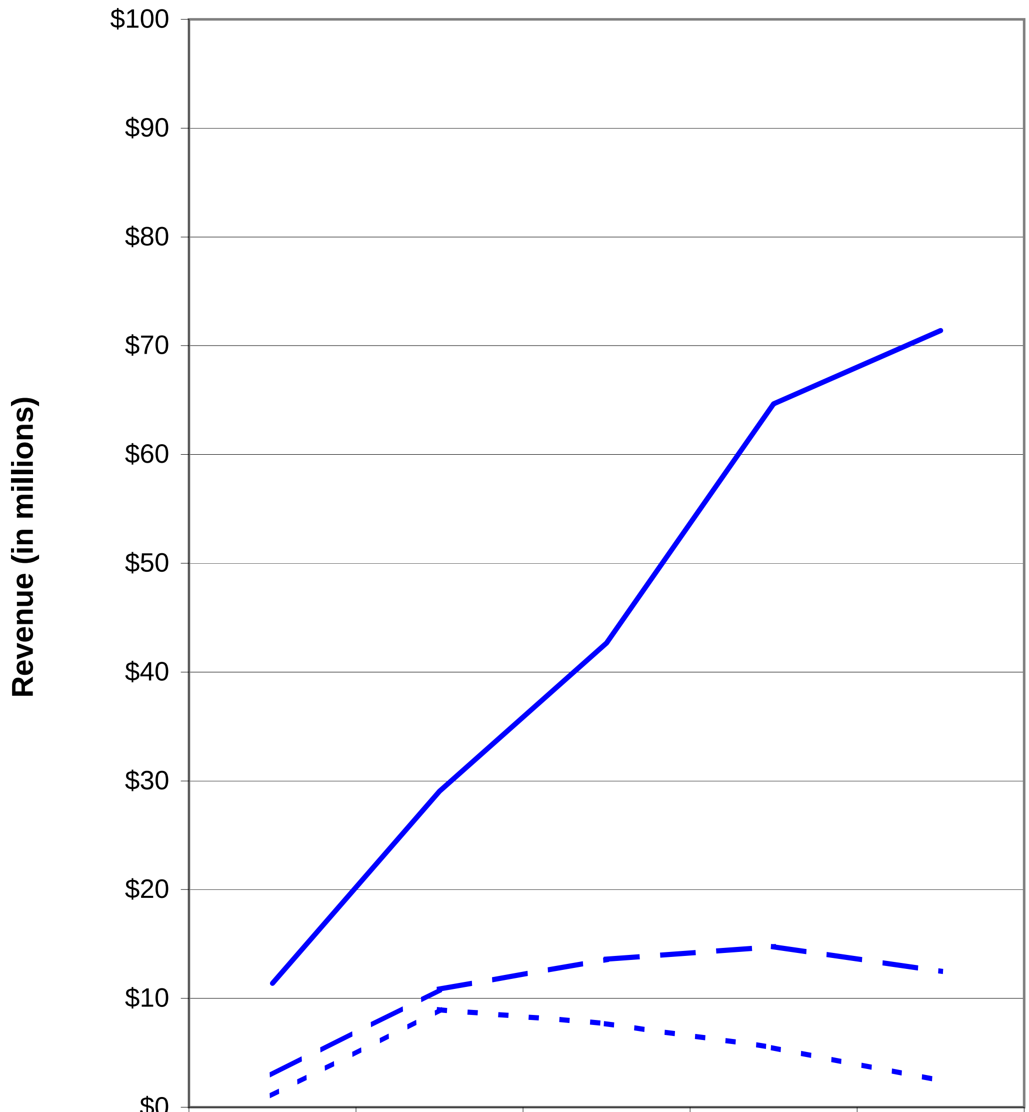


	2000	2001	2002	2003	2004 annualized
Total CLECs	$15.4	$48.9	$63.9	$84.9	$86.3

Note: Revenue information is based on carrier responses to Data Requests issued in Cause No. PUD 200400605. For large non-respondent carriers, OUSF reporting data was used.

Figure DR1 8.4b

Intrastate Retail Revenue 2000-2004 (CLECs)

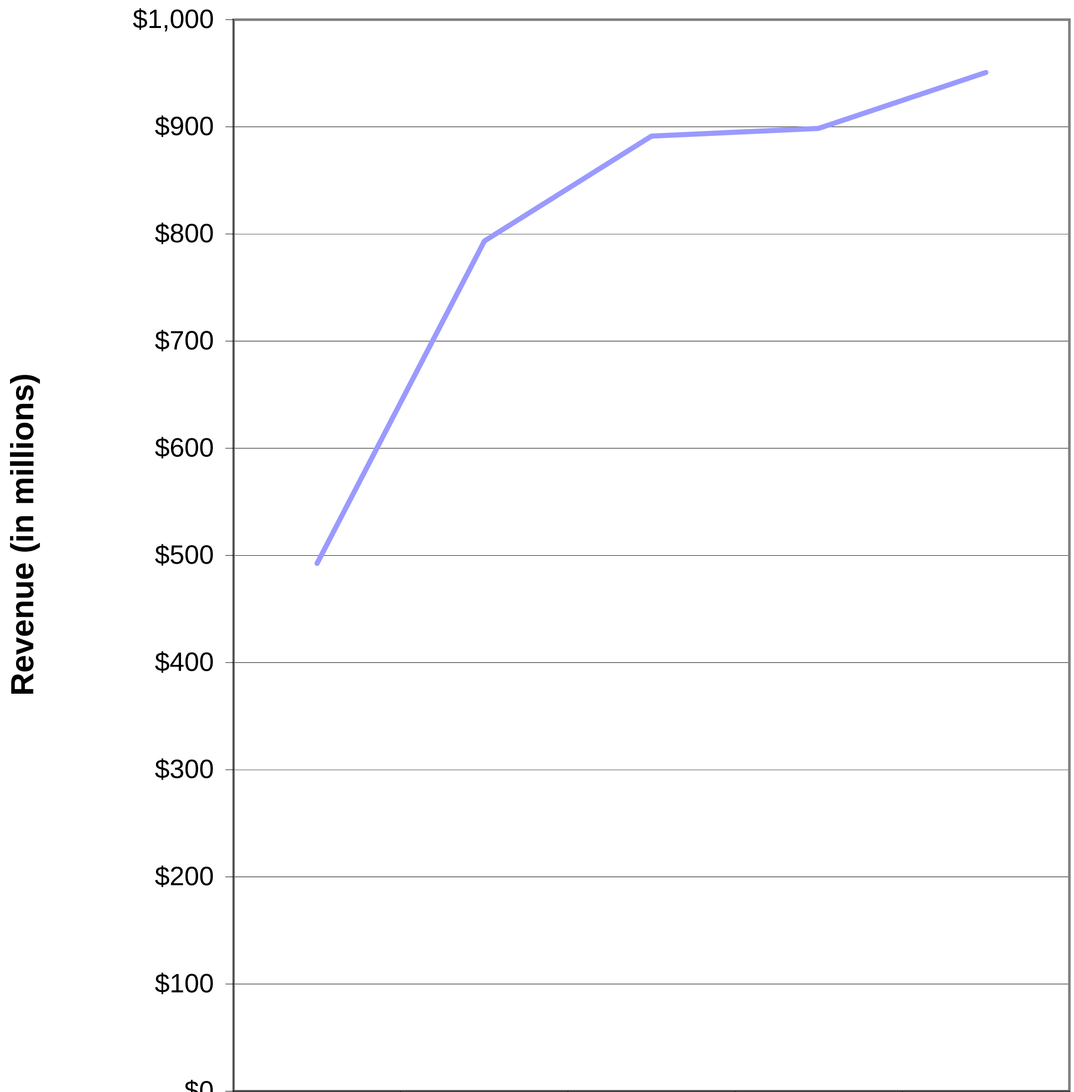


	2000	2001	2002	2003	2004 annualized
Facilities-Based CLECs	$11.4	$29.1	$42.7	$64.7	$71.4
UNE-P-Based CLECs	$3.0	$10.8	$13.6	$14.8	$12.5
Non-Facilities-Based CLECs	$1.1	$9.0	$7.7	$5.5	$2.4

Note: Revenue information is based on carrier responses to Data Requests issued in Cause No. PUD 200400605. For large non-respondent carriers, OUSF reporting data was used.

Figure DR1 8.5a

Intrastate Retail Revenue 2000-2004
(Resellers, IXCs, Wireless and "Others")

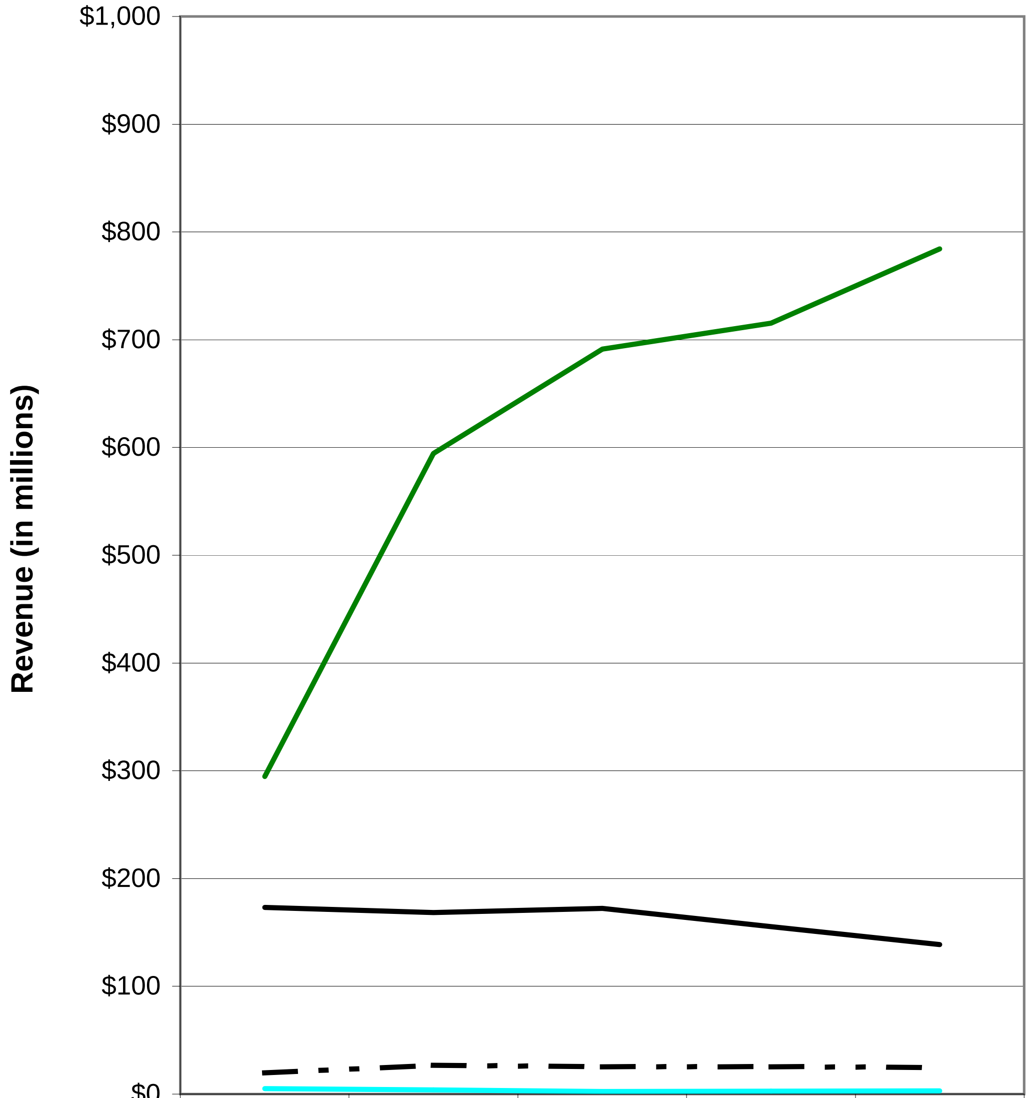


	2000	2001	2002	2003	2004 annualized
Total Resellers, IXCs, Wireless and Other Providers	$492.6	$793.4	$891.2	$898.5	$950.9

Note: Revenue information is based on carrier responses to Data Requests issued in Cause No. PUD 200400605. For large non-respondent carriers, OUSF reporting data was used.

Figure DR1 8.5b

Intrastate Retail Revenue 2000-2004
(Resellers, IXCs, Wireless and "Others")



	2000	2001	2002	2003	2004 annualized
Interexchange Carriers	$173.3	$168.4	$172.4	$155.3	$138.9
Resold Toll Providers	$19.7	$26.6	$25.2	$25.1	$24.6
Other Carriers	$5.1	$3.8	$2.4	$2.7	$3.1
Wireless Carriers	$294.6	$594.5	$691.3	$715.3	$784.3

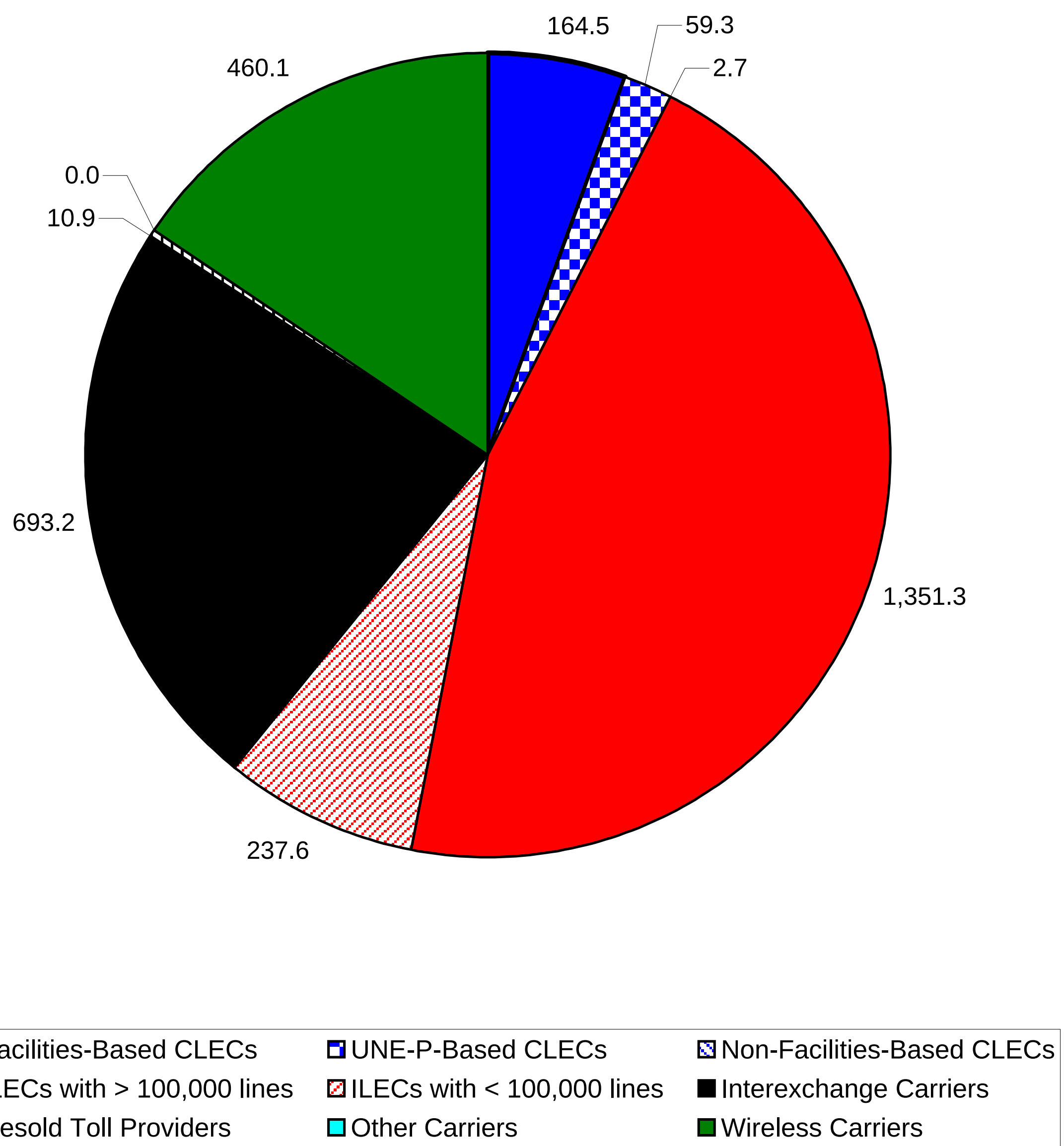
Note: Revenue information is based on carrier responses to Data Requests issued in Cause No. PUD 200400605. For large non-respondent carriers, OUSF reporting data was used.

Figure DR1 12.1a

Total Retail Voice Subscribers (All Companies)

(In Thousands)

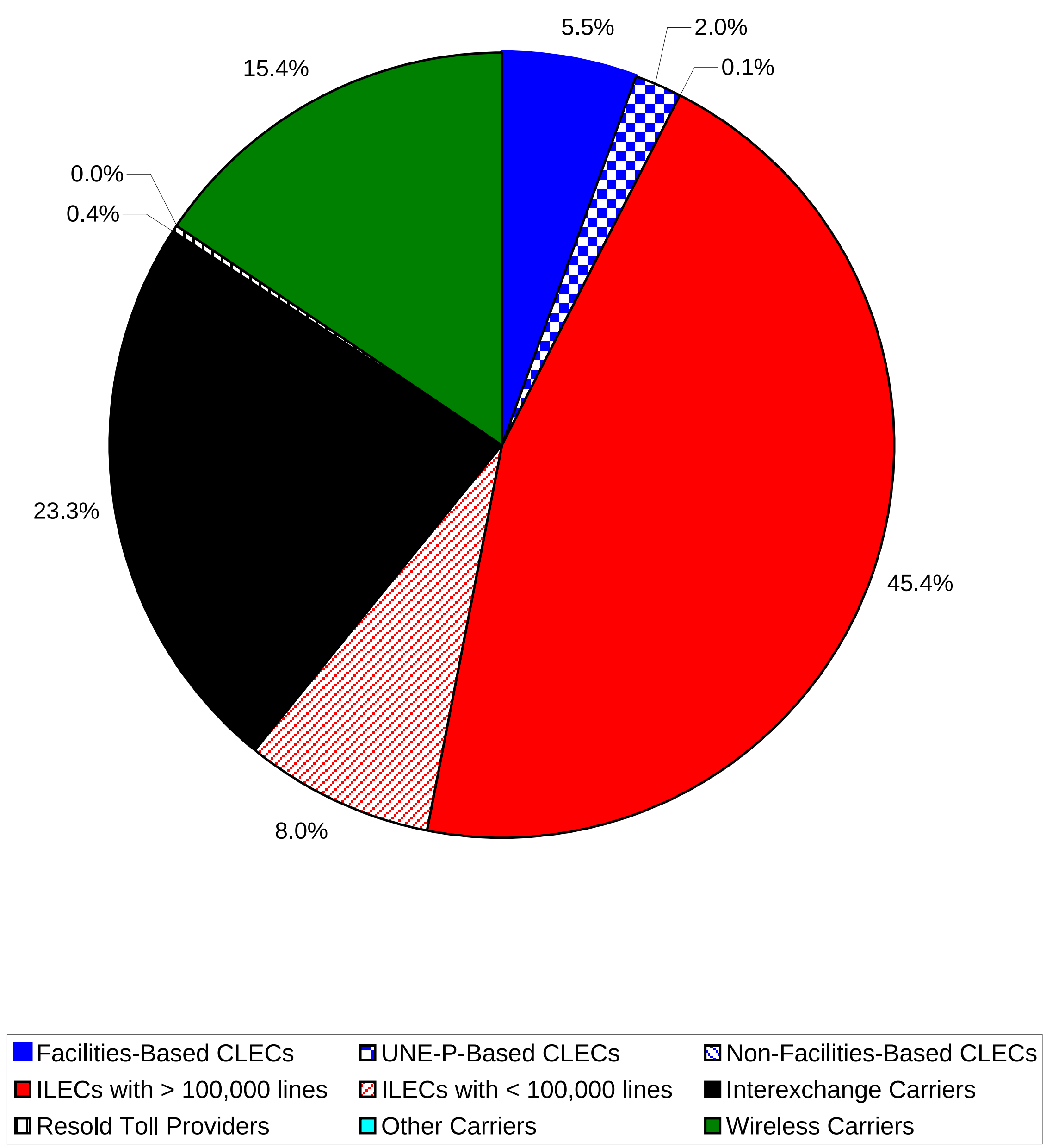
Total Retail Subscribers = 2,979.6



Note: Subscriber counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

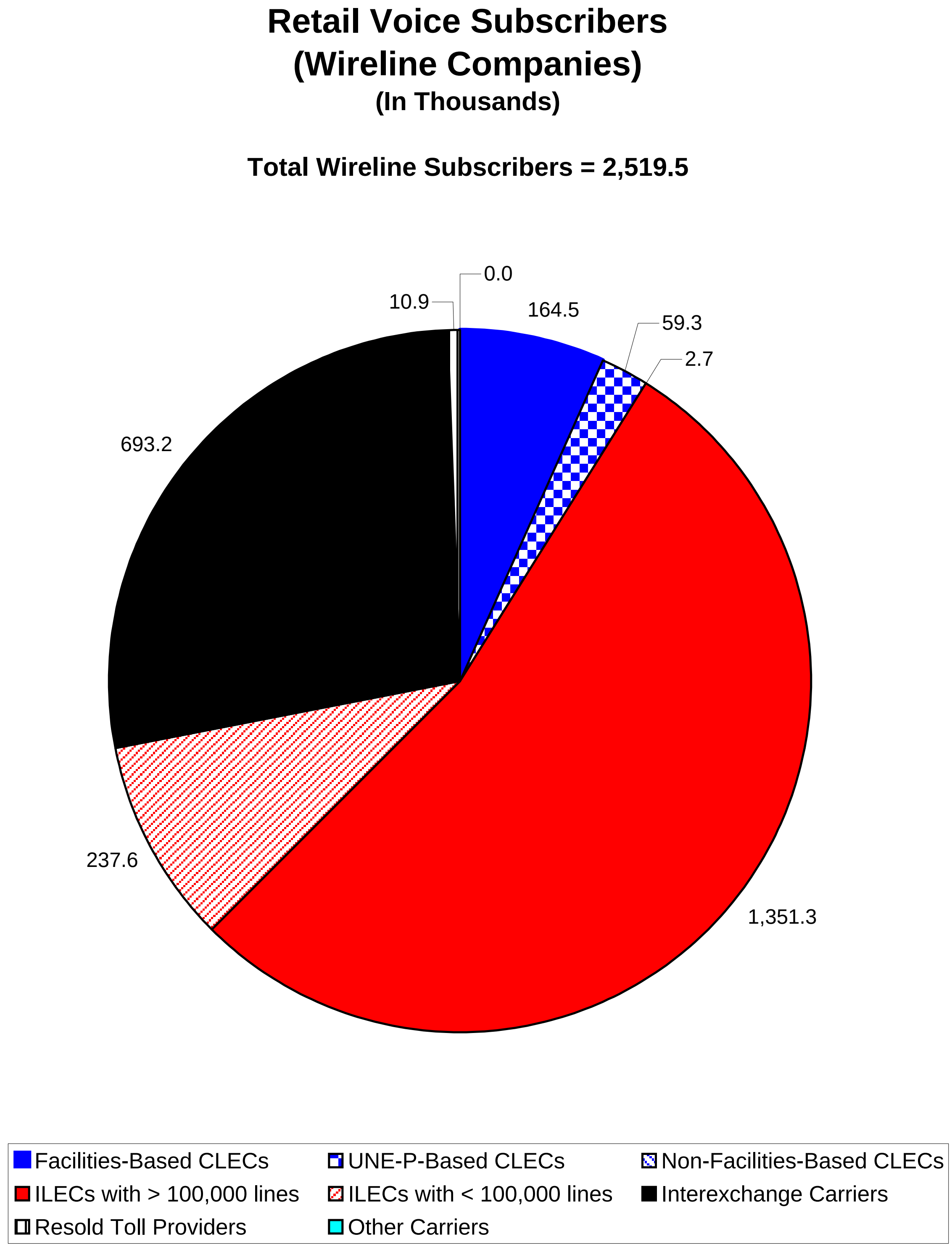
Figure DR1 12.1b

Percent of Total Retail Voice Subscribers (All Companies)



Note: Subscriber counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

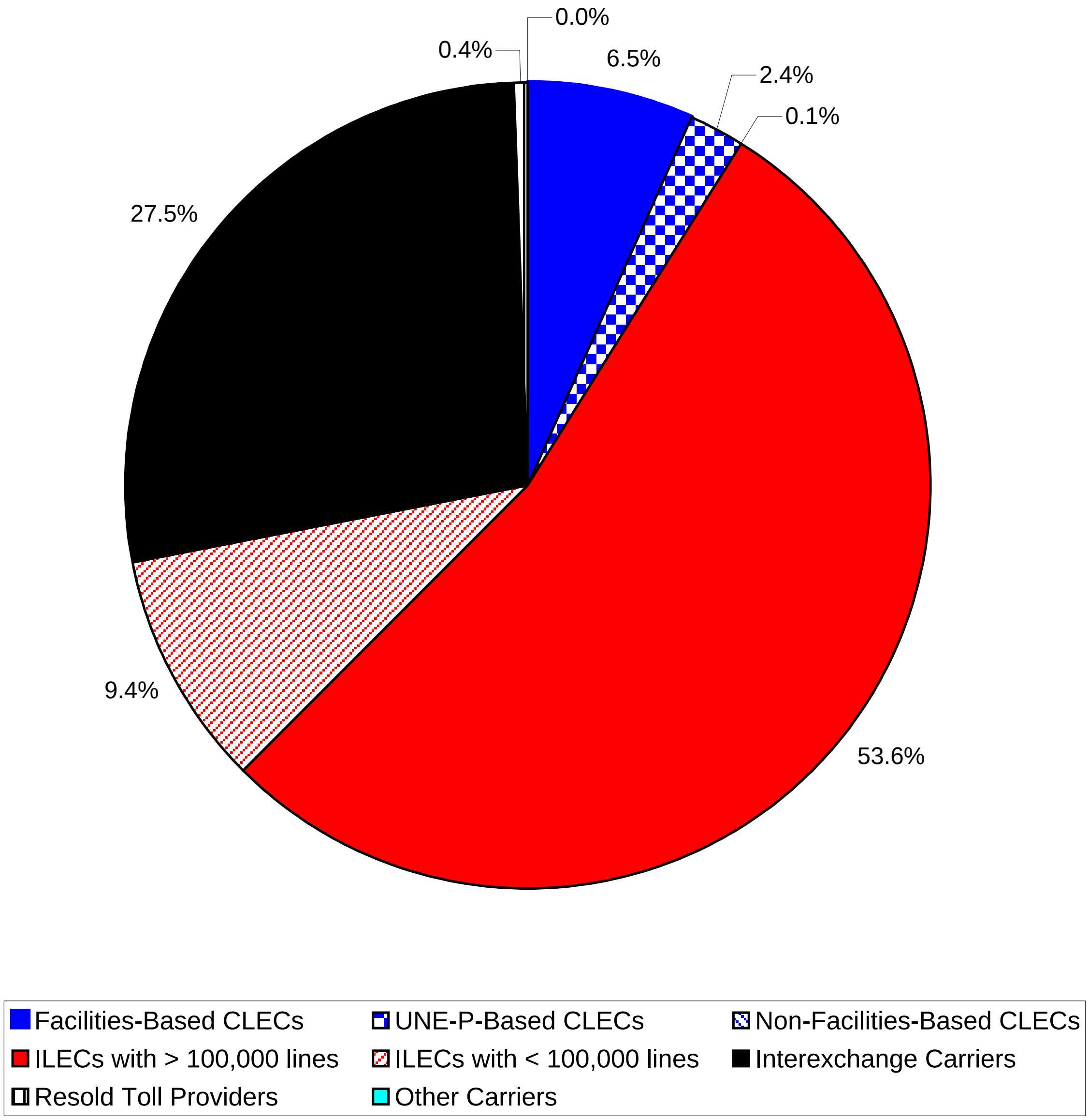
Figure DR1 12.1c



Note: Subscriber counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

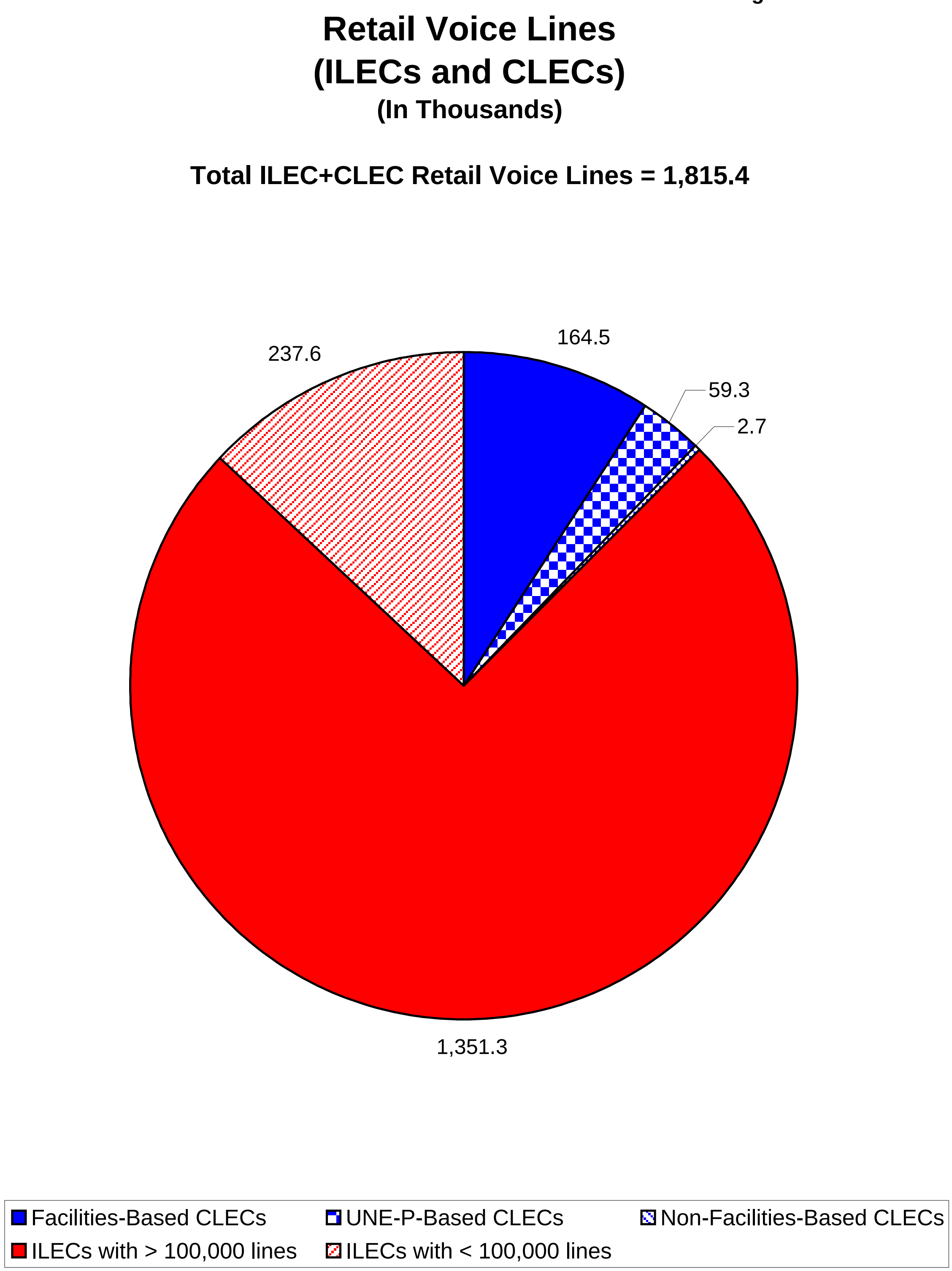
Figure DR1 12.1d

Percent of Retail Voice Subscribers (Wireline Companies)



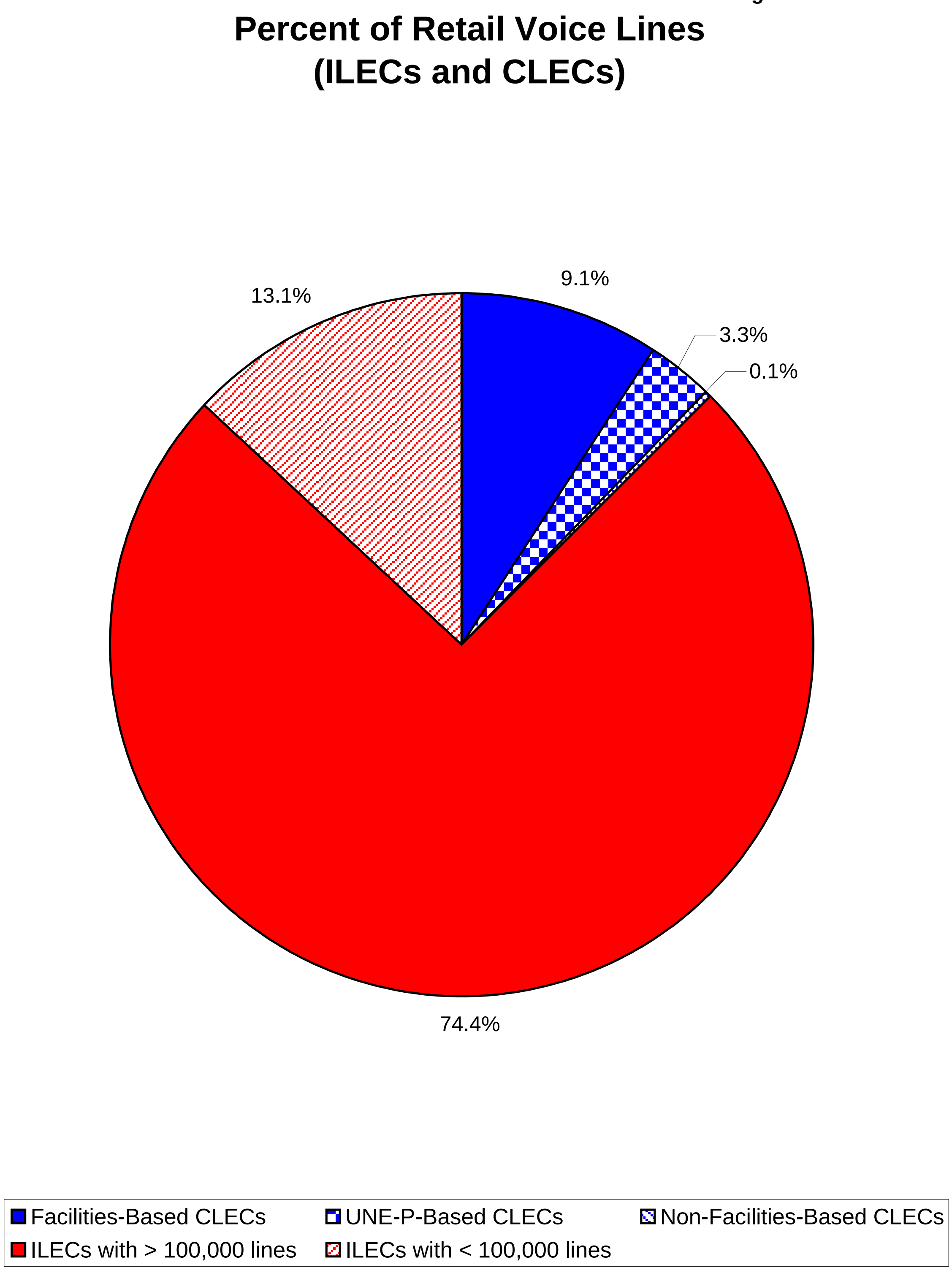
Note: Subscriber counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 12.2a



Note: Voice line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 12.2b

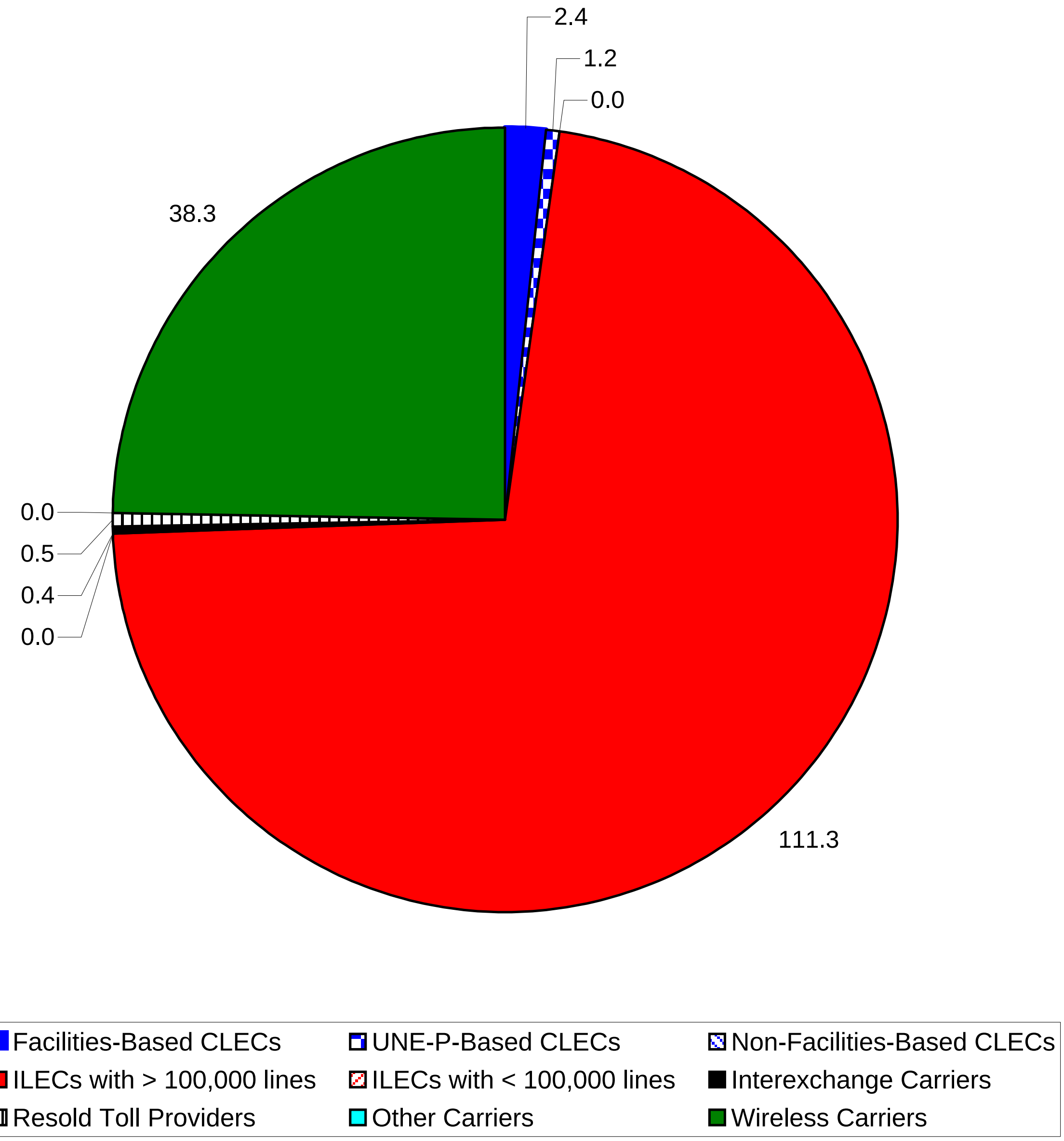


Note: Voice line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 13.1a

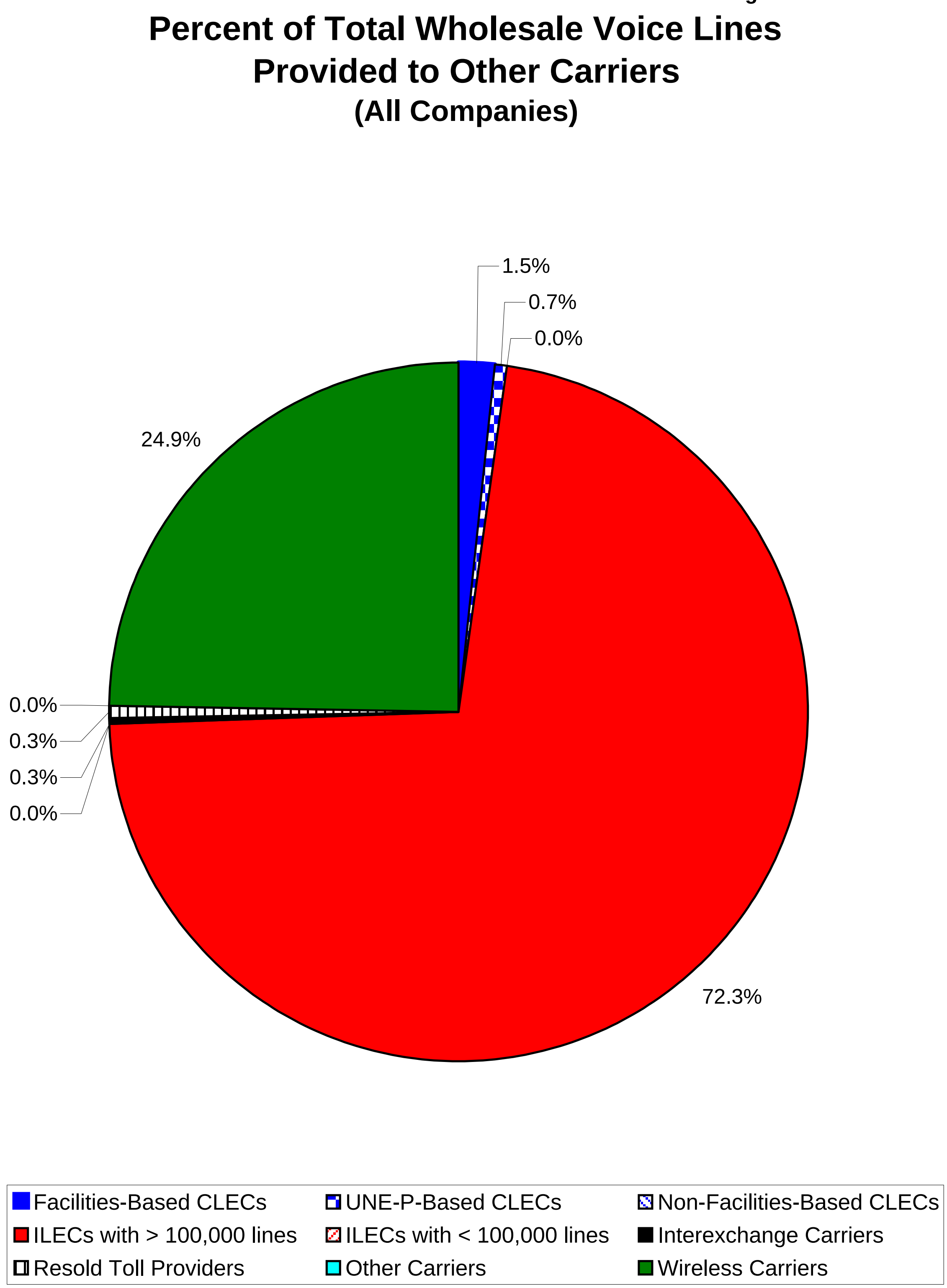
Total Wholesale Voice Lines Provided to Other Carriers (All Companies) (In Thousands)

Total Wholesale Lines = 154.1



Note: Voice line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 13.1b



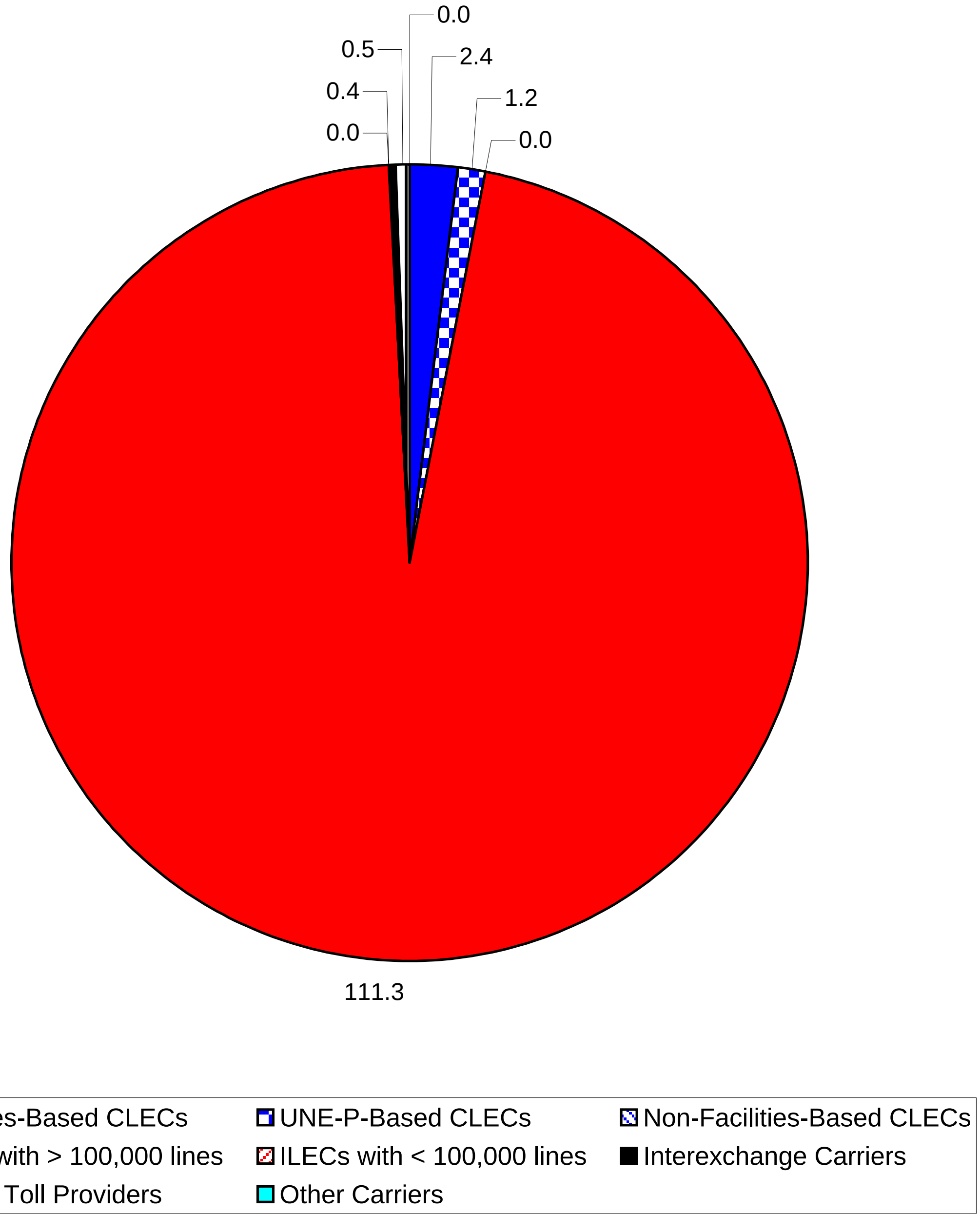
Note: Voice line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 13.1c

Wholesale Voice Lines Provided to Other Carriers (Wireline Companies)

(In Thousands)

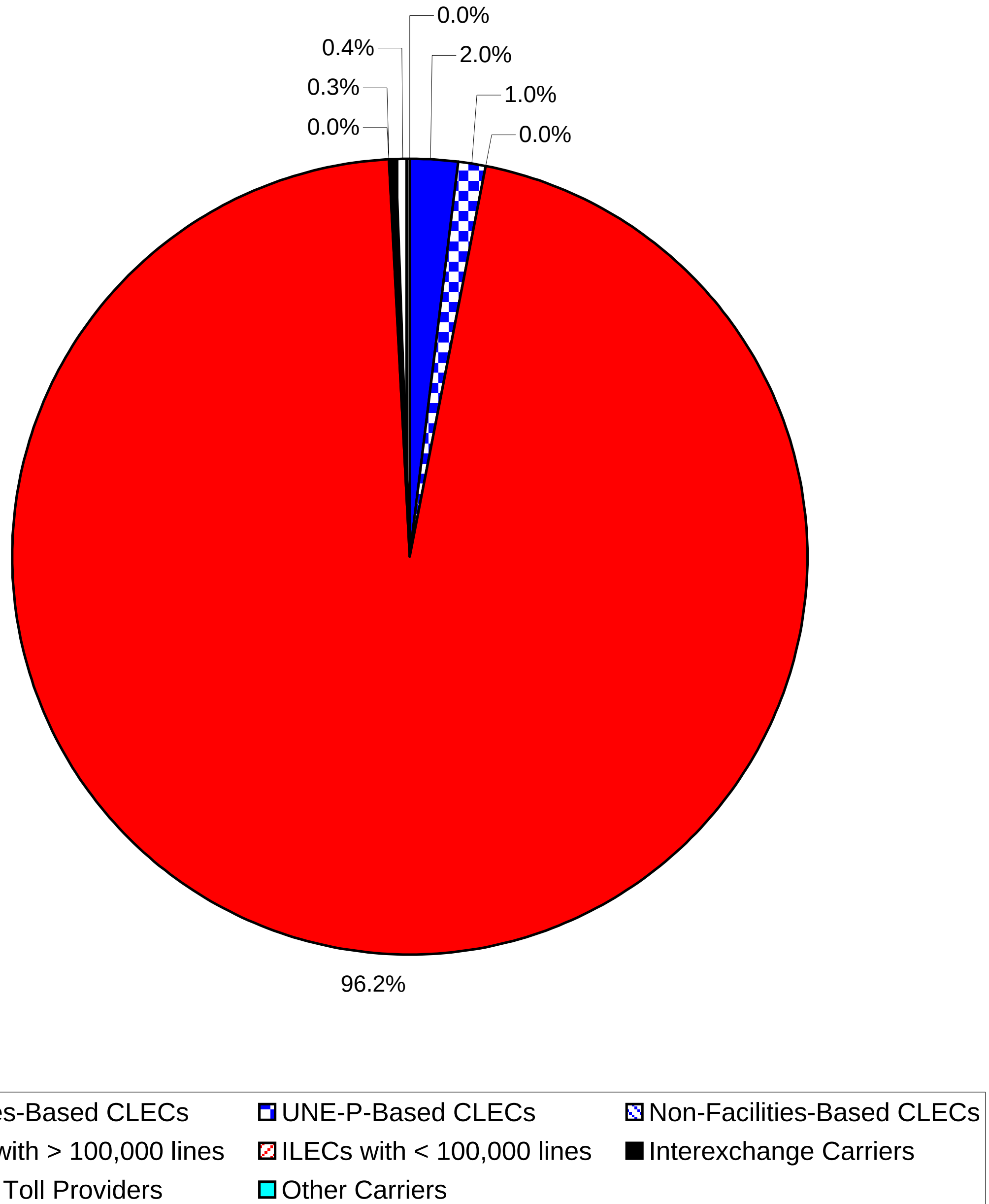
Wireline Wholesale Voice Lines = 115.8



Note: Voice line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 13.1d

Percent of Wholesale Voice Lines Provided to Other Carriers (Wireline Companies)



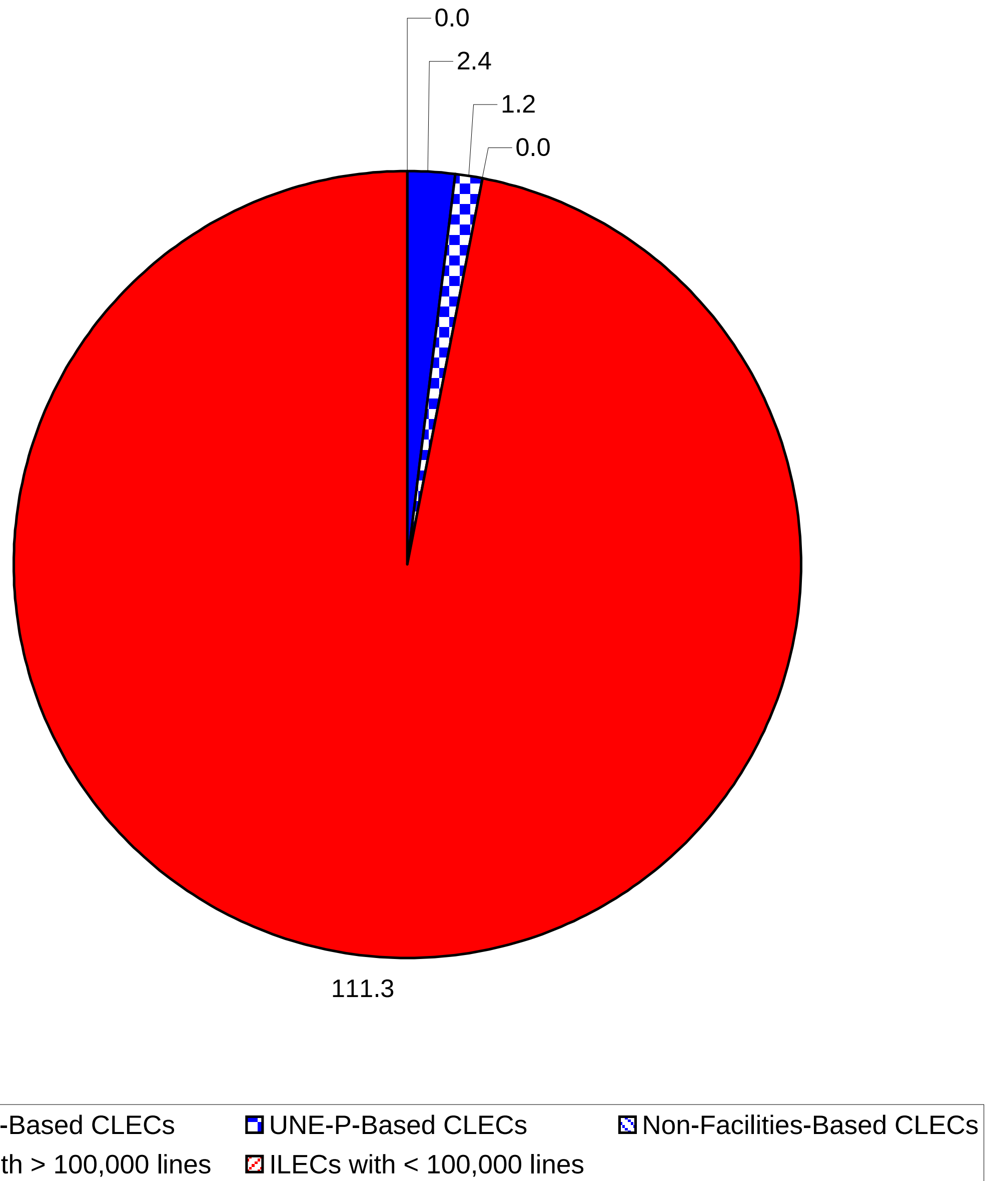
Note: Voice line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 13.2a

Wholesale Voice Lines Provided to Other Carriers (ILECs and CLECs)

(In Thousands)

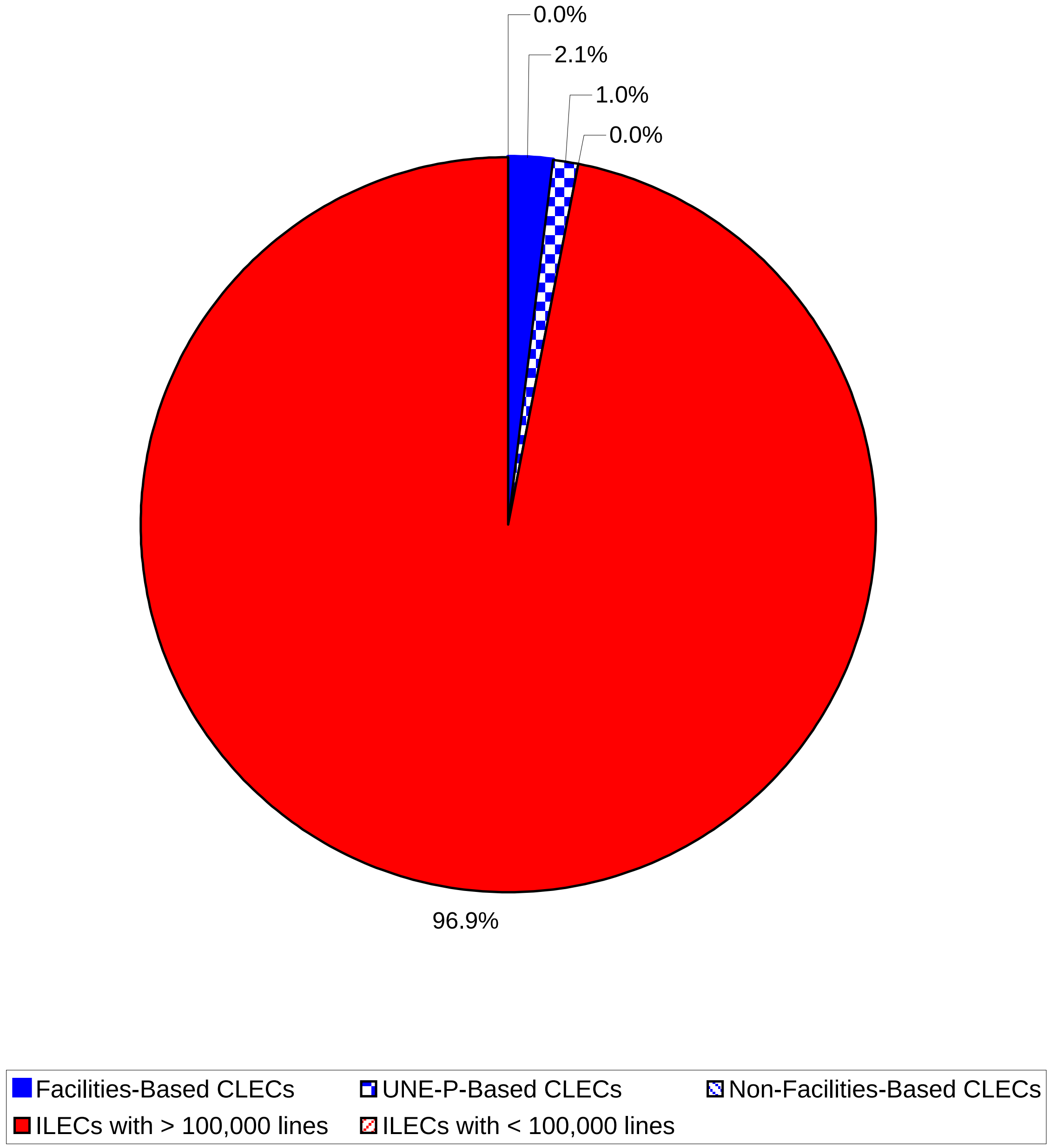
ILEC+CLEC Wholesale Lines = 114.9



Note: Voice line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 13.2b

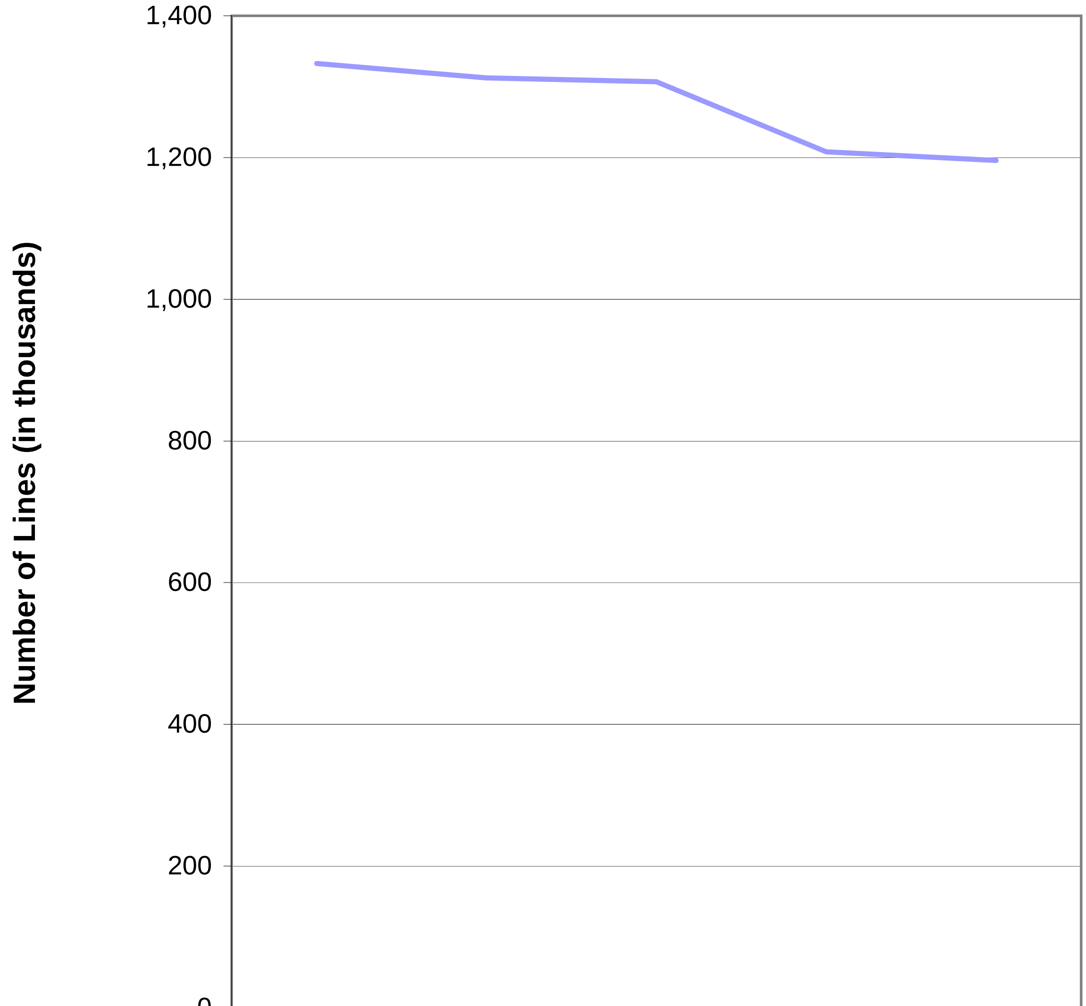
Percent of Wholesale Voice Lines Provided to Other Carriers (ILECs and CLECs)



Note: Voice line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 14.1a

Total Residential Access Lines (ILECs and CLECs)

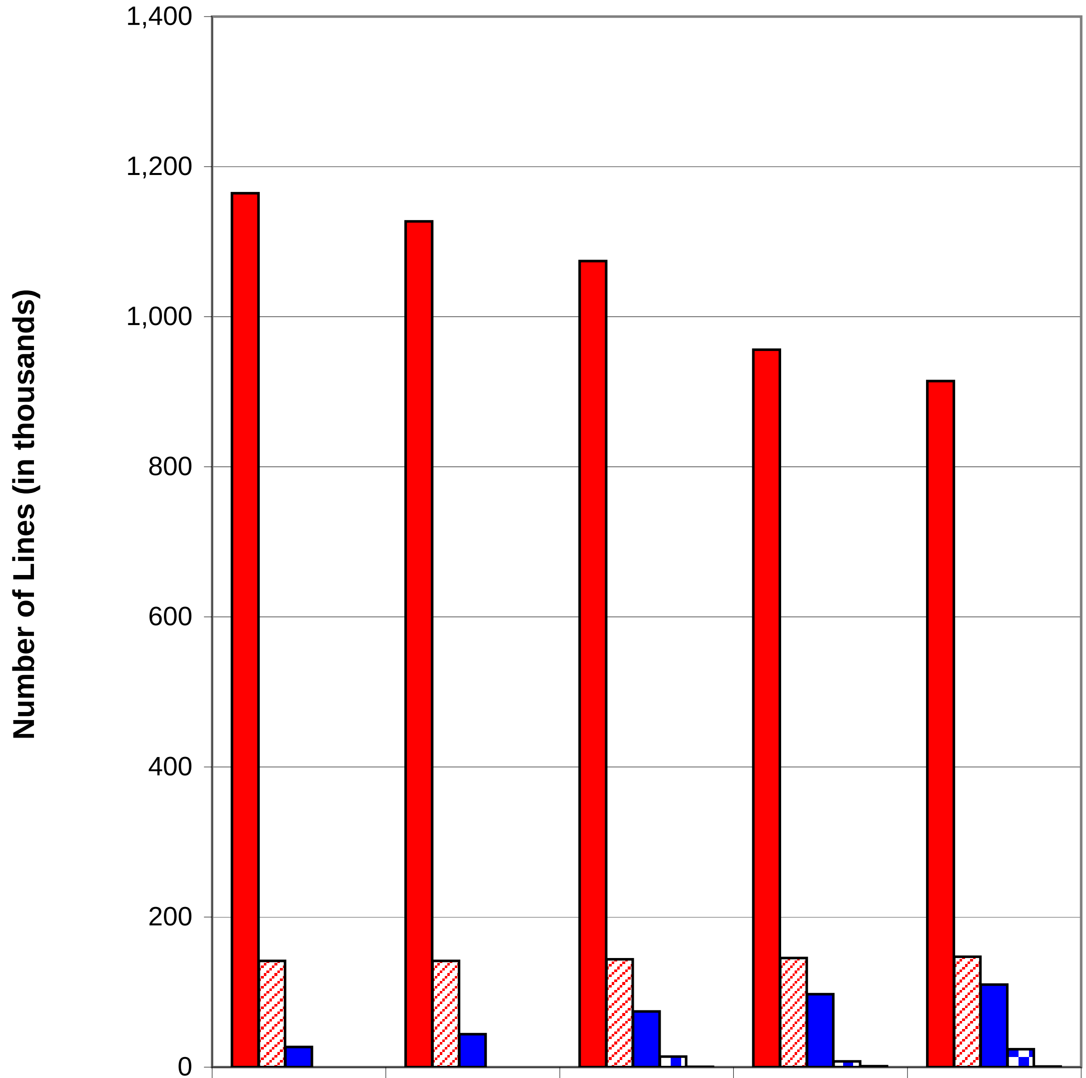


	2000	2001	2002	2003	9/30/2004
Total Residential Lines	1,332.9	1,312.5	1,307.0	1,207.9	1,195.8

Note: Access line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 14.1b

Total Residential Access Lines (ILECs and CLECs)

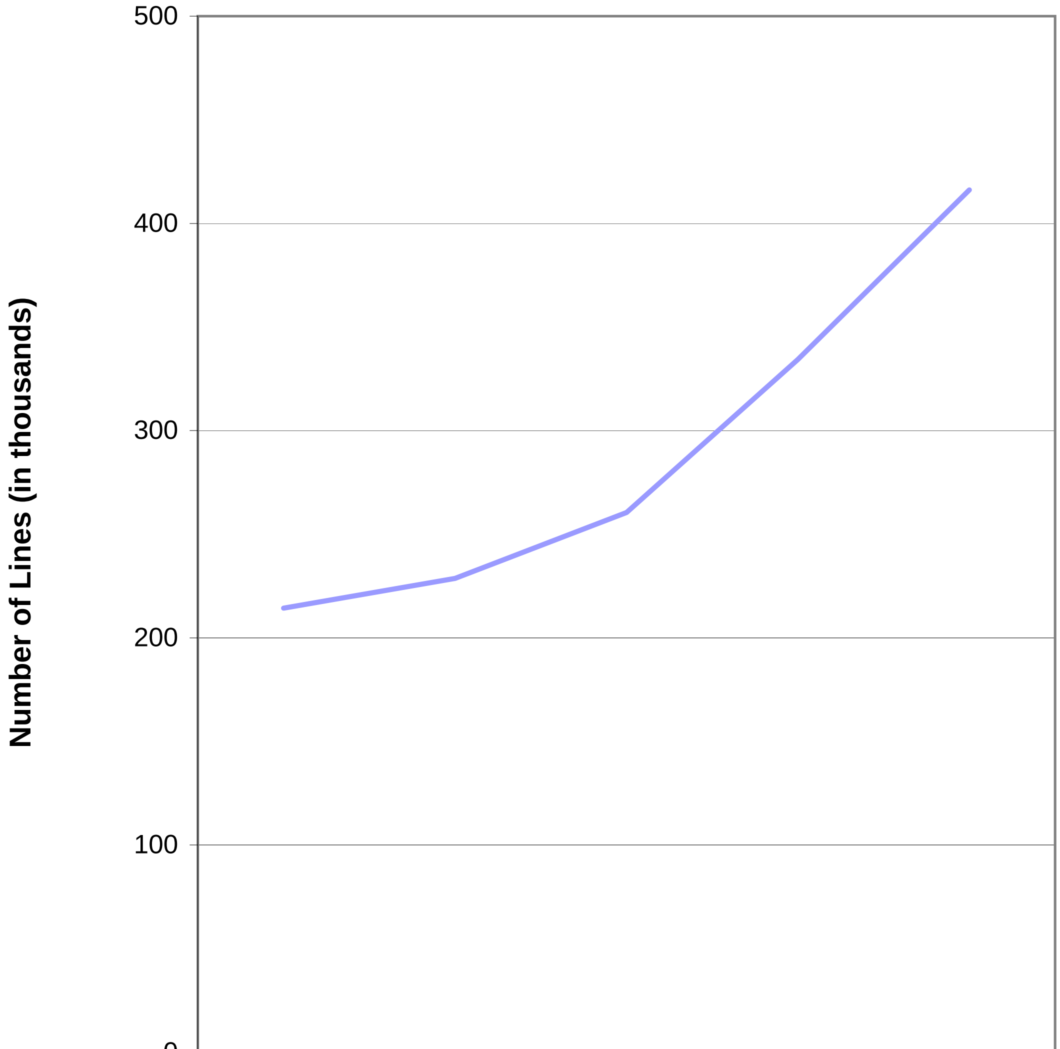


	2000	2001	2002	2003	9/30/2004
ILECs with > 100,000 lines	1,164.4	1,126.9	1,074.4	956.2	914.2
ILECs with < 100,000 lines	141.6	141.6	143.9	145.6	147.1
Facilities-Based CLECs	26.8	43.9	74.3	97.1	110.1
UNE-P-Based CLECs	0.0	0.0	14.2	7.9	23.7
Non-Facilities-Based CLECs	0.1	0.1	0.2	1.2	0.8

Note: Access line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 14.2a

Total Business Access Lines (ILECs and CLECs)

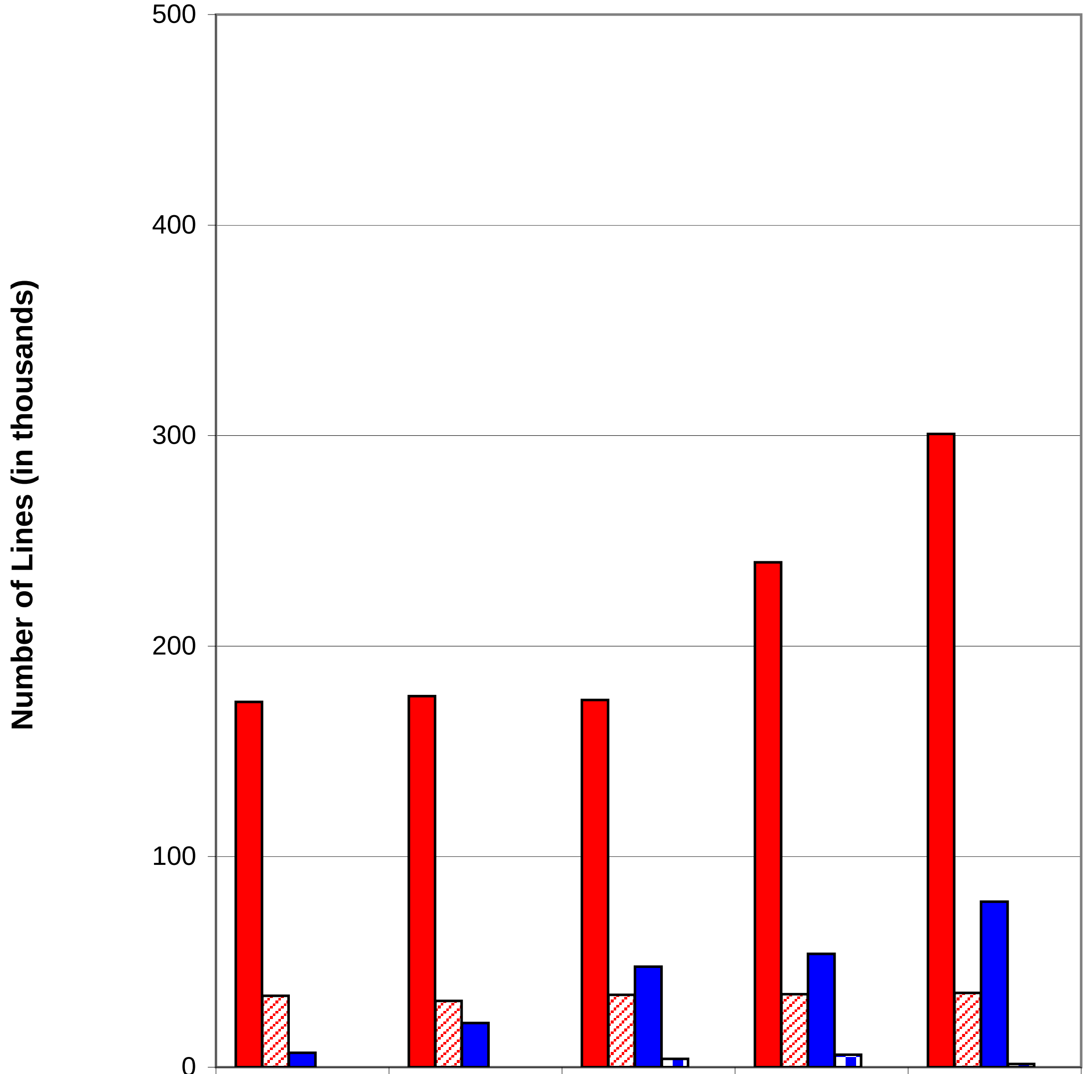


	2000	2001	2002	2003	9/30/2004
Total Business Lines	214.3	228.7	260.5	334.3	416.1

Note: Access line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 14.2b

Total Business Access Lines (ILECs and CLECs)

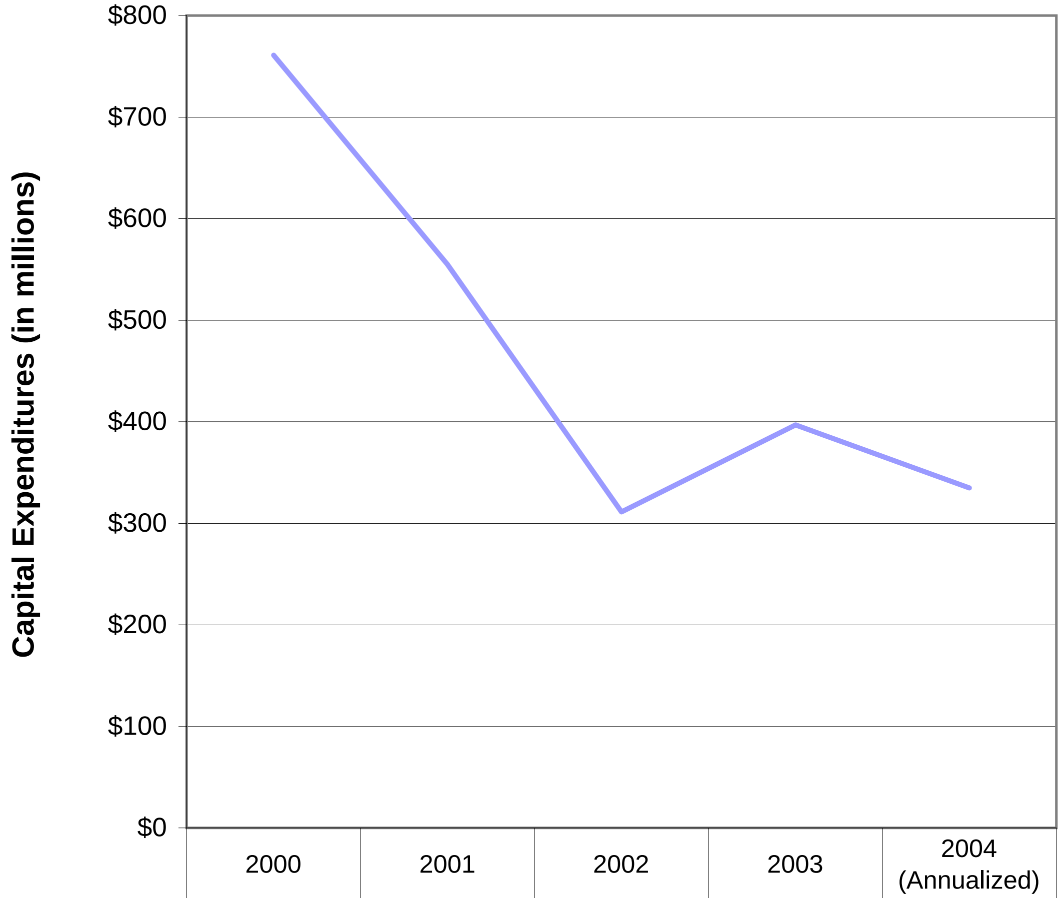


	2000	2001	2002	2003	9/30/2004
ILECs with > 100,000 lines	173.5	176.2	174.5	239.9	300.9
ILECs with < 100,000 lines	33.9	31.5	34.4	34.6	35.2
Facilities-Based CLECs	6.9	21.0	47.8	53.9	78.5
UNE-P-Based CLECs	0.0	0.0	3.9	5.9	1.5
Non-Facilities-Based CLECs	0.0	0.0	0.0	0.0	0.0

Note: Access line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 16.1a

Total Oklahoma Capital Expenditures 2000-2004 (All Companies)

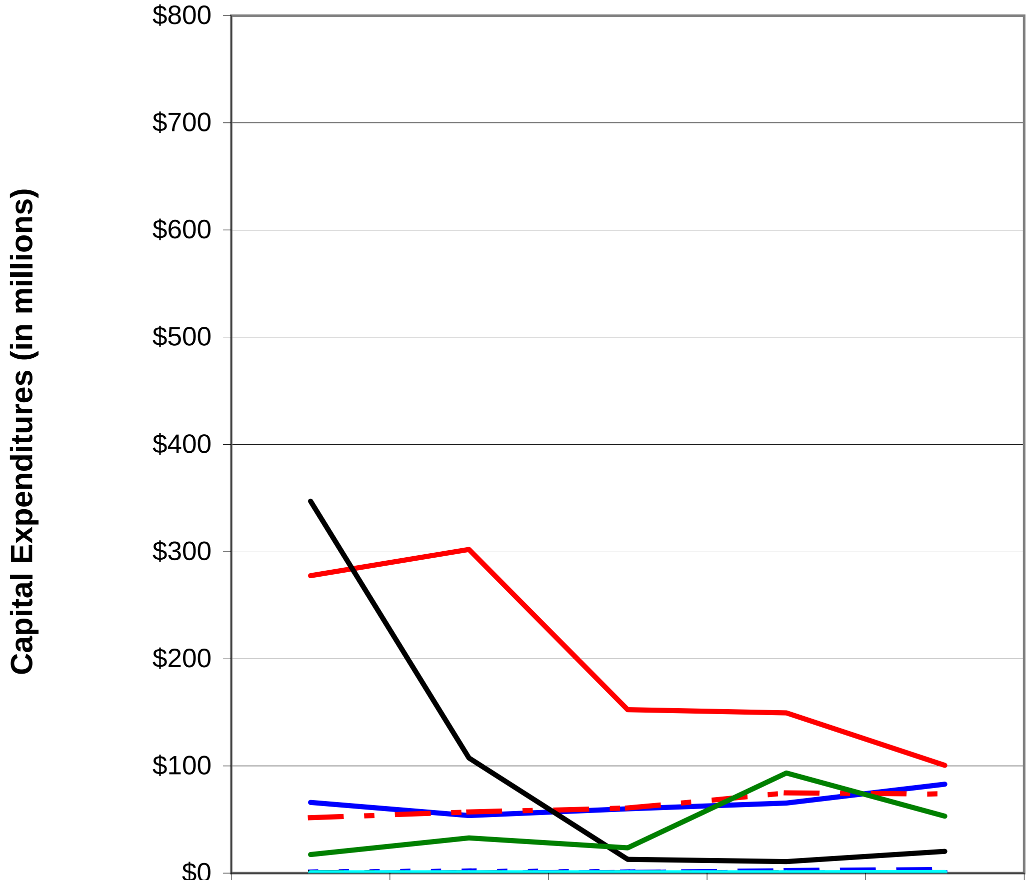


	2000	2001	2002	2003	2004 (Annualized)
Total	$761.0	$554.9	$311.2	$396.7	$334.9

Note: Capital Expenditures based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 16.1b

Total Oklahoma Capital Expenditures 2000-2004 (All Companies)



	2000	2001	2002	2003	2004 (Annualized)
Facilities-Based CLECs	$66.0	$53.8	$60.0	$65.3	$83.1
UNE-P-Based CLECs	$0.0	$0.0	$0.7	$2.3	$3.4
Non-Facilities-Based CLECs	$0.9	$1.8	$0.8	$0.1	$0.1
ILECs with > 100,000 lines	$277.5	$302.0	$152.4	$149.6	$100.7
ILECs with < 100,000 lines	$51.5	$56.9	$60.5	$75.0	$73.8
Interexchange Carriers	$347.0	$107.3	$12.9	$10.6	$20.2
Resold Toll Providers	$0.2	$0.1	$0.1	$0.0	$0.0
Other Carriers	$0.3	$0.3	$0.3	$0.4	$0.7
Wireless Carriers	$17.5	$32.8	$23.5	$93.4	$53.0

Note: Capital Expenditures based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 16.2a

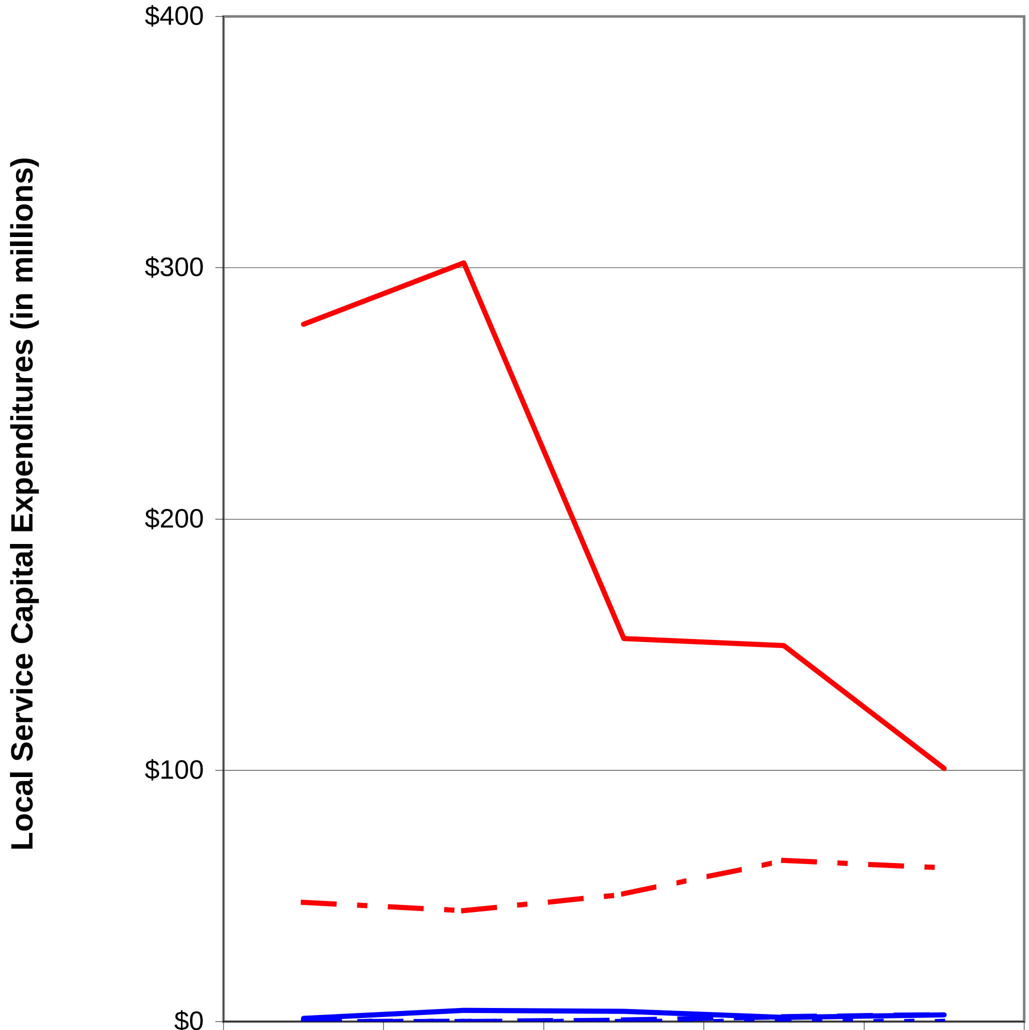
Local Service Capital Expenditures 2000-2004 (ILECs and CLECs)

	2000	2001	2002	2003	2004 (Annualized)
Total ILECs and CLECs	$326.4	$350.5	$207.6	$217.4	$167.4

Note: Capital Expenditures based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR1 16.2b

Local Service Capital Expenditures 2000-2004 (ILECs and CLECs)

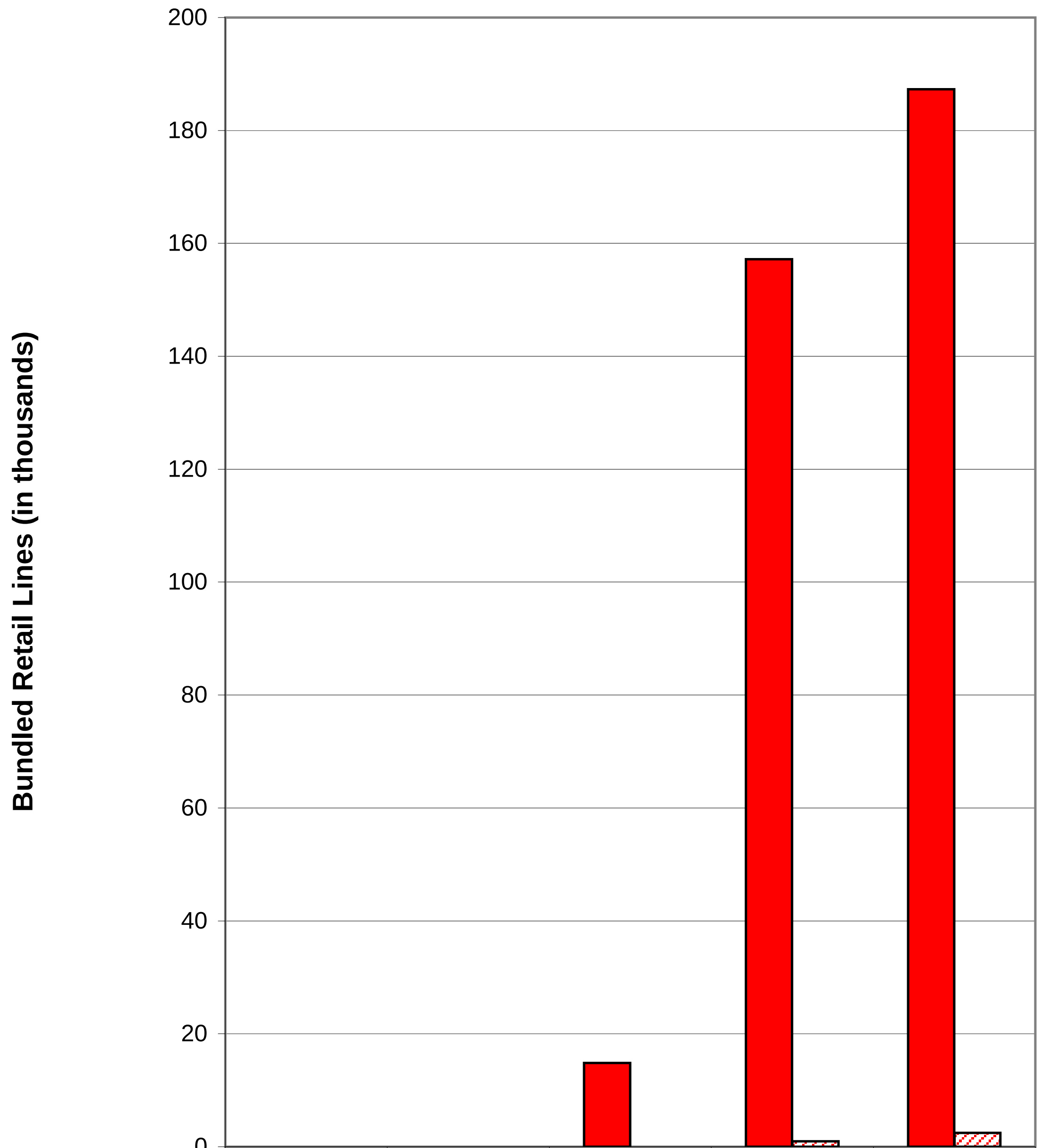


	2000	2001	2002	2003	2004 annualized
Facilities-Based CLECs	$1.3	$4.5	$4.0	$1.6	$2.7
UNE-P-Based CLECs	$0.0	$0.0	$0.6	$2.0	$2.8
Non-Facilities-Based CLECs	$0.0	$0.0	$0.0	$0.0	$0.0
ILECs with > 100,000 lines	$277.5	$302.0	$152.4	$149.6	$100.7
ILECs with < 100,000 lines	$47.5	$44.0	$50.6	$64.2	$61.2

Note: Capital Expenditures based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR2 3.1a

Bundled Retail Lines 2000-2004 (ILECs)

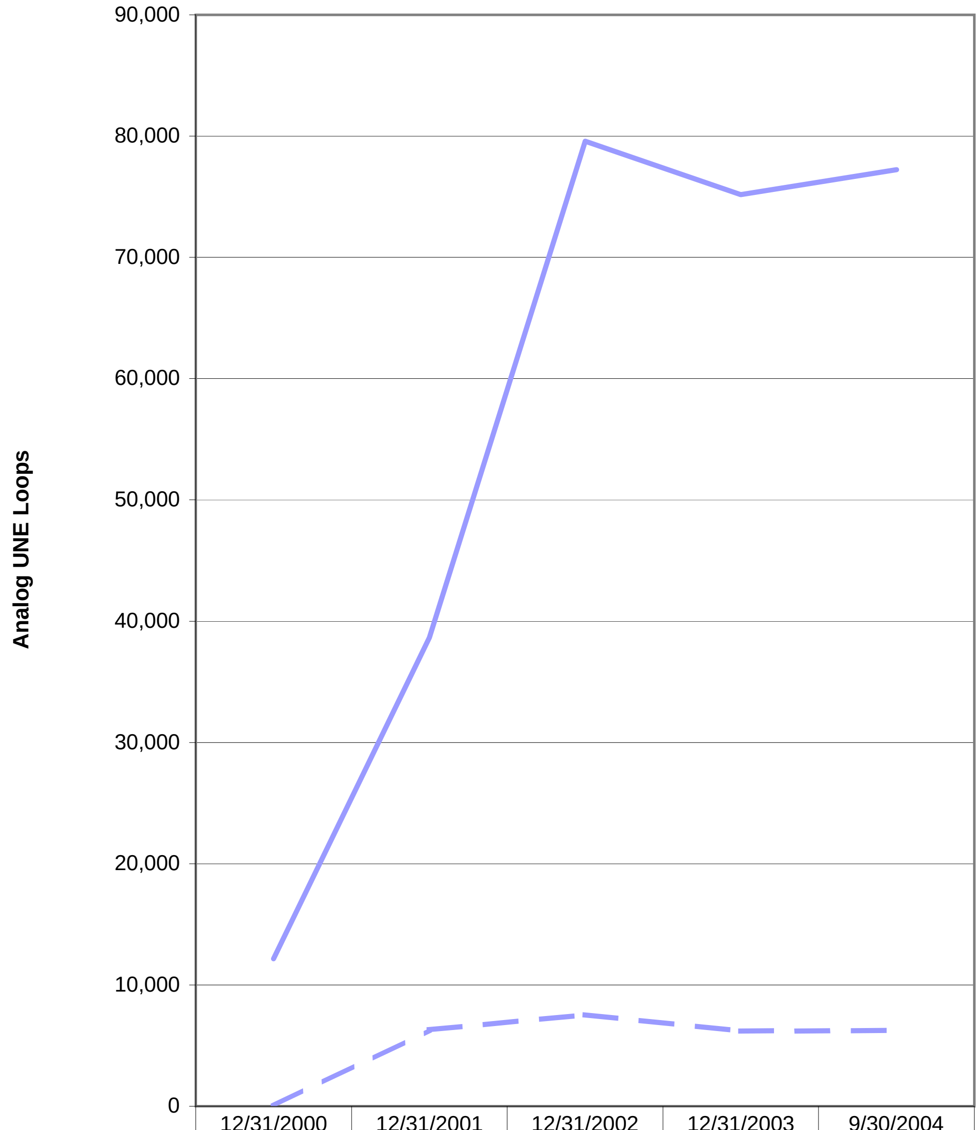


	12/31/2000	12/31/2001	12/31/2002	12/31/2003	9/30/2004
ILECs with > 100,000 lines	0.0	0.0	14.8	157.2	187.3
ILECs with < 100,000 lines	0.0	0.0	0.0	0.9	2.5

Note: Bundled Retail Line counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR2 4.1a

Stand-Alone Analog UNE Loops and Analog Loops with Unbundled Switching 12/31/00-9/30/04 (ILECs)

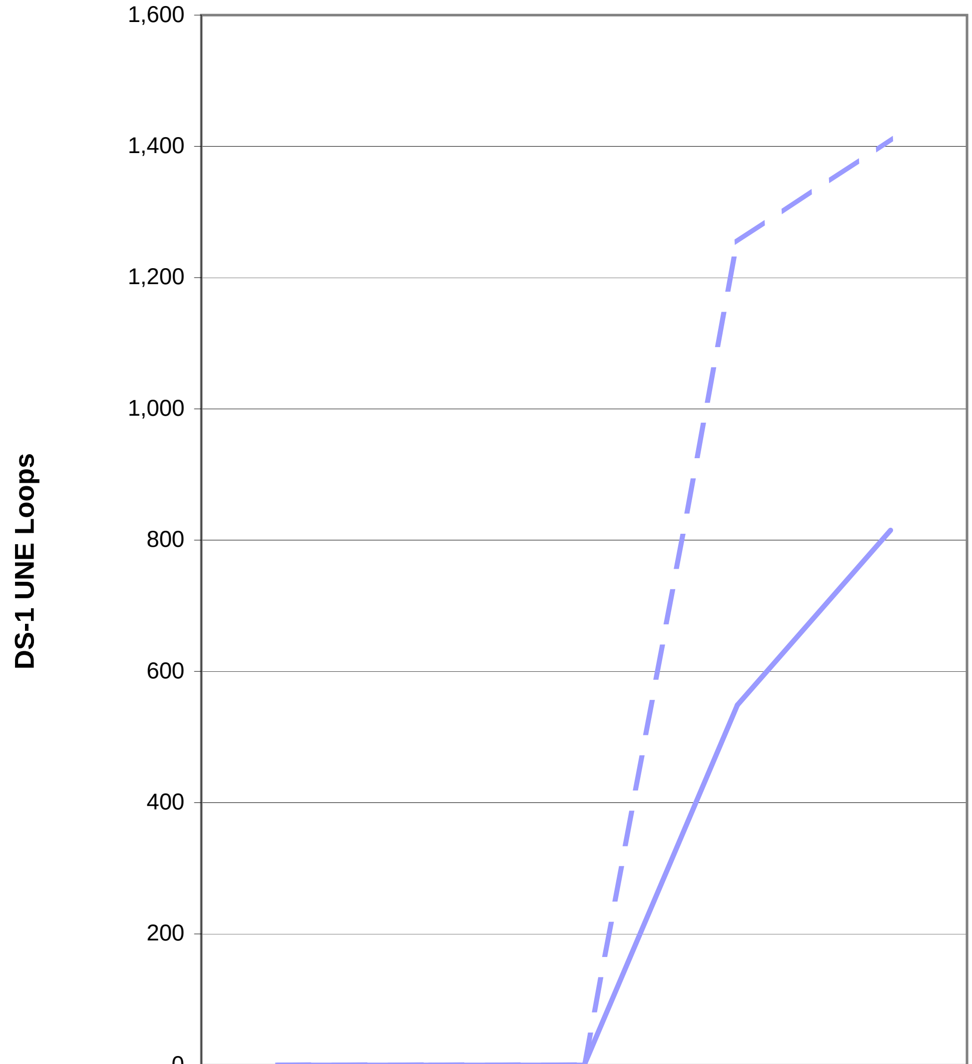


	12/31/2000	12/31/2001	12/31/2002	12/31/2003	9/30/2004
Stand-Alone Analog UNE Loops -- Total ILECs	0	6,310	7,535	6,203	6,226
Analog Loops with Unbundled Switching -- Total ILECs	12,165	38,644	79,583	75,182	77,235

Note: Loop counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Figure DR2 4.3a

**DS-1 UNE Loops with and without Transport
12/31/00-9/30/04
(ILECs)**



	12/31/2000	12/31/2001	12/31/2002	12/31/2003	9/30/2004
DS-1 UNE Loops without Transport -- Total ILECs	0	0	0	1,254	1,412
DS-1 UNE Loops with Transport -- Total ILECs	0	0	0	549	815

Note: Loop counts based on carrier responses to Data Requests issued in Cause No. PUD 200400605.

Oklahoma Corporation Commission
Cause No. PUD 2004-605
Analysis of Carriers Operating Within Exchanges

					== Responses From All Reporting ILECs ==				== Responses From All Reporting CLECs ==					
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
Exchange/Rate Center	NPA	Exchange Classification (Rural, Suburban, or Urban)	ILEC	Number of Reported CLECs Operating in Exchange[1]	Wholesale Access Lines Sold to All CLECs in Exchange[2]	Number of CLECs Provisioning via UNE-P[2]	Number of CLECs Provisioning via UNE-L[2]	Number of CLECs Provisioning via Resale[2]	Retail Voice Lines Provisioned via UNE-P, UNE-L & Resale by All CLECs in Exchange[3]	Number of CLECs Provisioning via UNE-P[3]	Number of CLECs Provisioning via UNE-L[3]	Number of CLECs Provisioning via Resale[3]	Number of CLECs Provisioning via Company-Owned Facilities[3]	Number of Wireless Providers with Numbers Assigned in Exchange[4]
ADA	580	Rural	SOUTHWESTERN BELL	14	972	14	0	10	443	9	0	5	0	3
ADAIR	918	Rural	OKLAHOMA COMMUNICATIO	1	0	0	0	0	0	0	0	1	0	N/A
ADAMS	580	Rural	PANHANDLE TELEPHONE CC	1	0	0	0	0	0	0	0	1	0	N/A
AFTON	918	Rural	SOUTHWESTERN BELL	7	52	8	0	2	36	6	0	1	0	1
AGRA	918	Rural	CENTRAL OKLAHOMA TELEP	0	0	0	0	0	0	0	0	0	0	N/A
ALBION	918	Rural	OKLAHOMA WESTERN TELEI	0	0	0	0	0	0	0	0	0	0	N/A
ALEX	405	Rural	SOUTHWESTERN BELL	6	13	5	0	4	10	3	0	3	0	1
ALFALFA	580	Rural	CARNEGIE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
ALINE	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
ALLEN	580	Rural	SOUTHWESTERN BELL	5	59	6	0	2	51	4	0	1	0	N/A
ALLUWE	918	Rural	SOUTHWESTERN BELL	2	8	2	0	0	9	2	0	0	0	N/A
ALTUS	580	Rural	SOUTHWESTERN BELL	13	329	13	0	13	227	8	0	6	0	3
ALVA	580	Rural	SOUTHWESTERN BELL	6	121	10	0	3	18	5	0	0	1	3
AMES	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
ANADARKO	405	Rural	SOUTHWESTERN BELL	11	272	11	0	9	109	7	0	3	1	2
ANTLERS	580	Rural	SOUTHWESTERN BELL	10	138	10	0	5	79	8	0	3	0	2
APACHE	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
ARCADIA	405	Rural	SOUTHWESTERN BELL	5	117	8	1	3	16	4	0	0	0	N/A
ARDMORE	580	Rural	SOUTHWESTERN BELL	15	806	17	0	14	501	9	0	7	2	6
ARDMORE AIR PARK	580	Rural	CHICKASAW TELEPHONE CC	1	0	0	0	0	1	1	0	0	0	N/A
ARNETT	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
ARPELAR	918	Rural	CHEROKEE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
ASHER	405	Rural	VALOR TELECOMMUNICATIC	2	4	0	0	2	0	0	0	0	0	N/A
ASHLAND	918	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
ATOKA	580	Rural	SOUTHWESTERN BELL	14	113	13	1	7	109	10	0	5	0	2
ATWOOD	580	Rural	CHEROKEE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
AVANT	918	Rural	VALOR TELECOMMUNICATIC	0	0	0	0	0	0	0	0	0	0	N/A
BALKO	580	Rural	PANHANDLE TELEPHONE CC	0	0	0	0	0	0	0	0	0	0	1
BARNSDALL	918	Rural	VALOR TELECOMMUNICATIC	2	8	0	0	2	0	0	0	0	0	N/A
BARON	918	Rural	OKLAHOMA ALLTEL, INC.	1	1	0	0	1	0	0	0	0	0	N/A
BARTLESVILLE	918	Suburban	SOUTHWESTERN BELL	19	1,844	22	1	14	700	14	0	6	1	7
BATTIEST	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
BEAVER	580	Rural	PANHANDLE TELEPHONE CC	0	0	0	0	0	0	0	0	0	0	1
BEGGS	918	Rural	BEGGS TELEPHONE CO., INC	0	0	0	0	0	0	0	0	0	0	N/A
BENNINGTON	580	Rural	SOUTHWESTERN BELL	6	14	3	0	3	11	4	0	2	0	N/A
BESSIE	580	Rural	SOUTHWESTERN BELL	3	4	2	1	1	3	2	0	1	0	N/A
BETHANY	405	Urban	SOUTHWESTERN BELL	21	3,702	21	4	23	1,961	13	1	10	2	N/A
BIG CABIN	918	Rural	ATLAS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
BILLINGS	580	Rural	SOUTHWESTERN BELL	2	9	1	0	3	3	1	0	1	0	N/A
BINGER	405	Rural	SOUTHWESTERN BELL	6	9	4	0	1	9	6	0	0	0	1
BIXBY	918	Rural	BIXBY TELEPHONE CO., INC.	2	0	0	0	0	4	2	0	0	0	N/A
BIXBY NORTH	918	Rural	BIXBY TELEPHONE CO., INC.	0	0	0	0	0	0	0	0	0	0	N/A
BLACKBURN	918	Rural	CIMARRON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
BLACKWELL	580	Rural	SOUTHWESTERN BELL	11	195	9	0	6	31	7	0	3	1	2
BLAIR	580	Rural	SOUTHWESTERN BELL	5	71	5	0	4	36	4	0	1	0	N/A
BLANCHARD	405	Rural	PIONEER TELEPHONE COOP	1	0	0	0	0	0	1	0	0	0	N/A
BLUEJACKET	918	Rural	ATLAS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
BOISE CITY	580	Rural	PANHANDLE TELEPHONE CC	0	0	0	0	0	0	0	0	0	0	1

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Analysis of Carriers Operating Within Exchanges

					== Responses From All Reporting ILECs ==				== Responses From All Reporting CLECs ==					
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
Exchange/Rate Center	NPA	Exchange Classification (Rural, Suburban, or Urban)	ILEC	Number of Reported CLECs Operating in Exchange[1]	Wholesale Access Lines Sold to All CLECs in Exchange[2]	Number of CLECs Provisioning via UNE-P[2]	Number of CLECs Provisioning via UNE-L[2]	Number of CLECs Provisioning via Resale[2]	Retail Voice Lines Provisioned via UNE-P, UNE-L & Resale by All CLECs in Exchange[3]	Number of CLECs Provisioning via UNE-P[3]	Number of CLECs Provisioning via UNE-L[3]	Number of CLECs Provisioning via Resale[3]	Number of CLECs Provisioning via Company-Owned Facilities[3]	Number of Wireless Providers with Numbers Assigned in Exchange[4]
BOKCHITO	580	Rural	CHEROKEE TELEPHONE CO.	2	0	0	0	0	5	1	0	1	0	N/A
BOKOSHE	918	Rural	SOUTHWESTERN BELL	3	14	2	0	1	0	0	0	0	0	N/A
BOLEY	918	Rural	CENTRAL OKLAHOMA TELEP	0	0	0	0	0	0	0	0	0	0	N/A
BOSWELL	580	Rural	SOUTHWESTERN BELL	5	26	5	0	3	8	3	0	2	0	N/A
BOWLEGS	405	Rural	POTTAWATOMIE TELEPHONI	0	0	0	0	0	0	0	0	0	0	N/A
BOYNTON	918	Rural	VALOR TELECOMMUNICATIO	2	1	0	0	1	2	0	0	1	0	N/A
BRADLEY	405	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
BRAGGS	918	Suburban	SOUTHWESTERN BELL	7	54	7	0	3	29	6	0	0	0	1
BRAMAN	580	Rural	KANOKLA TELEPHONE ASSO	0	0	0	0	0	0	0	0	0	0	N/A
BRECKENRIDGE	580	Suburban	SOUTHWESTERN BELL	3	8	3	0	1	5	3	0	0	0	1
BRISTOW	918	Urban	SOUTHWESTERN BELL	15	585	14	1	10	460	10	0	5	1	1
BRITTON	405	Urban	SOUTHWESTERN BELL	15	374	19	3	7	2,035	11	1	4	2	N/A
BROKEN ARROW	918	Urban	VALOR TELECOMMUNICATIO	11	548	0	3	5	2,262	0	1	1	3	N/A
BROKEN BOW	580	Rural	PINE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	1
BROMIDE	580	Rural	MID-AMERICA TELEPHONE, I	0	0	0	0	0	0	0	0	0	0	N/A
BRYANS CORNER	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
BUFFALO	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
BUFFALO VALLEY	918	Rural	OKLAHOMA WESTERN TELE	0	0	0	0	0	0	0	0	0	0	N/A
BURBANK	918	Rural	TOTAH TELEPHONE CO., INC	0	0	0	0	0	0	0	0	0	0	N/A
BURLINGTON	580	Rural	SOUTH CENTRAL TELEPHON	0	0	0	0	0	0	0	0	0	0	N/A
BURNS FLAT	580	Rural	ALLTEL OKLAHOMA, INC.	1	3	0	0	1	0	0	0	0	0	N/A
BUTLER	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
BYARS	405	Rural	SOUTHWESTERN BELL	3	6	4	0	1	3	2	0	0	0	N/A
BYRON	580	Rural	SOUTH CENTRAL TELEPHON	0	0	0	0	0	0	0	0	0	0	N/A
CACHE	580	Suburban	SOUTHWESTERN BELL	12	159	12	0	6	198	9	0	4	0	1
CADDO	580	Rural	SOUTHWESTERN BELL	4	17	4	0	3	15	2	0	2	0	1
CALERA	580	Rural	CHEROKEE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	1
CALUMET	405	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
CALVIN	405	Rural	SOUTHWESTERN BELL	5	14	6	0	2	7	5	0	0	0	N/A
CAMARGO	580	Rural	DOBSON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
CAMERON	918	Rural	OKLAHOMA ALLTEL, INC.	1	9	0	0	1	0	0	0	0	0	N/A
CANADIAN	918	Rural	CANADIAN VALLEY TELEPHO	0	0	0	0	0	0	0	0	0	0	N/A
CANTON	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	1
CANUTE	580	Rural	ALLTEL OKLAHOMA, INC.	1	2	0	0	1	0	0	0	0	0	N/A
CAPRON	580	Rural	KANOKLA TELEPHONE ASSO	0	0	0	0	0	0	0	0	0	0	1
CARMEN	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
CARNEGIE	580	Rural	CARNEGIE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
CARNEY	405	Rural	SOUTHWESTERN BELL	5	32	6	1	2	38	4	1	1	0	N/A
CARRIER	918	Suburban	SOUTHWESTERN BELL	4	10	4	0	1	5	4	0	0	0	N/A
CARTER	580	Rural	PIONEER TELEPHONE COOP	1	0	0	0	0	1	0	0	1	0	N/A
CARTWRIGHT	580	Rural	CHEROKEE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
CASHION	405	Urban	SOUTHWESTERN BELL	7	43	7	0	3	15	6	0	1	0	N/A
CASTLE	918	Rural	CENTRAL OKLAHOMA TELEP	1	0	0	0	0	1	0	0	1	0	N/A
CATOOSA	918	Urban	SOUTHWESTERN BELL	16	564	20	1	5	359	13	1	4	1	N/A
CEDAR CREST	918	Rural	CHOUTEAU TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
CEDAR LAKE	405	Rural	HINTON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
CEMENT	405	Rural	SOUTHWESTERN BELL	4	24	6	0	2	11	4	0	0	0	1
CHANDLER	405	Rural	SOUTHWESTERN BELL	10	68	10	0	66	42	7	0	2	1	3

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Exchange/Rate Center	NPA	Exchange Classification (Rural, Suburban, or Urban)	ILEC	Number of Reported CLECs Operating in Exchange[1]	Wholesale Access Lines Sold to All CLECs in Exchange[2]	Number of CLECs Provisioning via UNE-P[2]	Number of CLECs Provisioning via UNE-L[2]	Number of CLECs Provisioning via Resale[2]	Retail Voice Lines Provisioned via UNE-P, UNE-L & Resale by All CLECs in Exchange[3]	Number of CLECs Provisioning via UNE-P[3]	Number of CLECs Provisioning via UNE-L[3]	Number of CLECs Provisioning via Resale[3]	Number of CLECs Provisioning via Company-Owned Facilities[3]	Number of Wireless Providers with Numbers Assigned in Exchange[4]
CHATTANOGA	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
CHECOTAH	918	Rural	VALOR TELECOMMUNICATIO	3	46	0	0	2	0	0	0	0	1	2
CHELSEA	918	Urban	SOUTHWESTERN BELL	15	200	14	0	3	127	13	0	3	0	N/A
CHEROKEE	580	Rural	SOUTHWESTERN BELL	3	30	5	0	2	7	2	0	0	1	1
CHESTER	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
CHEYENNE	580	Rural	DOBSON TELEPHONE CO.	1	0	0	0	0	1	1	0	0	0	1
CHICKASHA	405	Urban	SOUTHWESTERN BELL	22	1,091	19	1	14	533	15	0	8	1	3
CHOCTAW	405	Rural	OKLAHOMA COMMUNICATIO	2	0	0	0	0	0	1	0	1	0	N/A
CHOUTEAU	918	Rural	CHOUTEAU TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
CLAREMORE	918	Urban	SOUTHWESTERN BELL	19	1,765	20	2	13	898	14	0	7	0	N/A
CLARITA	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
CLAYTON	918	Rural	OKLAHOMA WESTERN TELE	0	0	0	0	0	0	0	0	0	0	N/A
CLEO SPRINGS	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
CLEVELAND	918	Urban	SOUTHWESTERN BELL	9	202	11	1	4	85	8	0	1	0	N/A
CLINTON	580	Rural	SOUTHWESTERN BELL	12	267	14	0	7	118	10	0	4	0	3
COALGATE	580	Rural	SOUTHWESTERN BELL	4	87	5	0	5	14	2	0	1	0	2
COLBERT	580	Rural	CHEROKEE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
COLCORD	918	Rural	CENTURYTEL OF NORTHWE	0	0	0	0	0	0	0	0	0	0	N/A
COLGATE	580	Rural	SOUTHWESTERN BELL	4	0	0	0	0	64	3	0	1	0	N/A
COLLINSVILLE	918	Urban	SOUTHWESTERN BELL	15	695	18	1	7	364	12	0	3	1	N/A
COLONY	405	Rural	HINTON TELEPHONE CO.	1	0	0	0	0	2	1	0	0	0	1
COMANCHE	580	Rural	PIONEER TELEPHONE COOP	1	0	0	0	0	10	1	0	0	0	1
COMMERCE	918	Rural	SOUTHWESTERN BELL	3	106	4	0	2	8	3	0	0	0	N/A
CONNERVILLE	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
COPAN	918	Suburban	SOUTHWESTERN BELL	8	68	10	0	1	34	8	0	0	0	N/A
CORDELL	580	Rural	SOUTHWESTERN BELL	5	35	7	0	2	18	4	0	1	0	1
CORN	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
COUNCIL HILL	918	Rural	OKLAHOMA TELEPHONE & T	0	0	0	0	0	0	0	0	0	0	N/A
COVINGTON	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
COWETA	918	Rural	VALOR TELECOMMUNICATIO	5	21	0	0	4	8	0	0	1	1	N/A
COYLE	405	Urban	SOUTHWESTERN BELL	0	0	0	0	0	0	0	0	0	0	N/A
CRESCENT	405	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
CROMWELL	405	Rural	PIONEER TELEPHONE COOP	6	0	0	0	0	7	3	0	3	0	N/A
CROMWELL	405	Rural	SOUTHWESTERN BELL	11	21	7	0	4	0	0	0	0	0	N/A
CROWDER	918	Rural	CANADIAN VALLEY TELEPHO	0	0	0	0	0	0	0	0	0	0	N/A
CUSHING	918	Rural	SOUTHWESTERN BELL	10	290	13	0	8	127	9	0	1	0	3
CUSTER CITY	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
CYRIL	580	Rural	OKLAHOMA COMMUNICATIO	0	0	0	0	0	0	0	0	0	0	N/A
DACOMA	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
DAVENPORT	918	Rural	CENTRAL OKLAHOMA TELEP	0	0	0	0	0	0	0	0	0	0	N/A
DAVIDSON	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
DAVIS	580	Rural	SOUTHWESTERN BELL	8	112	9	0	5	85	6	0	3	0	2
DEER CREEK	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
DEL CITY	405	Rural	SOUTHWESTERN BELL	1	0	0	0	0	2	0	0	1	0	N/A
DELAWARE	918	Rural	SOUTHWESTERN BELL	4	27	4	0	2	16	3	0	1	0	2
DEPEW	918	Urban	SOUTHWESTERN BELL	8	62	8	0	3	39	7	0	1	1	N/A
DEVOL	580	Rural	SANTA ROSA TELEPHONE C	0	0	0	0	0	0	0	0	0	0	N/A
DEWEY	918	Suburban	SOUTHWESTERN BELL	10	193	15	0	5	102	10	0	1	0	2

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DIBBLE	405	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
DILL CITY	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
DISNEY	918	Rural	GRAND TELEPHONE CO., IN	0	0	0	0	0	0	0	0	0	0	N/A
DOUGHERTY	580	Rural	CHICKASAW TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	1
DOUGLAS	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
DOVER	405	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
DRUMMOND	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
DRUMRIGHT	918	Urban	SOUTHWESTERN BELL	12	233	9	0	7	86	9	0	3	1	1
DUKE	580	Rural	SOUTHWEST OKLAHOMA TE	0	0	0	0	0	0	0	0	0	0	1
DUNCAN	580	Rural	SOUTHWESTERN BELL	17	612	17	1	13	314	11	1	5	1	4
DURANT	580	Rural	SOUTHWESTERN BELL	15	545	15	0	13	328	11	0	5	0	5
DUSTIN	918	Rural	OKLAHOMA TELEPHONE & T	0	0	0	0	0	0	0	0	0	0	N/A
EAGLETOWN	580	Rural	PINE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
EAKLY	405	Rural	HINTON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
EARLSBORO	405	Rural	POTTAWATOMIE TELEPHON	0	0	0	0	0	0	0	0	0	0	1
EDMOND	405	Urban	SOUTHWESTERN BELL	22	2,736	24	4	12	1,693	17	1	8	2	1
EL RENO	405	Urban	SOUTHWESTERN BELL	18	609	17	2	11	425	13	1	4	2	N/A
ELDORADO	580	Rural	SOUTHWESTERN BELL	4	11	4	0	2	6	4	0	0	0	N/A
ELGIN	580	Rural	OKLAHOMA COMMUNICATIO	0	0	0	0	0	0	0	0	0	0	N/A
ELK CITY	580	Rural	SOUTHWESTERN BELL	12	228	13	0	9	175	10	1	4	0	3
ELMER	580	Rural	SANTA ROSA TELEPHONE C	0	0	0	0	0	0	0	0	0	0	1
ELMORE CITY	580	Rural	ALLTEL OKLAHOMA, INC.	2	1	0	0	1	0	0	0	0	1	N/A
ELMORE WEST	580	Rural	ALLTEL OKLAHOMA, INC.	1	1	0	0	1	0	0	0	0	0	N/A
ENID	580	Suburban	SOUTHWESTERN BELL	20	2,315	20	0	12	980	15	0	7	1	8
ENTERPRISE	918	Rural	CROSS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
ERICK	580	Rural	DOBSON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
EUFAULA	918	Rural	SOUTHWESTERN BELL	8	167	12	0	5	62	7	0	2	0	4
EVA	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	1
FAIRFAX	918	Rural	VALOR TELECOMMUNICATIO	3	7	0	0	3	0	0	0	0	0	N/A
FAIRLAND	918	Rural	SOUTHWESTERN BELL	3	55	5	0	2	27	3	0	0	0	1
FAIRMONT	580	Suburban	SOUTHWESTERN BELL	3	4	3	0	0	3	3	0	0	0	N/A
FAIRVIEW	580	Rural	SOUTHWESTERN BELL	10	58	9	0	3	25	7	0	3	0	3
FANSHAWE	918	Rural	OKLAHOMA WESTERN TELE	0	0	0	0	0	0	0	0	0	0	N/A
FARGO	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
FAY	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
FELT WHEELESS	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	1
FITTSTOWN	580	Rural	MID-AMERICA TELEPHONE, I	0	0	0	0	0	0	0	0	0	0	N/A
FLETCHER	580	Rural	OKLAHOMA COMMUNICATIO	0	0	0	0	0	0	0	0	0	0	N/A
FLINT	918	Rural	SALINA - SPAVINAW TELEPH	0	0	0	0	0	0	0	0	0	0	N/A
FLORIS	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	1
FORAKER	918	Rural	SHIDLER TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
FORGAN	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
FORT COBB	405	Rural	SOUTHWESTERN BELL	9	25	7	0	3	16	6	0	3	0	1
FORT GIBSON	918	Suburban	SOUTHWESTERN BELL	12	241	13	0	7	106	12	0	0	0	N/A
FORT SILL	580	Rural	SOUTHWESTERN BELL	1	0	0	0	0	2	0	0	1	0	N/A
FORT SUPPLY	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
FORT TOWSON	580	Rural	SOUTHWESTERN BELL	3	32	3	0	1	4	3	0	0	0	N/A
FOSS	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A

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Exchange/Rate Center	NPA	Exchange Classification (Rural, Suburban, or Urban)	ILEC	Number of Reported CLECs Operating in Exchange[1]	Wholesale Access Lines Sold to All CLECs in Exchange[2]	Number of CLECs Provisioning via UNE-P[2]	Number of CLECs Provisioning via UNE-L[2]	Number of CLECs Provisioning via Resale[2]	Retail Voice Lines Provisioned via UNE-P, UNE-L & Resale by All CLECs in Exchange[3]	Number of CLECs Provisioning via UNE-P[3]	Number of CLECs Provisioning via UNE-L[3]	Number of CLECs Provisioning via Resale[3]	Number of CLECs Provisioning via Company-Owned Facilities[3]	Number of Wireless Providers with Numbers Assigned in Exchange[4]
FREDERICK	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	2
FREEDOM	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
GAGE	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
GARBER	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
GATE	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	1
GEARY	405	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
GENE AUTRY	580	Rural	CHICKASAW TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
GERTY	580	Rural	ALLTEL OKLAHOMA, INC.	1	1	0	0	1	0	0	0	0	0	N/A
GLENCOE	580	Rural	SOUTHWESTERN BELL	5	90	2	0	5	84	3	0	2	0	N/A
GLENPOOL	580	Rural	SOUTHWESTERN BELL	1	0	0	0	0	4	0	0	1	0	N/A
GOLTRY	580	Rural	KANOKLA TELEPHONE ASSO	0	0	0	0	0	0	0	0	0	0	N/A
GOODWELL	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
GORE	918	Rural	CROSS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
GOTEBO	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
GOULD	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
GRACEMONT	405	Rural	OKLAHOMA COMMUNICATIO	0	0	0	0	0	0	0	0	0	0	N/A
GRAINOLA	918	Rural	SHIDLER TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
GRANDFIELD	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
GRANITE	580	Rural	SOUTHWESTERN BELL	2	38	3	0	1	26	2	0	0	0	N/A
GRIGGS	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	1
GROVE	918	Rural	SOUTHWESTERN BELL	13	235	16	0	10	67	10	0	4	0	4
GUTHRIE	405	Urban	SOUTHWESTERN BELL	19	742	18	2	8	582	13	0	6	1	N/A
GUYMON	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	1
HALLETT	918	Rural	CIMARRON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
HAMMON	580	Rural	ALLTEL OKLAHOMA, INC.	1	1	0	0	1	0	0	0	0	0	N/A
HANNA	918	Rural	OKLAHOMA TELEPHONE & T	0	0	0	0	0	0	0	0	0	0	N/A
HARDESTY	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	1
HARMON	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
HARRAH	405	Urban	SOUTHWESTERN BELL	13	261	13	0	5	188	10	0	4	0	N/A
HARTSHORNE	918	Rural	SOUTHWESTERN BELL	8	68	12	0	3	17	6	0	1	0	2
HASKELL	918	Rural	VALOR TELECOMMUNICATIO	3	27	0	0	3	27	0	0	1	0	N/A
HASTINGS	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
HAWORTH	580	Rural	SOUTHWESTERN BELL	1	0	0	0	0	1	0	0	1	0	N/A
HEADRICK	580	Rural	SOUTHWESTERN BELL	1	6	1	0	2	2	1	0	0	0	N/A
HEALDTON	580	Rural	SOUTHWESTERN BELL	8	81	5	0	5	58	5	0	2	0	2
HEAVENER	918	Rural	OKLAHOMA ALLTEL, INC.	1	16	0	0	1	0	0	0	0	0	N/A
HELENA	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
HENNEPIN	580	Rural	MID-AMERICA TELEPHONE, I	0	0	0	0	0	0	0	0	0	0	N/A
HENNESSEY	405	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	1
HENRYETTA	918	Urban	SOUTHWESTERN BELL	14	537	17	0	6	187	11	0	5	0	2
HILLSDALE	580	Suburban	SOUTHWESTERN BELL	4	6	4	0	0	0	0	0	0	0	N/A
HINTON	405	Rural	HINTON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	1
HITCHCOCK	580	Rural	SOUTHWESTERN BELL	1	23	0	0	1	0	0	0	0	0	N/A
HITCHITA	918	Rural	OKLAHOMA TELEPHONE & T	0	0	0	0	0	0	0	0	0	0	N/A
HOBART	580	Rural	SOUTHWESTERN BELL	11	51	9	0	5	28	6	0	4	1	2
HOCHATOWN	580	Rural	PINE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
HOLDENVILLE	405	Suburban	SOUTHWESTERN BELL	10	174	9	0	7	61	6	0	2	1	2
HOLLIS	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	1

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[2]Based on ILEC responses.

[3]Based on CLEC responses.

[4]Based on February 2005 NRUF data.

Analysis of Carriers Operating Within Exchanges

					== Responses From All Reporting ILECs ==				== Responses From All Reporting CLECs ==					
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
Exchange/Rate Center	NPA	Exchange Classification (Rural, Suburban, or Urban)	ILEC	Number of Reported CLECs Operating in Exchange[1]	Wholesale Access Lines Sold to All CLECs in Exchange[2]	Number of CLECs Provisioning via UNE-P[2]	Number of CLECs Provisioning via UNE-L[2]	Number of CLECs Provisioning via Resale[2]	Retail Voice Lines Provisioned via UNE-P, UNE-L & Resale by All CLECs in Exchange[3]	Number of CLECs Provisioning via UNE-P[3]	Number of CLECs Provisioning via UNE-L[3]	Number of CLECs Provisioning via Resale[3]	Number of CLECs Provisioning via Company-Owned Facilities[3]	Number of Wireless Providers with Numbers Assigned in Exchange[4]
HOMINY	918	Rural	VALOR TELECOMMUNICATIO	3	25	0	0	3	1	0	0	1	0	N/A
HOOKER	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	1
HOPETON	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
HUGO	580	Rural	SOUTHWESTERN BELL	12	293	11	0	8	65	9	0	3	0	2
HUNTER	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
HYDRO	405	Rural	HINTON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
IDABEL	580	Rural	SOUTHWESTERN BELL	11	402	13	0	8	116	10	0	2	0	1
INDIAHOMA	580	Suburban	SOUTHWESTERN BELL	5	37	5	0	2	23	5	0	0	0	N/A
INDIANOLA	918	Rural	OKLAHOMA TELEPHONE & T	0	0	0	0	0	0	0	0	0	0	N/A
INOLA	918	Rural	OKLAHOMA COMMUNICATIO	0	0	0	0	0	0	0	0	0	0	N/A
JAY	918	Rural	GRAND TELEPHONE CO., INC	0	0	0	0	0	0	0	0	0	0	2
JENKS	918	Urban	SOUTHWESTERN BELL	18	1,208	19	1	7	726	12	0	6	1	N/A
JENNINGS	918	Rural	CIMARRON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
JET	580	Rural	KANOKLA TELEPHONE ASSO	0	0	0	0	0	0	0	0	0	0	N/A
JONES	405	Rural	OKLAHOMA COMMUNICATIO	0	0	0	0	0	0	0	0	0	0	N/A
KANSAS	918	Rural	SALINA - SPAVINAW TELEPH	0	0	0	0	0	0	0	0	0	0	1
KAW CITY	580	Rural	VALOR TELECOMMUNICATIO	1	0	0	0	0	0	0	0	0	1	N/A
KEEFETON	918	Rural	CROSS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
KELLYVILLE	918	Rural	OKLAHOMA COMMUNICATIO	0	0	0	0	0	0	0	0	0	0	N/A
KEMP	580	Rural	CHEROKEE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
KENDRICK	918	Rural	CENTRAL OKLAHOMA TELEP	0	0	0	0	0	0	0	0	0	0	N/A
KENTON	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
KEOTA	918	Rural	CROSS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
KETCHUM	918	Rural	SOUTHWESTERN BELL	9	100	10	2	4	61	8	0	1	0	2
KEYES	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	1
KIEFER	918	Urban	SOUTHWESTERN BELL	14	346	12	1	9	152	10	0	4	0	N/A
KINGFISHER	405	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	2
KINGSTON	580	Rural	SOUTHWESTERN BELL	7	88	6	1	6	82	5	0	3	0	2
KINTA	918	Rural	CROSS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
KIOWA	918	Rural	ALLTEL OKLAHOMA, INC.	2	1	0	0	1	0	0	0	1	0	N/A
KONAWA	580	Rural	SOUTHWESTERN BELL	7	43	7	0	7	18	6	0	1	1	N/A
KREMLIN	580	Suburban	SOUTHWESTERN BELL	4	11	4	0	0	10	4	0	0	0	N/A
LAHOMA	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
LAMONT	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
LAVERNE	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
LAWTON	580	Suburban	SOUTHWESTERN BELL	23	4,543	23	1	19	2,716	15	0	10	1	7
LEEDEY	580	Rural	DOBSON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	1
LEFLORE	918	Rural	OKLAHOMA WESTERN TELEP	0	0	0	0	0	0	0	0	0	0	N/A
LENAPAH	918	Rural	TOTAH TELEPHONE CO., INC	0	0	0	0	0	0	0	0	0	0	N/A
LEON		Rural	SOUTHWESTERN BELL	1	0	0	0	0	2	0	0	1	0	N/A
LINDSAY	405	Urban	VALOR TELECOMMUNICATIO	5	6	0	0	3	1	1	0	0	1	1
LOCO	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
LOCUST GROVE	918	Rural	SALINA - SPAVINAW TELEPH	0	0	0	0	0	0	0	0	0	0	N/A
LOGAN	580	Rural	PANHANDLE TELEPHONE CO	1	0	0	0	0	1	0	0	1	0	1
LONE GROVE	580	Rural	CHICKASAW TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
LONE WOLF	580	Rural	SOUTHWESTERN BELL	5	13	4	0	2	9	4	0	1	0	N/A
LONGDALE	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
LONGTOWN	918	Rural	CROSS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A

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[2]Based on ILEC responses.
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					== Responses From All Reporting ILECs ==				== Responses From All Reporting CLECs ==					
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
Exchange/Rate Center	NPA	Exchange Classification (Rural, Suburban, or Urban)	ILEC	Number of Reported CLECs Operating in Exchange[1]	Wholesale Access Lines Sold to All CLECs in Exchange[2]	Number of CLECs Provisioning via UNE-P[2]	Number of CLECs Provisioning via UNE-L[2]	Number of CLECs Provisioning via Resale[2]	Retail Voice Lines Provisioned via UNE-P, UNE-L & Resale by All CLECs in Exchange[3]	Number of CLECs Provisioning via UNE-P[3]	Number of CLECs Provisioning via UNE-L[3]	Number of CLECs Provisioning via Resale[3]	Number of CLECs Provisioning via Company-Owned Facilities[3]	Number of Wireless Providers with Numbers Assigned in Exchange[4]
LOOKEBA	405	Rural	HINTON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
LOYAL	405	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
LUTHER	405	Urban	SOUTHWESTERN BELL	11	131	11	1	7	58	9	0	4	0	N/A
MADILL	580	Rural	SOUTHWESTERN BELL	12	103	8	0	8	83	7	0	4	1	2
MANCHESTER	580	Rural	KANOKLA TELEPHONE ASSO	0	0	0	0	0	0	0	0	0	0	N/A
MANGUM	580	Rural	SOUTHWESTERN BELL	6	138	7	0	2	43	6	0	0	0	1
MANITOU	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
MANNFORD	918	Rural	CIMARRON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
MANNFORD EAST	918	Rural	CIMARRON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
MARAMEC	918	Rural	CIMARRON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
MARIETTA	580	Rural	SOUTHWESTERN BELL	12	133	11	0	7	81	8	0	4	0	3
MARLAND	580	Rural	SOUTHWESTERN BELL	2	9	1	0	2	1	2	0	0	0	N/A
MARLOW	580	Rural	SOUTHWESTERN BELL	7	47	0	0	6	78	5	0	2	0	3
MARSHALL	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
MARTHA	580	Rural	SOUTHWEST OKLAHOMA TE	0	0	0	0	0	0	0	0	0	0	1
MAUD	405	Rural	SOUTHWESTERN BELL	8	39	5	0	4	29	5	0	3	0	N/A
MAY	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
MAYSVILLE	405	Urban	VALOR TELECOMMUNICATIO	2	8	0	0	2	0	0	0	0	0	N/A
MCALESTER	918	Rural	SOUTHWESTERN BELL	15	637	17	0	15	214	9	0	6	0	6
MCCURTAIN	918	Rural	CROSS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
MCLOUD	405	Rural	MCLOUD TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
MEAD		Rural	SOUTHWESTERN BELL	1	0	0	0	0	5	0	0	1	0	N/A
MEDFORD	580	Rural	SOUTHWESTERN BELL	3	21	4	0	1	7	3	0	0	0	2
MEDICINE PARK	580	Rural	MEDICINE PARK TELEPHONE	0	0	0	0	0	0	0	0	0	0	N/A
MEEKER	405	Urban	VALOR TELECOMMUNICATIO	2	7	0	0	2	0	0	0	0	0	N/A
MENO	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
MERIDIAN	405	Urban	SOUTHWESTERN BELL	5	18	5	0	2	11	5	0	0	0	N/A
MIAMI	918	Rural	SOUTHWESTERN BELL	12	445	10	0	10	61	8	0	5	1	5
MIDWEST CITY	405	Urban	SOUTHWESTERN BELL	20	1,620	23	2	17	844	11	0	11	2	N/A
MILBURN	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
MILL CREEK	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
MILLERTON	580	Rural	VALLIANT TELEPHONE CO,	0	0	0	0	0	0	0	0	0	0	N/A
MINCO	405	Urban	SOUTHWESTERN BELL	7	69	7	0	3	29	7	0	0	0	N/A
MOFFETT	918	Rural	SOUTHWESTERN BELL	1	0	0	0	0	2	0	0	1	0	N/A
MONROE-HOWE	918	Rural	OKLAHOMA ALLTEL, INC.	1	5	0	0	1	0	0	0	0	0	1
MOORE	405	Urban	SOUTHWESTERN BELL	20	2,228	23	2	16	1,510	13	0	6	2	N/A
MOORELAND	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
MORRIS	918	Rural	VALOR TELECOMMUNICATIO	1	1	0	0	1	0	0	0	0	0	N/A
MORRISON	580	Rural	SOUTHWESTERN BELL	7	90	4	1	4	84	5	1	2	0	N/A
MOUNDS	918	Rural	OKLAHOMA COMMUNICATIO	0	0	0	0	0	0	0	0	0	0	N/A
MOUNTAIN VIEW	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
MULDROW	918	Suburban	SOUTHWESTERN BELL	13	537	15	0	7	206	11	0	4	0	N/A
MULHALL	405	Rural	SOUTHWESTERN BELL	3	19	4	0	1	15	2	0	1	0	N/A
MUSE	918	Rural	OKLAHOMA WESTERN TELEI	0	0	0	0	0	0	0	0	0	0	N/A
MUSKOGEE	918	Suburban	SOUTHWESTERN BELL	20	2,643	22	1	17	1,278	14	0	9	1	6
MUSTANG	405	Urban	SOUTHWESTERN BELL	16	358	13	1	7	167	12	0	6	1	N/A
MUTUAL	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
NASH	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A

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Oklahoma Corporation Commission
Cause No. PUD 2004-605
Analysis of Carriers Operating Within Exchanges

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(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
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NASHOBA	918	Rural	OKLAHOMA WESTERN TELE	0	0	0	0	0	0	0	0	0	0	N/A
NEW HOME	918	Rural	SOUTHWESTERN BELL	1	0	0	0	0	0	0	0	0	1	N/A
NEWALLA	405	Rural	MCLOUD TELEPHONE CO.	1	0	0	0	0	0	1	0	0	0	N/A
NEWCASTLE	405	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
NEWKIRK	580	Rural	SOUTHWESTERN BELL	7	59	6	1	6	16	3	0	5	0	1
NICOMA PARK	405	Urban	SOUTHWESTERN BELL	17	484	18	2	7	244	12	0	4	2	N/A
NOBLE	405	Urban	SOUTHWESTERN BELL	16	352	13	0	7	200	11	1	3	2	N/A
NORMAN	405	Urban	SOUTHWESTERN BELL	25	2,945	23	4	15	1,852	16	1	10	2	N/A
NOWATA	918	Rural	SOUTHWESTERN BELL	8	149	10	0	4	38	6	0	1	0	1
OAK HILL	580	Rural	PINE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
OAKWOOD	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
OCHELATA	918	Rural	TOTAH TELEPHONE CO., INC	0	0	0	0	0	0	0	0	0	0	N/A
OGLESBY	918	Rural	TOTAH TELEPHONE CO., INC	0	0	0	0	0	0	0	0	0	0	N/A
OILTON	918	Urban	SOUTHWESTERN BELL	8	75	10	0	1	39	8	0	0	0	N/A
OKARCHE	405	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
OKEENE	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	1
OKEMAH	918	Rural	SOUTHWESTERN BELL	12	77	11	0	8	45	9	0	5	0	1
OKLAHOMA CITY	405	Urban	SOUTHWESTERN BELL	28	17,277	31	7	28	12,495	16	2	14	5	7
OKMULGEE	918	Urban	SOUTHWESTERN BELL	18	926	18	1	11	394	14	0	8	0	3
OLUSTEE	580	Rural	SOUTHWESTERN BELL	2	17	1	0	3	2	2	0	0	0	N/A
OOLOGAH		Urban	SOUTHWESTERN BELL	1	78	12	1	4	0	1	0	0	0	N/A
ORLANDO	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
OSAGE	918	Rural	CIMARRON TELEPHONE CO.	1	0	0	0	0	2	0	0	1	0	N/A
OWASSO	918	Urban	SOUTHWESTERN BELL	17	1,487	17	3	10	900	12	1	5	1	N/A
PADEN	405	Urban	VALOR TELECOMMUNICATIO	2	2	0	0	2	0	0	0	0	0	N/A
PANAMA	918	Rural	LAVACA TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
PAOLI	405	Rural	CHICKASAW TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
PAULS VALLEY	405	Urban	SOUTHWESTERN BELL	12	151	0	0	9	241	10	0	3	0	4
PAWHUSKA	918	Rural	SOUTHWESTERN BELL	5	134	3	0	7	10	4	0	1	0	1
PAWNEE	918	Rural	SOUTHWESTERN BELL	6	97	5	0	3	33	4	0	2	0	N/A
PEARSON	405	Rural	POTTAWATOMIE TELEPHON	0	0	0	0	0	0	0	0	0	0	N/A
PEGGS	918	Rural	CHOUTEAU TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
PERKINS	405	Suburban	SOUTHWESTERN BELL	13	292	8	0	7	270	9	1	4	0	N/A
PERRY	580	Rural	SOUTHWESTERN BELL	12	126	10	0	7	73	8	0	4	0	4
PICHER	918	Rural	SOUTHWESTERN BELL	0	0	0	0	0	0	0	0	0	0	N/A
PIEDMONT	405	Urban	SOUTHWESTERN BELL	13	251	12	1	3	116	9	0	2	2	N/A
PIKE CITY	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
PITCHER		Rural	ALLTEL OKLAHOMA, INC.	2	0	0	0	0	3	2	0	0	0	N/A
POCASSET	405	Urban	SOUTHWESTERN BELL	6	23	6	0	2	15	6	0	0	0	N/A
POCOLA	918	Suburban	SOUTHWESTERN BELL	8	194	10	0	3	67	7	0	2	0	N/A
PONCA CITY	580	Suburban	SOUTHWESTERN BELL	20	909	16	0	17	173	13	0	8	1	5
POND CREEK	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	2
PORTER	918	Rural	VALOR TELECOMMUNICATIO	3	11	0	0	3	0	0	0	0	0	N/A
PORUM	918	Rural	CROSS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
POTEAU	918	Rural	OKLAHOMA ALLTEL, INC.	1	52	0	0	1	0	0	0	0	0	4
PRAGUE	405	Rural	VALOR TELECOMMUNICATIO	2	8	0	0	2	0	0	0	0	0	1
PRUE	918	Rural	CIMARRON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
PRYOR	918	Rural	SOUTHWESTERN BELL	14	360	16	0	6	131	10	0	3	1	5

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Oklahoma Corporation Commission
Cause No. PUD 2004-605
Analysis of Carriers Operating Within Exchanges

					== Responses From All Reporting ILECs ==				== Responses From All Reporting CLECs ==					
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
Exchange/Rate Center	NPA	Exchange Classification (Rural, Suburban, or Urban)	ILEC	Number of Reported CLECs Operating in Exchange[1]	Wholesale Access Lines Sold to All CLECs in Exchange[2]	Number of CLECs Provisioning via UNE-P[2]	Number of CLECs Provisioning via UNE-L[2]	Number of CLECs Provisioning via Resale[2]	Retail Voice Lines Provisioned via UNE-P, UNE-L & Resale by All CLECs in Exchange[3]	Number of CLECs Provisioning via UNE-P[3]	Number of CLECs Provisioning via UNE-L[3]	Number of CLECs Provisioning via Resale[3]	Number of CLECs Provisioning via Company-Owned Facilities[3]	Number of Wireless Providers with Numbers Assigned in Exchange[4]
PURCELL	405	Urban	VALOR TELECOMMUNICATIO	3	30	0	0	3	1	0	0	1	0	N/A
PUTNAM	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
QUAPAW	918	Rural	SOUTHWESTERN BELL	3	21	4	0	1	4	3	0	0	0	N/A
QUINLAN	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
QUINTON	918	Rural	CROSS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
RALSTON	918	Rural	SOUTHWESTERN BELL	3	8	1	0	2	0	0	0	0	0	N/A
RAMONA	918	Rural	VALOR TELECOMMUNICATIO	1	1	0	0	1	0	0	0	0	0	N/A
RANDLETT	580	Rural	SANTA ROSA TELEPHONE C	0	0	0	0	0	0	0	0	0	0	1
RATLIFF CITY	580	Rural	ALLTEL OKLAHOMA, INC.	1	1	0	0	1	0	0	0	0	0	N/A
RATTAN	580	Rural	SOUTHWESTERN BELL	5	18	4	0	2	15	4	0	1	0	N/A
RED OAK	918	Rural	OKLAHOMA WESTERN TELEI	0	0	0	0	0	0	0	0	0	0	N/A
RED ROCK	580	Rural	SOUTHWESTERN BELL	3	8	2	0	3	5	2	0	1	0	N/A
REED	580	Rural	SOUTHWEST OKLAHOMA TE	0	0	0	0	0	0	0	0	0	0	N/A
REYDON	580	Rural	DOBSON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
RINGLING	580	Rural	SOUTHWESTERN BELL	8	51	5	0	5	37	5	0	3	0	N/A
RINGWOOD	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
RIPLEY	918	Rural	SOUTHWESTERN BELL	5	26	4	0	3	22	4	0	1	0	N/A
ROCKY	580	Rural	SOUTHWESTERN BELL	2	3	1	1	0	3	1	0	1	0	1
ROFF	580	Rural	SOUTHWESTERN BELL	5	39	6	0	3	10	4	0	1	0	N/A
ROGER MILLS	580	Rural	DOBSON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
ROOSEVELT	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
ROSEDALE	405	Rural	CHICKASAW TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
RUFE	580	Rural	VALLIANT TELEPHONE CO,	0	0	0	0	0	0	0	0	0	0	N/A
RUSH SPRINGS	580	Rural	SOUTHWESTERN BELL	7	45	8	0	3	27	4	0	3	0	1
RYAN	580	Rural	SOUTHWESTERN BELL	6	3	0	0	3	38	4	0	2	0	N/A
SALINA	918	Rural	SALINA - SPAVINAW TELEPH	0	0	0	0	0	0	0	0	0	0	N/A
SALLISAW	918	Rural	SOUTHWESTERN BELL	11	570	10	1	4	94	8	0	4	0	5
SAND SPRINGS	918	Urban	SOUTHWESTERN BELL	17	1,199	19	3	10	652	12	0	6	0	N/A
SAPULPA	918	Urban	SOUTHWESTERN BELL	21	1,291	19	4	14	687	14	0	6	3	N/A
SARKNSASCY	580	Rural	SOUTHWESTERN BELL	1	0	0	0	0	0	0	0	0	1	N/A
SASAKWA	405	Rural	POTTAWATOMIE TELEPHONI	0	0	0	0	0	0	0	0	0	0	N/A
SAVANNA	918	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
SAYRE	580	Rural	SOUTHWESTERN BELL	9	30	0	0	5	28	5	0	4	0	1
SCIPIO	918	Rural	OKLAHOMA TELEPHONE & T	0	0	0	0	0	0	0	0	0	0	N/A
SEILING	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	1
SELMAN	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	1
SEMINOLE	405	Rural	SOUTHWESTERN BELL	13	394	14	0	8	136	8	0	5	1	1
SENTINEL	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
SHARON	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
SHATTUCK	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	1
SHAWNEE	405	Urban	SOUTHWESTERN BELL	21	1,793	22	1	13	933	16	0	6	1	2
SHIDLER	918	Rural	SHIDLER TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
SKEDEE	918	Rural	CIMARRON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
SKIATOOK	918	Urban	SOUTHWESTERN BELL	15	433	13	1	5	264	11	1	3	1	N/A
SMITHVILLE	580	Rural	ALLTEL OKLAHOMA, INC.	1	1	0	0	1	0	0	0	0	0	N/A
SNUG HARBOR	918	Rural	VALOR TELECOMMUNICATIO	1	3	0	0	1	0	0	0	0	0	N/A
SNYDER	580	Rural	ALLTEL OKLAHOMA, INC.	1	1	0	0	1	0	0	0	0	0	N/A
SOBLF CITY	580	Rural	KANOKLA TELEPHONE ASSO	0	0	0	0	0	0	0	0	0	0	N/A

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Analysis of Carriers Operating Within Exchanges

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SOPER	580	Rural	SOUTHWESTERN BELL	4	12	3	0	3	4	3	0	1	0	N/A
SOUTH ARKANSAS CITY		Rural	SOUTHWESTERN BELL	1	0	0	0	0	1	1	0	0	0	N/A
SOUTH BARTLETT	918	Rural	CRAW - KAN TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
SOUTH CALDWELL	580	Rural	KANOKLA TELEPHONE ASSO	0	0	0	0	0	0	0	0	0	0	1
SOUTH COFFEYVILL	918	Rural	SOUTHWESTERN BELL	2	0	0	0	0	4	1	0	1	0	1
SOUTH EDNA	918	Rural	CRAW - KAN TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
SOUTH ELGIN	918	Rural	TOTAH TELEPHONE CO., INC	0	0	0	0	0	0	0	0	0	0	N/A
SOUTH ELKHART	580	Rural	ELKHART TELEPHONE CO., I	0	0	0	0	0	0	0	0	0	0	N/A
SOUTH ENGLEWOOD	580	Rural	UNITED TELEPHONE ASSOC	0	0	0	0	0	0	0	0	0	0	N/A
SOUTH HARDTNER	580	Rural	KANOKLA TELEPHONE ASSO	0	0	0	0	0	0	0	0	0	0	N/A
SOUTH HEWINS	918	Rural	TOTAH TELEPHONE CO., INC	0	0	0	0	0	0	0	0	0	0	N/A
SOUTH WALDRON	580	Rural	KANOKLA TELEPHONE ASSO	0	0	0	0	0	0	0	0	0	0	N/A
SOUTHHAVEN	580	Rural	KANOKLA TELEPHONE ASSO	0	0	0	0	0	0	0	0	0	0	N/A
SOUTHWEST CITY	918	Rural	OZARK TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
SPARKS	918	Rural	CENTRAL OKLAHOMA TELEP	0	0	0	0	0	0	0	0	0	0	N/A
SPAVINAW	918	Rural	SALINA - SPAVINAW TELEPH	0	0	0	0	0	0	0	0	0	0	N/A
SPENCER	405	Urban	SOUTHWESTERN BELL	15	188	12	1	3	81	9	0	2	2	N/A
SPERRY	918	Urban	SOUTHWESTERN BELL	11	151	11	1	6	78	8	0	3	0	N/A
SPIRO	918	Rural	SOUTHWESTERN BELL	6	102	7	0	6	25	3	0	2	1	N/A
SPRINGER	580	Rural	CHICKASAW TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
ST LOUIS	405	Urban	VALOR TELECOMMUNICATIO	0	0	0	0	0	0	0	0	0	0	N/A
STELLA	405	Rural	MCLOUD TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
STERLING	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
STIGLER	918	Rural	SOUTHWESTERN BELL	8	95	8	0	3	51	6	0	2	0	N/A
STILLWATER	405	Suburban	SOUTHWESTERN BELL	21	3,902	23	2	14	3,738	15	1	8	2	7
STILWELL	918	Rural	OKLAHOMA ALLTEL, INC.	1	60	0	0	1	0	0	0	0	0	4
STONEWALL	580	Rural	MID-AMERICA TELEPHONE, I	0	0	0	0	0	0	0	0	0	0	N/A
STRANG	918	Rural	SALINA - SPAVINAW TELEPH	0	0	0	0	0	0	0	0	0	0	N/A
STRATFORD	580	Rural	SOUTHWESTERN BELL	11	21	0	0	5	56	7	0	2	0	1
STRINGTOWN	580	Rural	ALLTEL OKLAHOMA, INC.	0	0	0	0	0	0	0	0	0	0	N/A
STROUD	918	Rural	VALOR TELECOMMUNICATIO	2	12	0	0	2	0	0	0	0	0	2
STUART	918	Rural	CHEROKEE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
SULPHUR	580	Rural	CHICKASAW TELEPHONE CO	1	0	0	0	0	3	0	0	1	0	1
SUMMERFIELD	918	Rural	OKLAHOMA WESTERN TELEI	0	0	0	0	0	0	0	0	0	0	N/A
SUNSET	405	Urban	SOUTHWESTERN BELL	8	0	0	0	0	0	0	0	0	0	N/A
SWEETWATER	580	Rural	DOBSON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
TAHLEQUAH	918	Suburban	SOUTHWESTERN BELL	17	755	19	0	15	215	13	0	8	0	6
TALALA	918	Rural	TOTAH TELEPHONE CO., INC	0	0	0	0	0	0	0	0	0	0	N/A
TALIHINA	918	Rural	SOUTHWESTERN BELL	8	57	9	1	6	69	6	0	2	0	N/A
TALOGA	580	Rural	DOBSON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
TECUMSEH	405	Urban	VALOR TELECOMMUNICATIO	3	45	0	0	2	1	0	0	1	0	N/A
TEMPLE	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
TERRAL	580	Rural	TERRAL TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
TEXHOMA	580	Rural	PANHANDLE TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	1
THOMAS	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
TIFF CITY	918	Rural	SENECA TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
TIPTON	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	N/A
TISHOMINGO	580	Rural	SOUTHWESTERN BELL	11	26	0	0	6	39	8	0	3	0	2

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(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
Exchange/Rate Center	NPA	Exchange Classification (Rural, Suburban, or Urban)	ILEC	Number of Reported CLECs Operating in Exchange[1]	Wholesale Access Lines Sold to All CLECs in Exchange[2]	Number of CLECs Provisioning via UNE-P[2]	Number of CLECs Provisioning via UNE-L[2]	Number of CLECs Provisioning via Resale[2]	Retail Voice Lines Provisioned via UNE-P, UNE-L & Resale by All CLECs in Exchange[3]	Number of CLECs Provisioning via UNE-P[3]	Number of CLECs Provisioning via UNE-L[3]	Number of CLECs Provisioning via Resale[3]	Number of CLECs Provisioning via Company-Owned Facilities[3]	Number of Wireless Providers with Numbers Assigned in Exchange[4]
TONKAWA	580	Rural	SOUTHWESTERN BELL	7	71	0	1	3	45	5	0	2	0	2
TRIBBEY	405	Rural	POTTAWATOMIE TELEPHONI	1	0	0	0	0	2	1	0	0	0	N/A
TRYON	918	Rural	CENTRAL OKLAHOMA TELEP	0	0	0	0	0	0	0	0	0	0	N/A
TULSA	918	Urban	SOUTHWESTERN BELL	26	23,533	29	7	25	14,595	15	3	12	5	9
TUPELO	580	Rural	SOUTHWESTERN BELL	3	6	0	0	2	3	2	0	1	0	N/A
TURPIN	580	Rural	PANHANDLE TELEPHONE CC	0	0	0	0	0	0	0	0	0	0	1
TUTTLE	405	Urban	SOUTHWESTERN BELL	14	269	12	2	7	64	10	0	4	0	N/A
TYRONE	580	Rural	PANHANDLE TELEPHONE CC	1	0	0	0	0	55	1	0	0	0	1
UNION CITY	405	Rural	OKLAHOMA COMMUNICATIO	0	0	0	0	0	0	0	0	0	0	N/A
VALLIANT	580	Rural	VALLIANT TELEPHONE CO,	0	0	0	0	0	0	0	0	0	0	1
VELMA	580	Rural	ALLTEL OKLAHOMA, INC.	1	1	0	0	1	0	0	0	0	0	N/A
VERDEN	405	Rural	OKLAHOMA COMMUNICATIO	0	0	0	0	0	0	0	0	0	0	N/A
VIAN	918	Rural	OKLAHOMA ALLTEL, INC.	1	52	0	0	1	0	0	0	0	0	1
VICI	580	Rural	DOBSON TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
VINITA	918	Rural	SOUTHWESTERN BELL	10	255	14	1	6	69	8	0	1	0	4
VINSON	580	Rural	SOUTHWEST OKLAHOMA TE	1	0	0	0	0	14	1	0	0	0	1
WAGONER	918	Rural	VALOR TELECOMMUNICATIC	4	109	0	1	3	0	0	0	0	0	N/A
WAKITA	580	Rural	PIONEER TELEPHONE COOP	1	0	0	0	0	1	0	0	1	0	N/A
WALTERS	580	Suburban	SOUTHWESTERN BELL	9	177	13	0	5	90	8	0	1	0	1
WANETTE	405	Rural	SOUTHWESTERN BELL	5	14	5	0	3	29	4	0	1	0	N/A
WANN	918	Rural	TOTAH TELEPHONE CO., INC	2	0	0	0	0	6	1	0	1	0	N/A
WAPANUCKA	580	Rural	SOUTHWESTERN BELL	3	3	0	0	3	3	0	0	3	0	N/A
WARDVILLE	918	Rural	ALLTEL OKLAHOMA, INC.	1	0	0	0	0	3	1	0	0	0	N/A
WARNER	918	Rural	CROSS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
WARR ACRES	405	Urban	SOUTHWESTERN BELL	1	0	0	0	0	3	0	0	1	0	N/A
WASHINGTON	405	Urban	VALOR TELECOMMUNICATIC	1	0	0	0	0	2	0	0	1	0	N/A
WATONGA	580	Rural	PIONEER TELEPHONE COOP	0	0	0	0	0	0	0	0	0	0	2
WATTS	918	Rural	CENTURYTEL OF NORTHWE:	0	0	0	0	0	0	0	0	0	0	N/A
WAUKOMIS	580	Suburban	SOUTHWESTERN BELL	6	48	8	0	3	8	5	0	1	0	N/A
WAURIKA	580	Rural	SOUTHWESTERN BELL	6	17	0	0	6	64	4	0	2	0	1
WAYNE	405	Urban	VALOR TELECOMMUNICATIC	2	1	0	0	1	6	1	0	0	0	N/A
WEATHERFORD	580	Rural	SOUTHWESTERN BELL	6	126	9	0	6	66	4	0	2	0	3
WEBB CITY	918	Rural	SHIDLER TELEPHONE CO.	1	0	0	0	0	5	1	0	0	0	N/A
WEBBERS FALLS	918	Rural	CROSS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
WELCH	918	Rural	ATLAS TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
WELEETKA	405	Rural	SOUTHWESTERN BELL	4	38	4	0	4	6	3	0	2	0	N/A
WELLSTON	405	Urban	SOUTHWESTERN BELL	10	95	8	1	9	23	9	0	2	0	N/A
WEST MAYSVILLE	918	Rural	CENTURYTEL OF NORTHWE:	1	0	0	0	0	25	1	0	0	0	N/A
WEST SENECA	918	Rural	SENECA TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
WESTVILLE	918	Rural	SOUTHWESTERN BELL	5	24	3	0	6	7	1	0	4	0	1
WETUMKA	405	Rural	SOUTHWESTERN BELL	6	36	7	0	4	18	4	0	2	0	N/A
WEWOKA	405	Rural	SOUTHWESTERN BELL	10	207	8	0	7	82	6	0	4	0	1
WHEATLAND	405	Urban	SOUTHWESTERN BELL	11	302	12	1	6	181	9	0	1	2	N/A
WILBERTON	918	Rural	SOUTHWESTERN BELL	2	0	0	0	0	43	2	0	0	0	N/A
WILBURTON	918	Rural	SOUTHWESTERN BELL	2	51	0	0	3	2	1	0	1	0	2
WILLOW	580	Rural	SOUTHWEST OKLAHOMA TE	1	0	0	0	0	7	1	0	0	0	1
WILSON	580	Rural	SOUTHWESTERN BELL	7	17	0	0	5	23	3	0	4	0	1
WISTER	918	Rural	OKLAHOMA ALLTEL, INC.	1	11	0	0	1	0	0	0	0	0	N/A

[1]Based on CLEC responses and/or ILEC responses when no objection raised by the CLEC.
[2]Based on ILEC responses.
[3]Based on CLEC responses.
[4]Based on February 2005 NRUF data.

Oklahoma Corporation Commission
Cause No. PUD 2004-605
Analysis of Carriers Operating Within Exchanges

					== Responses From All Reporting ILECs ==				== Responses From All Reporting CLECs ==					
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
Exchange/Rate Center	NPA	Exchange Classification (Rural, Suburban, or Urban)	ILEC	Number of Reported CLECs Operating in Exchange[1]	Wholesale Access Lines Sold to All CLECs in Exchange[2]	Number of CLECs Provisioning via UNE-P[2]	Number of CLECs Provisioning via UNE-L[2]	Number of CLECs Provisioning via Resale[2]	Retail Voice Lines Provisioned via UNE-P, UNE-L & Resale by All CLECs in Exchange[3]	Number of CLECs Provisioning via UNE-P[3]	Number of CLECs Provisioning via UNE-L[3]	Number of CLECs Provisioning via Resale[3]	Number of CLECs Provisioning via Company-Owned Facilities[3]	Number of Wireless Providers with Numbers Assigned in Exchange[4]
WOODFORD	580	Rural	CHICKASAW TELEPHONE CO	0	0	0	0	0	0	0	0	0	0	N/A
WOODWARD	580	Rural	SOUTHWESTERN BELL	10	387	11	1	9	115	7	0	4	0	2
WRIGHT CITY	580	Rural	PINE TELEPHONE CO.	1	0	0	0	0	26	1	0	0	0	N/A
WYANDOTTE	918	Rural	WYANDOTTE TELEPHONE C(	0	0	0	0	0	0	0	0	0	0	N/A
WYNNEWOOD	405	Rural	SOUTHWESTERN BELL	8	99	9	0	6	70	7	0	2	0	1
WYNONA	918	Rural	SHIDLER TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	N/A
YALE	918	Rural	SOUTHWESTERN BELL	7	48	6	0	2	23	6	0	1	0	N/A
YUBA	580	Rural	CHEROKEE TELEPHONE CO.	0	0	0	0	0	0	0	0	0	0	1
YUKON	405	Urban	SOUTHWESTERN BELL	23	1,154	23	3	13	687	14	0	9	2	N/A

[1]Based on CLEC responses and/or ILEC responses when no objection raised by the CLEC.
[2]Based on ILEC responses.
[3]Based on CLEC responses.
[4]Based on February 2005 NRUF data.

Oklahoma Corporation Commission
Cause No. PUD 200400605
<u>Summary of State Competition Studies</u>

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March 31, 2005

INTRODUCTION

This report presents summary statistics on competition in basic local telephone services and the deployment of broadband and mobile wireless services among other topics in the various states shown below. It is the first such Report submitted pursuant to SCR 74. Staff examined the web sites of assigned states to determine which have conducted a study of competition. Reports from these sites were downloaded and staff of the various states was contacted for additional information. OCC Staff prepared summaries of each state and any additional information that was available.

CALIFORNIA

The California Competitive Report focuses on the marketplace with some comparisons to national trends. Staff from the California Public Utilities Commission's (CPUC's or Commission's) Telecommunications Division prepared the report in response to Section 316.5 of the California Public Utilities Code. Section 316.5 requires that the CPUC report annually on the status of competition in the telecommunications marketplace, significant changes that have occurred in the previous year, and statutes that should be amended, repealed, or enacted to promote competition. Due to regulatory constraints, January 1, 2004 marked the sunset of the CPUC Competition Report. The CPUC is now performing a study on Broadband Deployment.

To assess the status of telecommunications competition in the state of California, the PUC staff surveyed companies that are registered to provide one or more of the following services in the state:

- Wireline Voice Communications (local, local toll, and long distance)
- Wireless Voice Communications
- DSL Broadband Communications
- Cable Modem Broadband Communications

CPUC data requests were sent to: 275 wireline carriers (60% response rate); 197 wireless carriers (5% response rate); 22 DSL providers (100% response rate); 276 cable companies (3.6% response rate). Companies were asked questions about revenues, customers, access lines (network infrastructure), geographic service areas, target markets, prices, and future plans. Where carrier responses did not generate adequate detailed information, CPUC Staff relied upon supplemental national data (FCC) to develop estimates of incumbent and competitor market shares. The key regulatory issues impacting the competitive telecommunications landscape in California, include economic concerns such as long distance market entry and issues related to the sufficiency of consumer information, service quality, and choice.

Long Distance Market Entry

SBC commenced long-distance service in California in December 2002. An expedited dispute resolution (EDR) process was developed and used by SBC and CLECs to 1) resolve competitors' local network problems, 2) directed SBC to submit a report to the Commission on the feasibility of structurally separating its local operations into wholesale and retail entities, and 3) raised the possibility of starting a proceeding to select and appoint a competitively neutral third-party Preferred Interexchange Carrier (PIC) administrator for California to replace SBC. Currently, the EDR process is in operation and the Commission is closely monitoring the impact of SBC's market entry while it continues to consider the PIC and structural separation issues.

Performance Measures
In March 2002, the CPUC established a plan to discourage SBC from providing inadequate service to CLECs that need access to the SBC network to provide service to their own customers. The plan required SBC to make payments if performance deteriorates below established standards. There is currently a collaborative effort underway by SBC and CLECs to update the plan to include needed new measures of performance.

Local number portability
Consumers may be deterred from switching to new service providers if switching requires them to assume new phone numbers. Congress, the FCC, and the CPUC addressed this problem by requiring most wireline phone companies to allow customers to switch between phone service providers while retaining their original phone number, known as number porting. Implementation of number porting in the wireless market is presently scheduled to commence in November 2003.

Consumer Bill of Rights
A report by the CPUC Telecommunications Division found that consumers and ultimately the competitive market would benefit from clearer rules for wireless and wireline carriers, a review of tariffs and consumer protection policies, and a review of carriers' limited liability language. Since September 2000, the Commission has held many public participation hearings and industry workshops on these subjects, garnering substantial input from consumers and carriers on the nature of these new rules. In July 2003, the Commission issued a draft of the new rules, and conducted "Consumer Bill of Rights Compliance Workshops" for all telecommunications carriers in anticipation of finalizing the rules in the fall. The CPUC is continuing to update the rules to conform to the changing environment.

Quality of service
In December 2002, the Commission opened a proceeding to revise standards used to determine telecommunications service quality. The action was due to the evolution of telecommunications technology and changed business conditions. This proceeding will establish rules for all carriers providing retail telecommunications products or services to end users in California, including DSL and wireless providers.

Advanced Communications
The Legislature passed SB 1563, which amended the telecommunications policy goals in the Public Utilities Code to focus more on providing access to advanced telecommunications services for the state's educational, health and government institutions, and for the state's rural, inner city, low income and disabled citizens. The Commission opened a rulemaking proceeding in April 2004 as the first step in developing its plan to promote these new policy goals.

The wireline voice market consists of local, local toll, and long-distance telecommunications services delivered by incumbents (ILECs), competitors (CLECs), and interexchange/long distance carriers (IECs). These markets were evaluated in terms of relative market share and growth trends. The analysis emphasized the level of activity experienced by incumbent versus competitive carriers as well as residential versus business market segments. In addition to revenues, wireline market share was determined on the basis of carrier-reported access lines, which are owned or leased in order to provide telecommunications service to customers within California.

The key findings in wireline voice market revealed the following:

Local Market

- ILECs controlled 94% market share of the statewide local residential market as measured by access line data, down from the 94.8% share previously reported in the Second Competition Report.
- ILECs held 84.7% of the access lines in California's local business markets, up from the 83.5% share previously reported in the Second Competition Report.
- ILECs' customer base (as measured by access lines) is 63% residential and 37% business, as compared to CLECs' 37% and 63%, respectively.
- As measured by access lines, the top two companies in California's local residential and business markets are SBC and Verizon, both ILECs.
- In order from largest to smallest, the top 3 competitors in California's local residential market based on access lines are: AT&T, Cox Communications and WorldCom.
- In order from largest to smallest, the top 3 California local business market competitors based on access lines are: PacWest, Allegiance and AT&T.
- In terms of revenues, ILECs held a large share of the residential and business markets, with 78% of total revenues in California.

Local Toll Market[3]

- An estimated $1.82 billion in annual revenues was earned
- ILECs earned 48% of these revenues, down from 66% share of revenues reported in the Second Competition Report.
- CLECs'/IECs' share of local toll revenues was 52%.
- CLECs/IECs earned 57.6% of the business local toll revenues and approximately 47.2% of the residential local toll revenues.
- In order from largest to smallest, the top 3 residential local toll service providers in California are: SBC, WorldCom and AT&T.
- The top 3 business local toll service providers in California are also SBC, WorldCom and AT&T (in order from largest to smallest).
- SBC alone earned about 40% of all local toll revenues.

Long Distance Market

- An estimated $1.602 billion in annual revenues was earned
- Residential long distance services generated 52% of these revenues.
- At the end of March 2003, three months after receiving authority to enter the long distance market in California, SBC had captured a 1.2% share of the total market and a 9% share of the ILEC share of the market.
- Market share in California's long distance market is concentrated among a few carriers.
- In order from largest to smallest, the top 3 residential market long distance providers in California, earning 85.7% of revenues, are AT&T, WorldCom and Verizon.
- In order from largest to smallest, the top 3 business market long distance providers in California, earning 88.9% of revenues, are AT&T, WorldCom and Sprint.

Within each sector, market share was evaluated in terms of carrier access lines as of June 2002 and carrier revenues for the period January 2001 through June 2002. The analysis is based on data responses of 162 (22 ILECs and 140 CLEC/IECs) out of 275 wireline carriers registered to do business in California.

Wireless Voice Market

The CPUC's analysis of California's wireless industry indicated that there was continued growth based on revenues. There appeared to be competition among five core wireless companies, AT&T, Cingular, Nextel, Sprint and Verizon. The analysis is based on data request responses from 15 wireless companies registered in California, consisting of the five leading companies and 10 of the smaller companies. Key wireless market findings are summarized below.

- Between January 2002 and March 2003, there has been an estimated 15.8% increase in the number of California wireless customers.
- The California wireless market remains concentrated among five large companies, listed in alphabetical order: AT&T Wireless, Cingular Wireless, Nextel, Sprint PCS, and Verizon Wireless.
- The market share distribution in terms of customers among the top five carriers has remained relatively stable through 2002 and into early 2003.
- The customer base and revenues of the surveyed group of 10 smaller carriers experienced tremendous growth through 2002 and into early 2003.
- As a group, the smaller surveyed carriers' customer base rose 51% from year-end 2001 to year-end 2002, and another 28% during the first three months of 2003.
- The combined revenues of the top five wireless carriers increased 9.5% from year-end 2001 to year-end 2002, and only an estimated 2.8% from 2002 to 2003. By contrast, the revenues of the remaining 10 carriers surveyed rose 4.5% from year-end 2001 to year- end 2002, and an estimated 36.6% from 2002 to 2003.

DSL Market

Eighteen DSL providers in California responded to the CPUC data request with data indicating that they are still active in the market serving customers directly or through an affiliate. Cable companies were not surveyed this year because their survey response rate was so low when they were last surveyed for the previous report. Rather, FCC data was selected to provide a picture of the cable modem industry in California as compared to the nation. Key findings are summarized below.

- Between December 2000 and March 2003, the number of DSL lines in California tripled. This growth represented a nearly 230% increase in ILEC DSL lines but a less than 50% increase in CLEC DSL lines.
- The data indicates, however, that the DSL market lacks robust competition.
- Between December 2000 and March 2003, the CLECs' share of the DSL market dropped from 16% to 8%. Over the same period, the ILECs' share grew from 84% to 92%.
- Between December 2000 and March 2003, the combined DSL market share of SBC's and Verizon's affiliates grew from 83% to 91%.
- The DSL market share of small ILECs (those ILECs other than SBC's and Verizon's affiliates) remained unchanged at 1% at the end of the 27-month period.

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COLORADO

The Colorado Competitive Report was precipitated by Qwest's filing on July 21, 2004 to deregulate Commission oversight of all retail services, including primary lines, additional lines, intraLATA and interLATA exchange services, bundled/packaged services, features, operator services necessary for the provision of basic local exchange service, tariffed and customer-specific contracts, public access lines (PAL), and analog private line with a capacity of less than 24 voice grade circuits. Qwest subsequently withdrew the application for deregulation in order to comply with statutory notification requirements for such an application, but indicated that they will file another application at a later date. In anticipation of Qwest's request for deregulation, the Commission opened Docket No. 04M-435T for the purpose of gathering certain information regarding the state of competition in regulated telecommunications markets in Colorado.

The Colorado Commission issued a survey of telecommunications competition on September 1, 2004 to 580 companies, which 443 responded. As of December 31, 2003, there were 2,741,981 end user local exchange access lines in Quest's Colorado service territory. Qwest provided the underlying facilities for 94% of those local exchange access lines and ten competitive local exchange carriers (CLECs) accounted for the facilities to provision the remaining six percent. A total of 41 companies indicated that they provided local exchange service to customers as of December 31, 2003, through their own facilities, unbundled network element (UNE) arrangements, and/or resale. A total of 188 respondents reported providing interLATA or intraLATA toll service to end users in the state; those reporting minutes accounted for a monthly average of 640,303,662 minutes, at an average of $0.08 per minute in revenues. The CPUC also researched surveys done in states that conducted market competition surveys: Indiana, Iowa, Michigan, Nevada, New York, North Carolina, Oregon, Texas, and Utah.

Survey Design

Qwest's application for deregulation included only its own wire centers. Consequently, the focus of the survey was to determine the extent of competition in Qwest's service territory in Colorado. Although Qwest has authority to offer many services statewide, it does not have statewide authority to offer local services. Therefore, most of the questions concerning local services in the survey were asked in the context of Qwest's 164 wire centers, allowing for comparisons between Qwest as the incumbent local exchange carrier (ILEC) and any competitive local exchange carriers (CLECs) in specific Qwest wire centers. In addition, since local telecommunications services can be provided to end users (i.e., retail) or to other providers (i.e., wholesale), many of the questions concerning local services in the survey requested information about both types of services. The survey questions were designed to capture information about the telecommunications services that are most relevant to the discussion of competition in Colorado. For the survey, questions related to Part 2 Services were limited to basic local exchange service, (i.e., local dial tone, access line and local usage necessary to place or receive a call within an exchange area) within the geographical area defined by Qwest's 164 wire centers. Part 3 Services questions were asked with regard to state-wide interLATA toll, intraLATA toll, private line services with a capacity of less than twenty-four voice grade circuits, and non-optional operator services. Part 3 Services questions were asked about services provided in 116 rural ILEC wire centers in addition to the 164 Qwest wire centers.

Part 2 Services information was requested according to the provisioning method (e.g., facilities based, UNE-Combo, UNE-L, resale) used by each provider to supply service to its end users. Additionally, providers were asked to detail the Part 2 Services sold to other telecommunications providers on a wholesale basis. Providers of local exchange service to retail end-user customers and providers offering telecommunication services to other telecommunications providers (wholesale providers) were asked to provide a count of access lines, customers, and revenues by wire center as of December 31, 2003. Both retail and wholesale provider information was requested in order that the Commission could gain an understanding of the supply-side of the market serving Colorado retail customers as well as the demand-side of the retail market. The December 31, 2003 date was chosen so that data in the survey would be consistent across all respondents for a uniform point in time.

Survey Results

The total number of responses is greater than 580 because a number of companies indicated that they provide more than one type of service, such as local exchange service (Part 2) and toll resale (Part 3). Companies that did not have customers on December 31, 2003 were asked to identify the type of services they were authorized to provide and then asked to state when they expected to begin operations. Twenty-seven companies reported that they had begun operations after December 31, 2003.

Part 2 Services, Retail

Results of the survey show a total of 2,741,981 end-user access lines in Qwest's Colorado service territory in Colorado on December 31, 2003. Of the total access lines sold to end users, just over 84% (2,312,799 access lines) were sold by Qwest and nearly 16% were sold by CLECs. Qwest provided the facilities (switch, transport, and loop) for approximately 94% of all access lines (2,588,909) in its service territory, with ten CLECs providing facilities for approximately 6% of all access lines (153,072) in Qwest's service territory. Using facilities of other carriers, CLECs provided 142,990 lines via UNE-Combinations, 125,752 lines via UNE-L arrangements, and 7,367 lines through resale of retail finished service. Although providers were asked to indicate the number of local exchange access lines they sell bundled with other features, only eleven providers included this information. The total of lines indicated as sold bundled with features was 553,021, with Qwest accounting for almost 100% of reported bundled lines.

Part 2 Services, Wholesale

Telecommunications companies were also asked to identify the number of local exchange lines they sell to other providers on a wholesale basis. Qwest and four CLECs provided information on their wholesale local exchange business. Responses showed that Qwest and the four CLECs sold 231,499 access lines in the state on a wholesale basis on December 31, 2003. Of the total wholesale local exchange lines, Qwest provided 97.5% of all UNE-Combo lines, 99.8% of all UNE-L lines, and 100% of all resale lines.

Part 3 Services, Retail Provided by Facilities or UNE

The Part 3 Services information was requested for interLATA toll, intraLATA toll, private line service of fewer than 24 voice grade circuits, and non-optional operator services. Again, questions were asked of respondents as to services provided on a retail basis to end users and services sold to other providers on a wholesale basis. Part 3 Services information was requested in all of the 280 wire centers in the state, including those of Qwest and the rural ILECs. This information was requested statewide since Qwest Communications Corporation can provide some of these services in the wire centers of rural ILECs. Qwest reported providing intraLATA toll and private line services to customers with fewer than 24 voice grade circuits each, using its own facilities. Federal law prevents Qwest Corporation from providing interLATA toll at this time.

While the CLECs listed provided information on a wire center basis, information from AT&T and MCI was provided on a statewide basis. AT&T reported statewide minutes and revenues but not customers, and MCI reported statewide customers and revenues but not minutes.

Part 3 Services, Retail Provided via Resale
Although the survey requested information by wire center, 140 toll resellers reported that they were unable to provide responses in a detailed format; the aggregate statewide average monthly minutes sold by these

toll resellers was 57,089,630 for average monthly revenues of $8,338,899. Some toll resellers that reported having customers in 2003 did not report minutes and/or revenues. Seventeen providers reported intra- and interLATA toll resale to end users by wire center.

Part 3 Services, Wholesale

The Commission was also interested in understanding which providers were selling Part 3 Services to other carriers, whether ILEC or non-ILECs on a wholesale basis. Very few responses were received to this question. Three carriers, Fairpoint Carrier Services, Uintah Basin Long Distance, and Winstar Communications, indicated that they sold Part 3 Services to ILECs in 2003, but only Fairpoint Carrier Services provided data. Sale of intra- and/or interLATA toll to non-ILECs was reported by ICG Telecom Group, MCI WorldCom Network Services, and WilTel Communications. Norlight Telecommunications, Qwest Corporation, and Universal Access reported selling private line service of fewer than 24 voice grade circuits to non-ILECS.

Wireless Providers

The penetration of wireless telecommunications is of interest when considering the options that consumers might have in choosing telecommunications service. Since the CPUC does not have jurisdiction over wireless carriers, except for the purpose of providing support from the Colorado High Cost Fund, wireless companies could not be required to respond to the survey in the same manner that other telecommunications providers in the state were. Two wireless carriers, are designated as “eligible telecommunications carriers” by the Commission for purposes of the Federal Universal Service program and “eligible providers” pursuant to 4 CCR 723-41, the Colorado High Cost Support Mechanism and they were asked to provide information about their lines, customers, and revenues.

Recommendation

Staff recommended that the Commission consider issuing a survey on an annual basis in order that an ongoing record of telecommunications activities in the state can be established. In addition the information obtained through the survey would be included in the Commission’s annual report completed by all the providers. Further surveys would be developed through workshops with carriers in order to ensure that the format in which is use is compatible with the manner in which carriers maintain their records.

Future Plans

The Commission will hold a series of public hearings around the state to take public comment on Qwest’s proposal to deregulate most of their retail telephone services. The public hearings started in January 2005 and will continue through April 18, 2005. The Qwest proposal would also end regulation of in-state long-distance service offered by the Company. The proposal would eliminate all PUC price and service quality regulation of all of Qwest's retail services. This means that the PUC would no longer set the prices or terms of service for those services. The PUC's decision in the Qwest's application also could affect customers of other telephone companies within Qwest's territory. The PUC has ruled that if it grants Qwest's proposal, the same services of all local telephone providers within Qwest's territory would be deregulated. The PUC would still regulate the telecommunications services that provide 9-1-1; other N-1-1 services, such as 2-1-1; and switched access service, which is the service that enables telephone companies to use each other's networks. The PUC would also still regulate long-distance service within the state offered by companies other than Qwest. The PUC ruled on Feb. 1 that the law does not allow for total deregulation of telecom services that currently are fully regulated - such as basic residential and business service. However, if granted, Qwest's proposal could remove some of the PUC's price and service quality regulation over those services and move them one step closer to deregulation. Services that are already more flexibly regulated - such as in-state long distance and advanced features such as call waiting and Caller ID - could be deregulated in this application. The hearing is scheduled to commence April 18-29, 2005.

FLORIDA

The Florida Competition Report provides an annual overview and analysis of local telecommunications competition. The report is submitted pursuant to the statutory requirements set forth in Section 364.386 and Section 364.161(4). Chapter 364, Florida Statutes, sets forth the guiding principles by which the Commission regulates the telecommunications industry. This statute also requires the Commission to prepare and deliver a report on "the status of competition in the telecommunications industry" to the Governor and Legislature by December 1 of each year.

As in prior years, the Commission prepared this report based on responses from CLECs and ILECs. This annually updated data request consists of both quantitative questions (e.g., how much money has been invested in your network to serve Florida customers?) and qualitative questions (e.g., what is your primary line of business?).

Florida PSC staff explored alternative means of data collection and hosted two open workshops to allow parties to provide input. For example, in order to obtain the most accurate data and alleviate reporting burdens, the ILECs agreed to report all access line data for CLECs providing service through resale or UNE-P. Data requests were mailed to 432 certificated CLECs. From this number, the Commission received 344 responses, achieving a response rate of approximately 80%. This response rate represents a significant increase from the response rates of 68% and 55% realized in 2002 and 2001, respectively

Specifically, Section 364.386, Florida Statutes, requires that the report address the following issues:

- The overall impact of local exchange telecommunications competition on the continued availability of universal service.
- The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.
- The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.
- The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunications services.
- What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market
- Any other information and recommendations, which may be in the public interest.

Universal Service

Section 364.025, Florida Statutes, provides a number of guidelines designed to maintain universal service objectives with the introduction of competition in the local exchange market. First, Section 364.025(1), F.S., requires ILECs to furnish basic local exchange telecommunications service within a reasonable time period to any person requesting such service within a company's service territory until January 1, 2009. Additionally, Section 364.025(4), F.S., mandates that prior to January 1, 2009, "the Legislature shall establish a permanent universal service mechanism upon the effective date of which any interim recovery mechanism for universal service objectives or carrier-of-last resort obligations imposed on competitive local exchange telecommunications companies shall terminate."

In 2002, 94.3% of Florida households subscribed to local telephone service, compared to the national average of 95.3%. This represents an increase in Florida households subscribed from 93.2% reported for 2001, and 92.1% reported in 2000. Income levels of less than $30,000 per year comprised 79% of the

increase realized from 2000 to 2002. Although ILECs have reported a modest loss in access lines, CLECs have increased both their residential and business market share. The ILEC losses may be at least

partially attributable to the emerging intermodal competition from wireless, cable, and broadband providers. In spite of this small decrease in access lines, ILECs retain the dominant market share, and there appears to be no evidence of significant adverse impacts on the ability of ILECs to provision universal service.

Competitive Providers Available to both Residential and Business

The Commission surveyed the 432 CLECs certificated as of June 30, 2003. Of the 344 respondents, 150 indicated that they were currently providing service in Florida. CLECs were asked to discuss any perceived barriers to competition in Florida and to describe any significant problems experienced with agreements with ILECs. The items identified were as follows:

- UNE Rates. UNE pricing was the most commonly reported barrier to entry. Although variations in pricing do exist, the Commission has issued Orders further adjusting UNE pricing.
- Interconnection Agreements was listed as the second most frequently named barrier to entry. CLEC allegations included "one-sided" negotiations, appearance of charges inconsistent with the terms of agreement, the lengthy process of creating an interconnection agreement, and filing with the Public Service Commission. The CLECs also cited the lack of uniformity in pricing regarding collocation, pricing strategies, and service offerings.
- Some CLECs alleged that service outages were repaired by ILECs in an untimely manner. Additional CLEC allegations included the ILEC not contacting the CLEC to assure the repair had been completed and frequent outages.
- CLECs claimed to have encountered numerous billing problems with the ILECs. Several CLECs stated they have hired employees solely to ensure the billing is correct, stating that ILECs rely on the CLEC to ensure billing is correct.
- CLECs raised several other issues that did not necessarily fit into one of the major categories previously discussed. For example, certain CLECs stated that non-recurring charges, such as connection charges charged to the CLEC, are excessive. Operations Support System (OSS) per line charges were also alleged to be too high. Since the Commission has issued decisions on OSS and ILEC performance metrics, however, the number of CLECs stating OSS as a barrier to entry has dropped significantly.

Ability of Customers to Obtain Functionally Equivalent Services

As of June 30, 2003, 150 CLECs reported that they were currently providing some form of local telecommunications service in Florida. Methods of offering service are through the *resale* of an ILEC's products, *facilities-based* provisioning entirely through the competitor's own facilities, *unbundled network elements (UNEs)* leased from the ILEC, or a *mixed* combination of two or more methods.

Reliable High-Quality Telecommunications Services.

Section 364.051, Florida Statutes, imposed rate caps for basic local telephone service until January 1, 2000, for price regulated ILECs with fewer than 3 million access lines and until January 1, 2001, for BellSouth. After these dates, Section 364.051, Florida Statutes, provides that an ILEC may adjust its basic service prices once in a 12-month period by an amount not to exceed the change in inflation less one percent. The following ILECs proposed increases for basic and non-basic services in 2003, pursuant to the provisions of Section 364.051, Florida Statutes:

- ALLTEL filed for an increase in basic residential, business, and Centrex services by 0.34%.
- BellSouth filed for an increase in basic services by 0.4414% and a decrease in Residential Optional Services by 0.14%.
- ITS Telecom filed for an increase in basic services by 0.795% and an increase in non-basic services by 6%.
- Smart City Telecom filed for an increase in basic service by 0.52%, an increase in Residential Optional Services by 6%, and an increase in Business Optional Services by 5.71%.
- Verizon filed for an increase in basic service by 1.048% and an increase in Residential Optional Services of 0.04%.

Additional Services, to be Included in the Definition of Basic Local Telecommunications Services

- No evidence suggests a need to recommend additions or deletions to the definition of basic local service.
- Any Other Information and Recommendations That May Be in the Public Interest.
- There are no recommendations at this time.

Overall Survey results:

Responses from Incumbent Local Exchange Carriers (ILECs) and Competitive Local Exchange Companies (CLECs) to Florida Public Service Commission (Commission or FPSC) data requests indicate that as of June 30, 2003:

- CLECs have obtained an overall market share of 16%, compared to 13% in 2002
- Competitors have increased their share of the business market from 26% to 29%
- CLEC residential market share increased from 7% to 9%
- Total access lines decreased by 2.4% since 2001

As in prior years, the Commission prepared this report based on responses from CLECs and ILECs. This annually updated data request consists of both quantitative questions (e.g., how much money has been invested in your network to serve Florida customers?) and qualitative questions (e.g., what is your primary line of business?).

Florida PSC staff explored alternative means of data collection and hosted two open workshops to allow parties to provide input. For example, in order to obtain the most accurate data and alleviate reporting burdens, the ILECs agreed to report all access line data for CLECs providing service through resale or UNE-P. Data requests were mailed to 432 certificated CLECs. From this number, the Commission received 344 responses, achieving a response rate of approximately 80%. This response rate represents a significant increase from the response rates of 68% and 55% realized in 2002 and 2001, respectively

In order to promote greater efficiency, the Florida PSC requested that companies respond electronically by downloading data into pre-formatted tables and submitting it either by disk, CD, or e-mail. Time and resource constraints did not allow for the data requests to be made available on the Commission's website, but this option is expected to be available in the future.

The Commission is in the process of collecting data for the competition report.

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ILLINOIS

The Illinois Competition Report presents a summary statistics on competition in basic local telephone services and the deployment of broadband and mobile wireless services in Illinois. The report is the third report that was submitted to the Illinois General Assembly by the Illinois Commerce Commission pursuant to Section 13-407 of the Illinois PUA. Section 13-407 of the Illinois Public Utilities Act (PUA) requires that the Illinois Commerce Commission (Commission) monitor and analyze the status of competition in Illinois telecommunications markets. The first report was submitted on October 23, 2002. The statistics presented in the report are compiled from data that was reported to the Illinois Commerce Commission and the Federal Communications Commission. The report provides a snapshot of local telephone service competition for the years 2001, 2002 and 2003 in the following three areas

- plain-old-telephone-service (POTS) lines in service
- broadband lines in service
- mobile-wireless-telephone subscribership.

To enable uniform reporting and analysis of POTS service regardless of the technologies utilized, the information presented herein is reported by voice grade equivalent (VGE) lines. Carriers report the number of lines provided by measuring the number of simultaneous phone calls that their customers are able to make or receive. This uniformity ensures direct comparability for purposes of reporting, discussion and analysis.

- 49 incumbent local exchange carriers (ILECs) and 53 competitive local exchange carriers (CLECs) reported providing POTS to Illinois customers as of December 31, 2003. These figures compare to 49 ILECs and 45 CLECs reporting as of December 31, 2002.
- The number of reported POTS lines in Illinois decreased between year-end 2002 and year-end 2003 by approximately 300,000 lines (from 8.7 million to 8.4 million).
- CLECs provided approximately 1.9 million (or 22%) of the roughly 8.4 million Illinois POTS lines in service at year-end 2003. CLEC market shares continued to grow in Illinois from previous periods. The CLEC overall POTS market share increased by 2.8 percentage points (from 19.5% to 22.3%) between year-end 2002 and year-end 2003.
- At year-end 2003, approximately 23% of the 1.9 million CLECs POTS lines in Illinois were provided entirely over CLEC facilities. Another 25% of these 1.9 million lines were provided using local loops leased from ILECs (in conjunction with CLEC owned facilities). The remaining 52% of the 1.9 millions lines were provided completely over ILEC network facilities. In comparison, these figures were approximately 25.5%, 21%, and 53.5% at year-end 2002.
- The overall CLEC POTS market share was higher in the Chicago area than in other regions of the state. At year-end 2003 CLECs served approximately 26% of POTS customers in the Chicago area and approximately 12% of POTS customers in the rest of the state.
- Illinois providers served nearly 750,000 Illinois broadband customers via asymmetrical-digital-subscriber-line (ADSL) and cable-modem subscribers in Illinois as of June 30, 2003. This was a 70% annual increase in subscribers served via these technologies from June 30, 2002.
- The overall market share of cable-modem providers in Illinois slipped to 44% at mid-year 2003. Meanwhile ADSL providers increased their market to 42% at mid-year 2003. Thus, the lead in broadband provisioning maintained by cable-modem providers in Illinois in past periods was nearly eliminated.

- Mobile-wireless providers served over 6.8 million Illinois subscribers at midyear 2003 compared to 5.4 million subscribers at mid-year 2002.

The Commission's findings were are as follows:

- The market share information contained in this report suggests that competition continues to increase in Illinois.
- The CLEC overall POTS market share increased by 2.8 percentage points (from 19.5% to 22.3%) between yearend 2002 and year-end 2003. The 22% market share held by CLECs at yearend 2003 represents a marked increase over the 5% market share held by CLECs in Illinois at year-end 1999. Nevertheless, while competition continues to increase, ILECs continue to provide a **high percentage of retail lines in Illinois.** At year-end 2003, ILECs provided approximately 78% of all retail POTS lines in Illinois.
- Nearly one half (1/2) of all CLEC POTS lines in Illinois were provided at year-end 2003 using CLEC switching equipment. However, at year-end 2003 only 23% of CLECs relied on their own loop facilities to provide retail POTS service. Thus, CLECs relied heavily on ILEC loops facilities to provide service, but less heavily on ILEC switching facilities.
- While CLECs collectively hold 22% of POTS lines statewide, CLEC market shares vary significantly from region to region, and between the residential and business markets. In some areas of the state, serving CLECs still control very few retail POTS lines. In others, however – notably the Chicago LATA - the CLEC market increase, ILECs continue to provide a high percentage of retail lines in Illinois. At year-end 2003, ILECs provided approximately 78% of all retail POTS lines in Illinois.
- Nearly one half (1/2) of all CLEC POTS lines in Illinois were provided at year-end 2003 using CLEC switching equipment. However, at year-end 2003 only 23% of CLECs relied on their own loop facilities to provide retail POTS service. Thus, CLECs relied heavily on ILEC loops facilities to provide service, but less heavily on ILEC switching facilities.
- While CLECs collectively hold 22% of POTS lines statewide, CLEC market shares vary significantly from region to region, and between the residential and business markets. In some areas of the state, serving CLECs still control very few retail POTS lines. In others, however – notably the Chicago LATA - the CLEC market.

The Commission did not submit any specific recommendations for legislative action arising directly from the facts and findings contained in this report. Separately, the Commission year may convey to the General Assembly several proposals for legislative action concerning telecommunications.

Contact: Not available as of 2/2.

INDIANA

The Indiana Competition Report presents summary results from the Telecommunications Division's Annual Local Competition Survey, which shows changes in the share of the voice services market statewide in 2001. The IURC only surveys carriers yearly due to limited resources Legislative mandate requires that the IURC prepares and report to the Regulatory Flexibility Committee of the Indiana General Assembly on the status and impact of competition on universal service and on pricing of all telephone services under the jurisdiction of the Commission. The report examines how competitive local exchange carriers ("CLECs") deliver services. Using data gathered in the IURC and Federal Communication ("FCC") surveys, the IURC reported the number of high-speed broadband Internet access lines provided by incumbent local exchange carriers ("ILECs") and competitive local exchange carriers CLECs.

CLECs serve 6% of the total voice local exchange service in Indiana, up from 5.2% by the end of the year 2000. CLECs provided 1.9% of the lines serving consumers and 13.2% of voice lines for businesses. Total line growth, combining data from ILECs and CLECs, was 113,134 lines, an increase of 2.9% over year-end 2000. The number of CLECs responding to the survey and doing business in Indiana decreased to 40 from 46, reflecting bankruptcies, and revised business plans. (Late submissions were not included in the report.) Competition developed in specific pockets in Indiana such as the business markets in urban areas of the largest ILECs. However, the development slowed due to recent high profile telecommunications company bankruptcies. Newer services using a variety of technologies were supplemented, and in some cases, began to displace traditional "wired telephone" lines. Wireless services, telephony over cable systems, access charge reform, and regulatory actions to further examine "unbundling" seemed to contribute to greater competitive choice in 2002 and beyond.

Approximately 47% of the counties showed fewer, if any, customers served by CLECs, in large part due to the sparse population and other high cost characteristics. In contrast to rural areas, rate centers showing the greatest competitive penetration include Evansville, Fort Wayne, Indianapolis, Greenwood, South Bend, Elkhart, Gary, Bloomington, and Newburgh. By line count and percentage penetration, Evansville is the most competitive rate center in the state.

Issues surrounding rural ILECs are complex, particularly given the importance of universal service goals of the Telecommunications Act of 1996. The IURC recognizes that rural companies are quite different than non-rural companies in terms of the territories that they serve, their customer base and the costs associated with providing telecommunications and information services. The report delves into many of the factors introducing change for rural carriers including ensuring comparable and affordable rates and adequate service quality. The Commission continues to monitor competition in the rural areas and will assess the impact of new universal service support mechanisms, including a state universal service fund, if it is developed. Although non-rural carriers, such as Sprint, Verizon, and Ameritech serve rural areas, their scales of operation and financing are disparate. On a nation-wide basis, there are approximately 54 persons per square mile living in rural areas as compared to approximately 173 persons per square mile living in a non-rural area, therefore the costs and rates for telephone service are vastly different than urban or suburban zones. These rural companies are serving isolated markets and thus experience higher operating costs for virtually every part of their business. They generally lack economies of scale and scope and customer density to offset certain operational factors that non-rural carriers do not typically face. In terms of revenue, for Indiana's rural LECs, access charge revenues can represent upward of fifty percent (50%) of total operating revenues. Access charges are rates that other carriers, like toll carriers, pay to the rural LECs to access their network

Telecommunications regulation at the IURC will largely be driven by a combination of factors including the level of competition in the local telephone market, federal or state legislation, pending cases at the

FCC and IURC, and decisions in the courts (state, federal, or the U.S. Supreme Court). Furthermore, the unprecedented number of bankruptcies of telecommunications companies may have an impact on competition and future regulation. Finally, unlike other regulated utility industries like electricity, natural gas, and water, the future of telecommunications regulation hinges a great deal on technology, applications of the technologies to the local telephone market, and prices of the services that result from the technology.

The passage of TA-96, the subsequent rules from the FCC and numerous Orders from the IURC set the stage for competition in the local telephone market by creating three distinct types of ways to compete: resale, purchase of unbundled network elements, and complete bypass of the ILEC's network by owning competing switches, loops and facilities. Section 2.0 reviewed the competition data in Indiana and also described non-wireline competition such as cellular, satellite, and voice over the Internet.

Wireless competition continues to grow as a complementary service, but until there is number portability between landline and wireless phones, the IURC did not consider it true competition. The FCC has clearly stated number portability is a key ingredient to competition and in Indiana there is a charge on all local telephone bills to support number portability (e.g. $0.28 in Verizon's territory), however most wireless carriers have fought to delay wireless local number portability. The wireline data still shows that competition is not to the point where the market is an effective regulator and the bulk of the IURC regulations can be eliminated. The IURC is updating their rules for two very important aspects of regulation, service quality and consumer rights.

The telecommunications industry continues to see companies filing for bankruptcies: new start-ups as well as established companies who were forced to file for bankruptcy, some due to accounting irregularities. In most cases these are Chapter 11 bankruptcies indicating that the company will not end service. Bankruptcy is not a sign of a healthy competitor and customers are less willing to switch to a carrier in bankruptcy, which may affect the eventual growth of competition in Indiana. The IURC is monitoring each bankruptcy carefully to ensure customers are not left without any service.

No other utility industry is impacted by technology quite like the telecommunications sector and it is the wild card in the future of regulation. Converging services, demand for higher bandwidth and speed, combined with the proliferation of microwave-based services, satellite services, next generation wireless, packet switching, dense-wave division multiplexing over fiber-based networks, voice and data over power lines, are all transforming the telecommunications industry. The new technologies will ultimately bring greater choice to the traditional wireline telecommunications but that to date in Indiana, these alternatives are clearly not substitutes for wireline telecommunications in terms of rates and service quality, such that the exercise of monopoly or duopoly power is no longer possible. When the alternatives to traditional wireline telecommunications have become true substitutes (***choice*** based on price, service, and consumer rights in a fully number-portable environment) and provide parity support of the universal service mechanism, the IURC will have a better basis to reevaluate all of their regulations.

Contact: Not available as of 2/2

IOWA

Iowa Code chapter 476.29(15) directed the Iowa Utilities Board (IUB) to "Provide a written report to the general assembly no later than January 20, 2005, describing the current status of local telephone service in this state. The report shall include at a minimum the number of certificates of convenience issued, the number of current providers of local telephone service, and any other information deemed appropriate by the board." The report contains the following:

- Empirical data
  a. Certificates of convenience - 266
  b. Current providers of local telephone service – A certificate of convenience does not necessarily mean the provider is currently providing service. It does mean that the company has filed a tariff and is ready to provide service. There are companies who have been granted certificates but are not providing service.
- "Key Telecommunications Issues." This report was prepared for the Iowa congressional delegation in June 2004. It was updated for the Governor in October 2004 and further updated for the General Assembly in January 2005.
- "Telecommunications Competition Survey for Retail Local Voice Services in Iowa." This report was prepared by the IUB in January 2004.
- Iowa Utilities Board Order in Docket No. INU-04-1, Deregulation of Local Exchange Services in Competitive Markets.
- Iowa Utilities Board 2004 Assessment of High-Speed Internet Access in Iowa.

In January 2004 the Iowa Utilities Board (IUB) released its survey report on the extent of competition in local exchange services in Iowa as of July 1, 2003. In that report, the Board reached several conclusions.

- Most local exchange telephone customers in Iowa do not have a significant choice of providers (see chart below).
- Overall, the 161 incumbent local exchange carriers continue to maintain a significant portion of market share by generally not competing with one another; i.e., they serve their own separate service territories.
- Effective competition for local phone service (the choice of multiple comparable service providers) is emerging in a few areas of the state for some customer classes in certain exchanges.
- The growth of local exchange competition in Iowa will be affected by a variety of factors, including economic conditions, pending Federal Communications Commission (FCC) actions, federal court actions, and state and national elections.
- New technology may provide the necessary catalyst to spur future growth and competition.

2004 Competition Survey Findings			
Carrier	**# of Communities/Exchanges Served**	**Average Residential Market Share**	**Average Business Market Share**
Qwest	200 communities 126 exchanges	90%	70%
Iowa Telecom	378 communities 296 exchanges	93%	81%
Frontier	49 communities 37 exchanges	100%	99%
Independents	419 communities	99%	99%
Municipals	17 communities	5 – 70%	5 – 70%
Competitive companies	Sporadically throughout 410 communities	8%	24%

IUB Deregulation Proceeding

As a result of its 2004 Competition Survey, the IUB initiated a deregulation proceeding on its own motion. On November 23, 2004, the Board issued an order deregulating the rates for local telephone service in 20 Iowa exchanges where it found effective competition. The price of local telephone service in these exchanges will be set by the market, rather than by regulation. However, the Board will continue to regulate service quality in these exchanges and monitor the markets. The Board found effective competition for local telephone services in the Armstrong, Coon Rapids, Delmar, Forest City, Harlan, Laurens, Lowden, Mapleton, Oxford, Oxford Junction, Primghar, Saint Ansgar, Solon, Spencer, Stacyville, Stanwood, Storm Lake, Tiffin, and Whiting exchanges. These are communities where at least one competitor provides service through its own wireline facilities and that competitor has captured a market share of more than 50 percent of both business and residential customers. The Board also found effective competition exists in the Council Bluffs market where multiple competitors are providing service, some using their own facilities. In each of these exchanges, customers now have a choice of providers for local telephone service, making traditional rate regulation unnecessary. The Board will monitor the rates for local telephone service in these markets to ensure that the market remains competitive. Under Iowa law, the Board has authority to re-regulate rates if any of the competitors use anticompetitive practices to gain unfair market power or if the competitive situation changes. A copy of the order is attached. The Board intends to follow this proceeding with a second phase in which it will consider other areas of competition provided by CLECs. This second phase may involve, among other things, the impact of emerging technologies and provider of last resort responsibilities. The Board may also consider 8 to 12 additional exchanges for deregulation that were brought up during Phase I. Finally, an inquiry into wireless substitution is being considered.

IUB Assessment of High-Speed Internet Access in Iowa

In July 2004 the IUB completed its fourth statewide community-by-community assessment of Internet access in Iowa, an on-going effort to quantify the availability of high-speed Internet deployment. Telecommunications companies, cable providers, wireless providers, and satellite companies were included in the assessment. The survey concludes that the deployment rate of high-speed technologies continues to increase, although at a slower rate. One of the reasons for this may be that the remaining communities are harder or less profitable to reach. The figures below indicate the percentage of communities with access services over 200 kilobits per second (FCC standard).

Deployment of High Speed **Internet Access**	**2001**	**2002**	**2003**	**2004**
Rural communities **<2,500 inhabitants**	**27.8%** 246 of 879 communities	**47.0%** 431 of 917 communities	**67.8%** 634 of 935 communities	**72.6%** 679 of 935 communities
Non-rural communities	**41.7%** 111 of 266 communities	**60.9%** 167 of 274 communities	**67.5%** 185 of 274 communities	**72.9%** 199 of 273 communities

TELECOMMUNICATIONS COMPETITION SURVEY FOR RETAIL LOCAL VOICE SERVICES

It is the policy of the State of Iowa that communications services should be available throughout the state from a variety of providers at just, reasonable, and affordable rates. Iowa Code § 476.95(1) (2003). The Iowa Utilities Board conducted this survey to evaluate the state's progress toward this goal.

Under Iowa law, the Board has a duty to deregulate a communications service or facility if the Board determines that the service or facility is subject to effective competition as defined in Iowa Code § 476.1D. The Board has used this authority to deregulate a wide variety of communications services during the last 20 years, including directory assistance, intrastate long-distance, wireless (cellular) telephone, and pay telephones. In order to make a finding of effective competition, the Board must determine: (1) there are multiple providers of a service and (2) existing market forces are sufficient to ensure just and reasonable rates without regulation. This survey report addresses only the first standard in that finding. The second part requires the exercise of judgment, based on economic principles applied to all of the relevant facts and circumstances.

On August 4, 2003, the Board surveyed approximately 280 companies that currently provide, or have the potential to provide, local telephone service in Iowa. Respondents were requested to provide information as of July 1, 2003. A total of 239 telephone service providers, including 93 percent of the wireline carriers, responded. Respondents included Qwest, Iowa Telecom, and Frontier, which are the three major Incumbent Local Exchange Carriers (ILECs[1]); most of the 158 smaller independent carriers (the small ILECs); most of the Competitive Local Exchange Carriers (CLECs[2]) and, some of the wireless carriers. No response was received from 19 wireless carriers, 9 of the smaller ILECs, and 8 of the CLECs.[3] In Iowa the sheer number of telephone service providers, by itself, may create the impression that Iowans have a choice of basic local voice service providers. However, the raw number of providers does not automatically mean customers have a real choice. For example, the 161 ILECs generally do not compete against each other.

Instead, they serve their own, separate service territories. The survey report shows that most Iowa exchanges, and especially the rural exchanges, have little or no competitive choice while some customers in urban exchanges may have multiple choices. Overall, the incumbent providers continue to dominate the market as shown by their substantial market shares. The survey shows the ILECs serve 92 percent of all residential lines and 77 percent of all business lines in Iowa. There are some exceptions, but many competitors are only offering to market niches, such as business customers or high-use customers, and are not offering basic voice communications to residential customers.

While some may claim that wireless service is being used as a substitute for traditional voice services, national studies show that less than 5 percent of wireless customers have abandoned traditional basic wireline voice service. Service quality and reliability issues appear to be chief among the reasons many customers have not adopted wireless as a replacement for wireline service, although they may be more willing to use wireless as a substitute for a *second* line, such as a teen line. In addition, the Federal Communications Commission, in its recent Triennial Review Order, stated that, "[n]either wireless nor cable has blossomed into a full substitute for wireline telephony." The survey report includes a description of new technologies that may substantially increase the degree of customer choice in the future. Most of these technologies are on or just over the horizon. For example, telephone service using the cable television network is currently offered in Council Bluffs and may be available in other areas within the next year. However, new cable telephone service is likely to be based on an emerging technology called "Voice over Internet Protocol," or VoIP, rather than traditional technology. Another

1 An Incumbent Local Exchange Carrier, or ILEC, is the local telephone company that provided service to a community prior to 1995, when it had a regulated monopoly over local service in that community.

2 A Competitive Local Exchange Carrier, or CLEC, is a local telephone company that is competing with an ILEC in one or more of the ILEC's exchanges. Examples include McLeodUSA and MCI.

3 The non-responders are identified in Attachment D. Because of the nature of the services they offer or their relatively small size, the lack of responses from these carriers should not affect the conclusions drawn in this report.

potential new technology, broadband service over electric power lines, is the subject of a few tests at this time, but is not yet being tested in Iowa. Some of these new technologies may represent additional competition in the future. As a part of the survey, the Board asked the carriers to describe their advertising activities in Iowa. The Board believes that advertising is a key indicator of a CLEC's actual level of participation in the local exchange marketplace. Carriers that are not advertising their services probably are not offering service to the general public. The responses show that a few CLECs advertise their services relatively broadly, but many more are engaged in only very limited advertising activities. In fact, many of the CLECs that responded to the survey indicated that they did not advertise in Iowa at all during the preceding 12 months. Moreover, when contacted, some of these CLECs indicated they were not offering any local service in Iowa at this time.

Competition in the Price-Regulated Markets

Turning to the survey data, the results show there are 70 CLECs certified to offer telephone service in one or more Qwest exchanges, but most of these CLECs serve limited areas or markets. Only a few actually offer service to a significant fraction of the general public. As a result, Qwest, the largest incumbent, continues to serve almost 90 percent of the residential lines and over 70 percent of the business lines in its service territory, although its market share in any particular exchange may be higher or lower. Iowa Telecom, the second largest incumbent local service provider in the state, has competitors in 69 of the 378 communities it serves. In some of those 69 communities Iowa Telecom faces competition, mainly from independent telephone companies that serve adjoining exchanges and from municipally-owned companies. In others, competitors have captured only a small share of the market. Overall, Iowa Telecom continues to serve about 93 percent of the residential lines and 81 percent of the business lines in its service territory. Frontier has competitors in 4 of the 49 communities it serves, but the competitors serve only a few business customers. There are no competitors serving residential customers in Frontier’s territory. Thus, Frontier serves 100 percent of the residential lines and 99 percent of the business lines in its service territory.

Competition in the Nonprice-Regulated Markets

There are 158 small incumbent carriers serving the state and competition has emerged in 31 of the 419 communities where they provide service. In 29 of those 31 communities, the CLECs serve only a handful of customers. The survey responses show just two communities where CLECs have gained much market share. Both of those CLECs are municipal utilities. On a statewide basis, the small ILECs continue to serve over 99 percent of the customers in their communities. There are 14 Iowa municipal utilities providing competitive telecommunications service in their communities. Typically, the municipals compete with the incumbent telephone company. In some instances, the municipals estimate their share of the market in the community they serve to be as high as 70 percent. Municipals are a source of competition in some exchanges; however, they tend to offer service only within their own boundaries and do not try to expand to other geographic markets.

General Findings

Overall, the Board found there is slight to moderate competition in some areas of the state, with certain specific areas or customer groups (business customers in urban exchanges, for example) having a choice of providers. Statewide, market shares indicate that in most areas the ILECs continue to dominate the market and the majority of Iowans do not have a significant choice of local telephone service providers. This finding is consistent with the findings of other states that have studied this issue.

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MICHIGAN

Section 103 of the Michigan Telecommunications Act (MTA), as amended in July of 2000, directs the Michigan Public Service Commission (Commission) to submit an annual report describing the status of competition in telecommunications service in Michigan, including, but not limited to, the toll and local exchange service markets in the state. The report required under this section must be submitted to the Governor and the House and Senate standing committees with oversight of telecommunications issues. This is the fourth report filed by the Commission

pursuant to Section 103. Michigan has recently placed the survey on their website to allow providers to answer the questions on-line.

The survey was developed through a collaborative process set forth in the Commission's order docket U-12320. This docket was initiated to review SBC's application for authority to provide in-region long distance service pursuant to Section 271 of the Federal Telecommunications Act of 1996. This year's survey was sent out to 192 CLECs in the state of Michigan that were licensed as of January 1, 2004. The data collected through the survey was for the year ending December 31, 2003. The information was gathered to assist the Commission staff in evaluating the scope of local competition in Michigan.

The study impacted the decision to deregulate business service in the Detroit area. The fact that studies conducted over time continued to indicate the decrease of ILECs and the increase of CLECs was considered a clear indicator that competition was increasing in urban areas. There continues to be virtually no competition in rural areas.

The Telecom Study will continue to serve as the primary method of follow-up and monitoring for the present time. According to the 2003 survey data, monopoly market share in Detroit continues to decline and the current study will provide more information to substantiate their decision to continue deregulation or to return to regulation.

The Michigan study focused on the toll and local exchange service markets in the state. However some information was gathered on the wireless market and emerging technologies. The survey data was requested from all licensed CLECs (and ILECs that also operate as CLECs) in Michigan.

There are 10 carriers registered as facilities-based toll carriers for 2004. While the reselling of toll services is unregulated, the Commission has registered 276 carriers as resellers of toll service in Michigan for 2004. This is a self-registration process but it does indicate that there are numerous providers of this service.

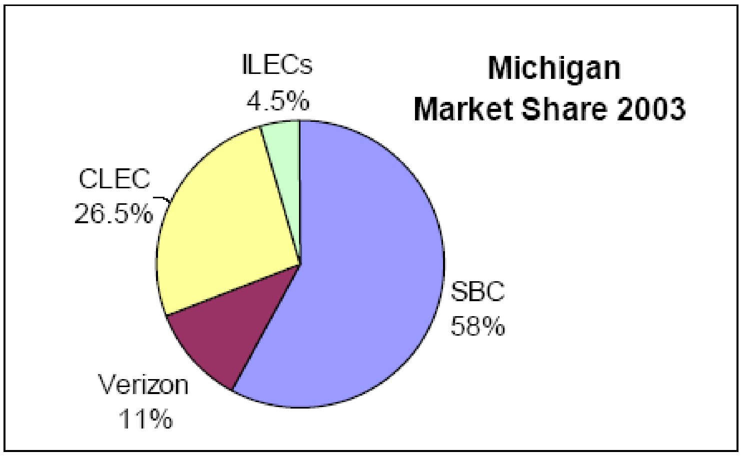
The data compiled for 2003, indicated the following:

Basic Local Exchange Market

During 2003, competition in the telecommunications market in Michigan has experienced continued steady growth. The percentage of competitive lines serving customers is now at a 26.5% share. Competition for basic local exchange service in Michigan, however, is mainly based on the competitors using local switching via SBC's unbundled network element platform (UNE-P) to provision customers. UNE-P accounted for 73% of the competitive lines used to serve customers in 2003. This method of serving customers is in a state of uncertainty as the Federal Communications Commission (FCC) and the courts are currently reviewing the D.C. Circuit's decision to overturn portions of the FCC's Triennial Review Order, which may eliminate the incumbent's obligation to provide UNE-P to the competitors at a regulatory price. If UNE-P is prematurely no longer available at a regulated price, Michigan would be left with a considerably smaller level of competition.

For 2003, 112 companies of the 192 CLECs that the survey was sent to filed a response, with 70 of those companies reporting that they were actually providing local service. From the data compiled for 2003, staff found that the number of lines provided by CLECs (including over their own facilities or through resale of incumbent providers services) was 1,677,423. The staff report indicates that the total number of lines provided in Michigan (ILECs including SBC and CLECs) was 6,334,114. CLEC lines accounted for 26.5% of the total lines. SBC's share is 57.7% (3,657,177 lines) while Verizon's share is 11.2% (712,287 lines). The small independent telephone companies represent the remaining 4.5% (287,227 lines) of the total lines in Michigan.

The survey responses indicate that the geographic areas covered by CLEC lines encompass primarily the Detroit, Grand Rapids, Lansing and Saginaw areas with the majority of the competitive lines being provided in the Detroit vicinity. From the data that SBC submitted, 62% of the competitive lines are provided in the Detroit area, 22% of the competitive lines are provided in the Grand Rapids area, 7% of the lines are provided in the Lansing area, 6% of the lines are provided in the Saginaw area, and 3% of the lines are provided in the Upper Peninsula area. It should be noted that virtually all of the CLEC activity is in geographic areas that are served by SBC. As a percent of the SBC market, the CLEC market share is approximately 31% of SBC lines.



At of the end of 2003, the CLECs were serving 26.5% of the lines provided to customers by telecommunications carriers in Michigan. This is an increase over the previous year and indicates a continued positive trend in the competitive basic local service market in Michigan.

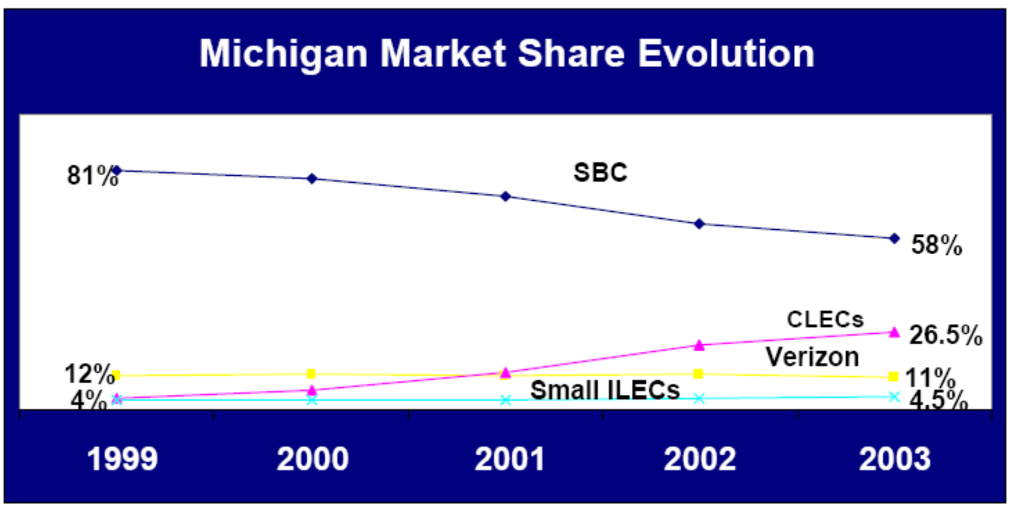
For the Michigan companies that are required to report this data to the FCC, the ILECs reported 4,819,294 lines, and the CLECs reported 1,384,973 for a total of 6,204,267 lines. From the FCC's data, the CLEC share was reported at 22%. This data gathered by the FCC is from 10 reporting ILECs and 13 reporting CLECs in Michigan, representing the larger providers and a majority of the lines.

The 2003 Michigan Survey Results Show That:	
CLECs With No Lines	49
CLECs 1 – 1,000 Lines	21
CLECs 1,001 – 10,000 Lines	21
CLECs over 10,000 Lines	21
Total CLECs Responding to Survey	**112**

Michigan Public Service Commission CLEC Survey Results:					
	1999	**2000**	**2001**	**2002**	**2003**
Licensed CLECs	120	167	173	219	192
CLECs responding to survey	59	69	102	113	112
CLECs actually providing service	25	37	52	54	70
CLECs with actual line counts	23	31	42	54	70
Lines Provided by CLECs	268,385	446,164	896,023	1,447,176	1,677,423
Total Lines in Michigan	6,726,971	6,901,813	7,014,263	6,668,124	6,334,114
CLEC %	4 %	6.5 %	12.8 %	21.7%	26.5%
SBC %	81 %	78 %	72.2 %	62.9%	57.7%
Verizon %	11.5 %	12 %	11.5 %	11.9%	11.2%
ILECs %	3.5 %	3.5 %	3.5 %	3.6%	4.5%

As is shown, while total lines have slightly decreased, the actual number of CLEC providers and CLEC lines in Michigan has grown over the last five years that this information has been gathered and the CLEC market has grown from a 4% share to a 26.5% share at the end of 2003.

The graphical representation of the evolution of the market share over the last five years is shown below.



Wireless Market

The Michigan Public Service Commission does not regulate wireless providers; however, information gathered by the FCC on the wireless industry pertinent to Michigan from its report on *Local Telephone Competition: Status as of June 30, 2003* is included here. The FCC reported that by June 2003, Michigan had 4,889,269 wireless subscribers, a 3% increase from June of 2002. The FCC reported that nationwide wireless subscribers increased 6% during the first six months of 2003, and for the full 12-month period ending June 30, 2003, wireless subscribers increased by 13%. The FCC's report also indicated that Michigan had 14 wireless carriers with over 10,000 subscribers as of June 2003.

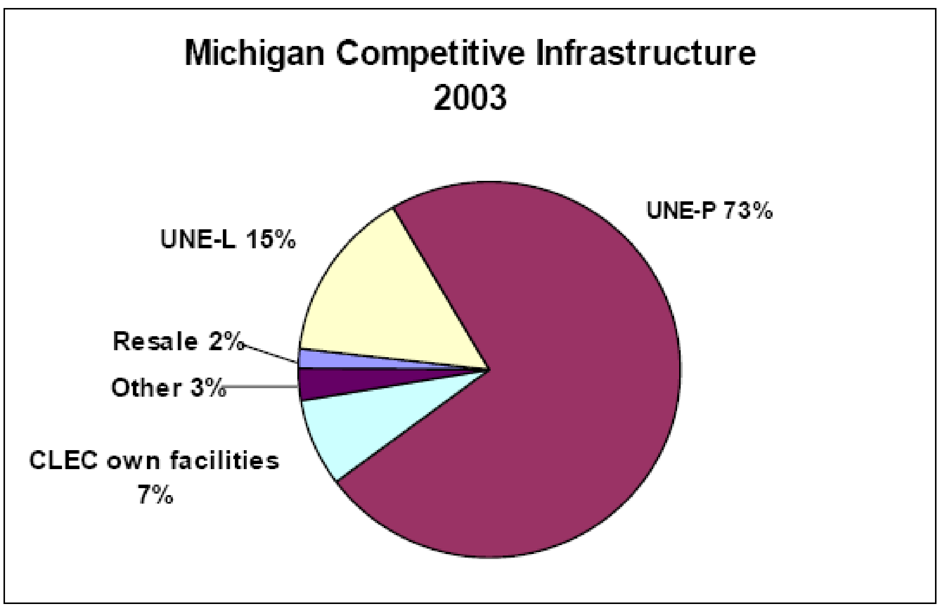
New Emerging Technologies

The Commission monitors the development and advancement of new emerging technologies in the broadband area such as voice over internet protocol1 (VOIP), Wi-Fi technology, and broadband over power lines.3 The Commission opened an investigation on VOIP on March 16, 2004. Comments were filed on or before April 1, 2004. The Commission supports emerging technologies to be introduced into the market, as long as these new technologies do not harm the existing public switched network or its customers.

Conclusion

Based on available data that the Commission has gathered through its surveys over the five-year period, there is steady and continued growth in the percentage share of CLEC lines in Michigan from a 4% share in 1999 to a 26.5% share in 2003. This is a continuing trend that indicates that competition in the basic local exchange industry in Michigan is still growing.

Competition for basic local exchange service in Michigan, however, is based mainly on CLECs using local switching via SBC's unbundled network element platform (UNE-P) to provision customers. UNE-P accounted for 73% of the competitive lines used to serve customers in 2003. This method of serving customers is in a state of uncertainty as the FCC and the courts are currently reviewing the D.C. Circuit's decision to overturn portions of the FCC's Triennial Review Order (TRO), which may eliminate the ILEC's obligation to provide UNE-P to the CLECs at a regulatory price. If UNE-P is prematurely eliminated at a regulated price, Michigan would be left with a considerably smaller level of competition.



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NEW YORK

The New York Competitive Analysis Report is primarily based on data filed annually by local exchange companies, pursuant to the NY PSC's Telecommunications Competition Monitoring Report (TCMR) requirements. The PSC adopted these requirements in 1997 and streamlined them in 2000 to reflect evolving regulatory needs. Information released by the Industry Analysis and Technology Division of the Federal Communications Commission's Wireline Competition Bureau is also cited as a source of data for the New York report.

The New York PSC explored the following areas in developing its Telecommunications Competition Monitoring Report:

- Annual changes in the local exchange market
- Number & percentage of lines served by CLECs
- CLEC market share by region
- % CLEC lines - facility based and resale
- % CLEC lines - UNE-P
- ILEC % market share

The format was changed in 2000 to differentiate between true, facilities based competition and competition derived from an incumbent's UNE-Platform offering or from resale.

Although companies are asked to report lines-in-service and revenues separately for these modes of competition, many companies still combined the data in their reports. Consequently, Staff has had to estimate the breakdowns in the Competitive Analysis Reports between UNE-Platform competition and true, facilities-based competition.

CLECs that have been involved in acquisitions or mergers are reported separately in the Competitive Analysis Report, if they filed separate TCMRs. Known relationships between companies are identified in the Competitive Analysis Report.

The Competitive Analysis Report highlighted yearly changes in the local exchange market from 1998 to 2002. A Statewide Perspective included company rankings by lines and revenues and company-specific data.

The following table provides the number of Competitive Local Exchange Companies (CLECs) serving over 1,000 local exchange lines:

Year End	CLECs
1997	13
1998	38
1999	54
2000	48
2001	46
2002	47

The number of CLEC local exchange lines and line market share were also included:

Year End	Lines	Market share %
1997	288,000	2.0
1998	649,000	4.9
1999	1,469,000	10.7
2000	2,947,000	20.9
2001	3,368,000	24.0
2002	3,368,415	24.0

Local Exchange Companies were ranked by lines served. The CLEC share of lines remained constant at 24%. The number of CLECs serving 1,000 or more lines increased to 47.

The CLEC line market share (%) was summarized in the following graph.

	Year End				
Region	**1998**	**1999**	**2000**	**2001**	**2002**
New York Metro	6	12	23	26	27
Albany	2	6	17	20	23
Binghamton	2	4	12	15	16
Buffalo	3	10	20	21	23
Poughkeepsie	1	2	5	13	11
Rochester	4	6	27	28	26
Syracuse	3	6	18	16	21

CLEC Total Basic Local service revenues, local service revenues per line, and CLEC revenue market share are shown below:

Year	Total Local Service Revenues $ (millions)	Local Service Revenues $ (per line)	Revenue Market Share (%)
1998	247	381	6
1999	480	327	8
2000	942	320	15
2001	1,288	382	20
2002	1,289	383	21

The CLEC share of local service revenue increased slightly from 20% to 21%.

Breakdown of CLEC Local exchange line by business or residential lines:

Year End	Business (%)	Residential (%)
1998	84	16
1999	68	32
2000	48	52
2001	50	50
2002	54	54

Breakdown of CLEC local exchange lines, by resale and non-resale. Non-resale, in this report includes the use of unbundled network elements (UNEs – loops or platforms), furnished by the ILECs.

Year End	Resale (%)	Facility-based/UNEs (%)
1998	45	55
1999	30	70
2000	19	81
2001	14	86
2002	7	93

Further breakdown of CLEC local exchange lines. Estimated UNE Platform percentage shown separately.

Year End	Resale (%)	Facility-based/UNEs (%)	Excluding UNE Platform
2000	19	49	32
2001	14	47	39
2002	7	58	35

Estimated UNE Platform percentage and the facilities-based breakdown is reported to be 58% UNE-P and 35% facilities-based reflecting the further breakdown of CLEC local exchange lines.

CLEC local exchange lines were broken down by resale and non-resale. Non-resale represented 93%, and in this report includes the use of unbundled network elements (UNEs-loops or platforms) furnished by the ILECs. The CLEC resale percentage is 7%.

Loss of Companies

Since the start of 2002, at least seventeen companies providing local exchange service have discontinued service in New York State. These companies represented a market share of 2.8% of the CLEC lines or 0.7% of the total LEC lines at the end of 2001.

2002 vs. 2001

There was a net gain of approximately 400 CLEC lines in 2002 compared to a net gain of 421,000 the year before.

Yearly gain in local exchange lines served by CLECs:

	Yearly Line Gain
1998	361,000
1999	820,000
2000	1,478,000
2001	421,000
2002	415

The number of local exchange lines served by ILECs was 10.5 million, and their market share was 76% in 2002.

2002 Telephone Network Plan in Service Comparison

Total CLLEC investment in Plant-in-Service (Central Office Equipment and Cable & Wire Facilities) in New York State continues to increase.

Year End	Total Plant-in-Service ($)	Net Annual Addition in Plant Investment ($)
1999	2,166,140,121	---
2000	2,224,001,071	57,860,950
2001	2,363,028,954	139,027,883
2002	2,461,905,987	98,877,033

The report concludes with an evaluation of service quality trends between 1991 and 2002.

Service Quality Trends

In the year 2002 the average monthly number of incumbent and CLEC trouble reports decreased to 264,331, a large improvement compared to 2001 and prior years.

Year	Average Monthly Trouble Reports	Access Lines	CTRR
1991	384,353	10,166,555	3.78
1992	342,457	10,259,048	3.34
1993	364,953	10,515,862	3.47
1994	397,636	10,831,381	3.67
1995	391,685	11,172,413	3.51
1996	407,475	11,477,603	3.55
1997	336,030	11,871,048	2.83
1998	335,917	12,331,680	2.72
1999	345,546	12,959,439	2.67
2000	362,484	13,637,620	2.66
2001	336,357	13,813,804	2.43
2002	264,331	13,858,846	2.02

Follow-up is considered to be on going with regard to this study. Companies are required to file the Commission's Telecommunication Competition Monitoring Report (TCMR) annually. In January, staff sends letters to the companies reminding them of the filing requirement and due date.

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NORTH CAROLINA

The North Carolina Competitive Report presents the findings of a survey of local telecommunications competition in North Carolina conducted during the months of July, August, and September 2004. The North Carolina PUC hired a professional research group, RTI International, to conduct its analysis. The research firm attempted to gather information to document the existence, or lack, of competition in every area of the state. As a result, the survey was very comprehensive and was conducted in two parts. Gathering and interpreting the data took one month longer than anticipated and the deadlines for completion and submission had to be comparably extended.

A survey was sent to 271 incumbent local exchange companies (ILECs), competing local providers (CLPs), wireless companies, and Voice over Internet Protocol (VoIP) companies known or thought to be providing service in North Carolina as of March 31, 2004. The categorization process made use of past surveys, Commission staff knowledge, RTI and a public meeting were used to identify potential participants.

Although data was requested at the rate center level of detail, it was also requested at the switch, Numbering Plan Area (NPA)-NXX, and UNE Rate Zone levels.

The final version of the survey included three sections (with numerous subsections), as follows:

- Part 1: Customer Connections - requested connection numbers for switched lines, non-switched lines, and other services being offered.
- Part 2: Service Rates - requested data that paired up with the switched and non-switched line counts in Part 1.
- Part 3: Advertising and Marketing Activities - requested data on types of marketing and advertising activities and the associated frequency.

The following local telecommunications switched services were included in the survey:

- *Residential Access Line Service* Prepaid and non-prepaid
- *Business Access Line Service*
- *Pay Phone Service*
- *ISDN-BRI Service*
- *ISDN-PRI Service*
- *Switched DS1 Service*

The following local telecommunications non-switched services were also included in the survey:

- *Digital Private Lines—Less than DS1*
- *Digital Private Lines—DS1 or Greater*
- *Frame Relay*
- *Analog Private Lines*
- *Special Access*

Survey response rates varied by provider group. All but one of the 25 ILECs in North Carolina responded. Of the 191 CLECs surveyed, 73 (38.2 percent) indicated they did not provide service in North Carolina as of March 31, 2004. Of the remaining 118 CLECs, 68 (57.6 percent) responded with usable data. Thirty-five (35) wireless companies were surveyed. Seven indicated they did not provide service in North Carolina as of March 31, 2004. Of the remaining 28 companies, 12 (42.9 percent) responded with usable data, at least on connections. Twenty (20) VoIP providers were surveyed. Seven indicated they did not provide service in North Carolina as of March 31, 2004. Of the remaining 13 companies, only one (7.7 percent) completed the survey.

A key finding from the survey process is that the schedule was overly ambitious, especially given that the survey was administered during the summer season. This was reflected in part in the need to extend the survey response period by a month.

The survey data provide a preliminary assessment of the extent of wireline competition in local telecommunications markets in North Carolina. This is understandable because the survey was a pioneering, first-of-a-kind effort in North Carolina. This assessment of the extent of competition is preliminary in the sense that the survey results provide only market shares and concentration ratios, and then only for connections data.

Other factors to consider in an assessment of competition are usage (e.g., minutes of use) and revenues and their trends over time, and a review of provider practices (e.g., in pricing or service provision) to ascertain whether they are anticompetitive. In addition, provider surveys could be complemented by surveys of telecommunications customers to ascertain consumer preferences for services and how they are priced and provided. Both types of surveys should be replicated over time to understand demand- and supply-side trends in the telecommunications markets, especially since they are so dynamic. An overarching result from the analysis of the survey data is that wireline competition, as measured by market shares of CLECs, is mottled across services and areas. Typically, and not surprisingly, CLEC market shares are higher for services to businesses than services to residences (except for residential prepaid telephone service, in which the CLEC market share is very large); very small for residential non-prepaid telephone service; higher for non-switched services than switched services, despite the data reliability issues; higher for services in metropolitan markets than in rural areas; and higher for provisioning by UNE-Ps and UNE-Ls.

Of the 430 Rate Centers in North Carolina, 74 (17.2 percent) have no switched services provided by a CLEC, and 197 (45.8 percent) have no non-switched services provided by a CLEC. Of the 356 Rate Centers that have switched services provided by at least one CLEC, 106 (29.8 percent) are served by only one to three CLECs. Of the 233 Rate Centers that have non-switched services provided by at least one CLEC, 213 (91.4 percent) are served by only one to three CLECs. Many more CLECs reported they provide switched services (62) than those who reported they provide non-switched services (21). Of the 62 CLECs who reported they provide switched services, 11 (17.7 percent) serve four or fewer Rate Centers each, and 19 (30.6 percent) serve more than 90 Rate Centers. Of the 21 CLECs who reported they provide non-switched services, 13 (61.9 percent) serve four or fewer Rate Centers each, and only one serves more than 40 Rate Centers (this respondent reported the provision of non-switched services to more than 200 Rate Centers).

Several wireless companies would only submit data after a nondisclosure agreement (NDA) was in place. Also, the record-keeping systems of several companies, especially wireless and VoIP companies, are not set up to provide the geographically granular detail (certainly not below the Rate Center level) requested in the survey, nor were they able to provide some of the higher-level serve ice (e.g., business versus residential) detail. As a result, the status of competition between wireline and wireless, and of either one with VoIP, could not be assessed with these data.

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OREGON

Oregon State law (HB 2577 passed in 1999) directs the Oregon Public Utility Commission to prepare an annual report to the Governor and Legislative Assembly or Emergency Board on the status of competition and regulation in telecommunications industry in Oregon's telecommunications industry. The 2003 Oregon Legislature amended HB 2577, requiring this report to include information on one additional topic (the last topic below). The eight required topics are:

- The status of competition in the telecommunications industry.
- Significant changes that have occurred in the telecommunications industry during the preceding 12 months.
- Statutes that inhibit or discourage competition in and deregulation of the telecommunications industry.
- Specific actions taken by the commission to reduce the regulatory burden imposed on the telecommunications industry, including telecommunications utilities and competitive telecommunications providers.
- Specific actions taken by the commission to maximize the opportunities for telecommunications utilities and competitive telecommunications providers to achieve pricing flexibility, including rate rebalancing, exemption from regulation and streamlined regulations.
- Specific actions taken by the commission to:
  - Minimize implicit sources of support; and
  - Maximize explicit sources of support that are specific, sufficient, competitively neutral and technologically neutral and that support telecommunications services for customers of telecommunications providers in high-cost locations.
- Statutes that should be enacted, amended or repealed to enhance and respond to the competitive telecommunications environment or promote the orderly deregulation of the telecommunications industry.
- The number of public bodies, as defined by ORS 174.109, providing basic telecommunications infrastructure so that private entities may use that infrastructure to provide advanced information and communications services.

In addition, ORS 759.050(9) requires the Commission to report annually to the Legislative Assembly regarding competition in the telecommunications industry in Oregon. A copy of that report is attached behind tab A-1.

The Oregon PSC took the following actions in its investigation of the status of competition.

- Compared the number of CLECs that resell the service of another provider vs. those that are facilities-based
- Considered telecommunications services provided via cable TV and VoIP facilities
- Highlighted significant changes that have occurred in the telecommunications industry during the preceding 12 months
- Considered the number of public bodies providing basic telecommunications infrastructure so that private entities may use that infrastructure to provide advanced information and communications services
- Discussed the OPUC's use of Competitive Zones, Price Listing, Service Deregulation, and the Oregon Universal Service Fund to facilitate competition
- Divided its analysis into geographical regions and the CLEC's focus in each region

- Addressed the impact of mergers/acquisitions
- Considered cable, DSL, satellite, fixed wireless, wireless, and municipal telecommunications in its analysis of competition
- Included the status of number portability
- Considered intermodal competition for broadband services
- Discussed the impact of Qwest's Section 271 relief
- Considered steps the OPUC has taken to deregulate telecommunications, such as:
- FAX
- DS3
- Automated Information service
- Voice Message service
- Centrex services
- Considered trends in switched access and local private line services by market segment (business/residence) in a granular manner using the following grid:

		private line service	
		local	interexchange
capacity	low		
	high		

- Discussed provision of private line service in terms of low and high capacity lines
- Used billing and service complaints as indicators of quality of service by Qwest
- Specifically addressed competition for the residential market

The Oregon PSC's major findings are:

- Incumbent carriers continue to serve the lion's share of wireline customers. However, competitors' share of the market has increased. At the end of 2002, Oregon's four largest incumbents – Qwest, Verizon, Century Tel, and Sprint – served nearly 83 percent of the wireline lines in Oregon. The other 30 incumbents served six percent of lines. Competitive carriers share of the total went from 8.8 percent at the end of 2001 to 11.3 percent at the end of 2002. Competitive carriers served about three percent of the residential market and 26.3 percent of the business market. Most of the competitive carriers' customers are in the Portland Metropolitan area. At the end of 2002, competitive carriers also served about 13 percent of local private lines (dedicated circuits between two or more locations).
- The number of competitive carriers operating in Oregon has increased. At the end of 2002, 101 competitive local exchange carriers operated in Oregon, 26 more than in 2001. Forty-eight (48) of those companies offered switched (dial tone) service.
- About half of the competitive carriers providing switched service resell wholesale services offered by incumbents. However, nearly 50 percent of the revenues collected by competitive carriers went for capital expenditures, indicating a move towards facility-based provision of service.
- Competitive carriers cited price, lack of facilities, and incumbents name familiarity as the greatest barriers to bigger market share.
- About a third of the public entities surveyed (136 out of 365) own some type of advanced telecommunication facility such as fiber optic, cable, and DSL.
- About six percent of the public entities responding to the survey offer high-speed telecommunication services to homes and businesses. Ten percent of the public entities responding to the survey reported they are willing to sell high-speed telecommunication service to local residents and businesses.

TEXAS

The Texas Competitive Report examines the existing condition of competition in the local, long distance, and broadband telecommunications market at both the national and state level. Section 52.006 of the Public Utility Regulatory Act (PURA) requires the Texas Public Service Commission to submit a report on the scope of competition in Texas on a biannual basis. Texas explored the following areas in its Telecommunications Competition Monitoring Report:

- Capital Markets, Bankruptcies, Layoffs, Capital Expenditures, and Consolidations
- Wireless telecommunications, building access, payphones, area code relief, and telecommunications relay service
- Performance Measures and fines
- Homeland Security
- Emerging issues such as:
- Structural Separation
- Third-Party Administrator

  The Texas Commission is working with the telecommunications industry to develop guidelines that dictate how the stakeholders will process conversion orders from a CLEC to another CLEC or back to an incumbent. In conjunction with that project, the Commission is also considering the prospect of moving all, or a portion of, the responsibility for OSS functions to an independent third-party administrator. The services performed by the third-party may vary, but the central premise is that a third party administrator would perform all or part of the OSS functions in lieu of the incumbent. In addition to resolving the current operational problems caused by the transition of customers away from a CLEC, proponents of an independent third-party administrator assert that such a system would discourage anti-competitive conduct by the incumbent, much the same as structural separation would.

- Winback and Code of Conduct for Telecommunications Providers
- Voice-Over IP
- TX Broadband Policy
- Facilities-based/resold and UNE-P/UNE-L provision of service on a county-by-county basis
- Arbitrations, rate group reclassifications, universal service, and CLEC market entry strategies

There are essentially three types of rates currently at issue in the telecommunications market: basic local retail, local wholesale unbundled network elements (UNEs), and wholesale switched access charges. Universal service funding, which is an explicit support for basic local service rates, constitutes a fourth rate-affecting issue.

The current differential between intrastate and interstate access charges in Texas is approximately 500%, an indication that the intrastate charges are well above costs (assuming interstate charges are near costs, not below). At issue in Texas is whether the intrastate charges should be lowered to the level of interstate charges or need to be left at current levels to serve as an implicit subsidy to basic local rates for high costs not recovered by the explicit subsidy of Texas Universal Service Fund (TUSF).

The TX PUC did not analyze the USF impacts in this study, but simply described the factors and problems it must contend with at different levels of regulation.

- Nationwide financial and economic profile of telecommunications industry trends
- Complaints, as an indicator of service quality and customer satisfaction
- Relevant state and federal statutes
- The interrelationships between types of providers, including wireless and Internet

- Federal statutes and rulings as a context for its discussion of TX statutes and PUC actions to promote competition

The objective of the Report was to describe in detail the scope of competition in Texas. The TX PUC concluded that since its previous report on telecommunications in January 2001, the PUC has made significant progress in managing the transition to competitive local telecommunications, even during difficult times. New providers have entered the market, some competitive providers have left the market or struggled to remain, and the market share held by competitive providers increased to a point, but appears to have begun to level out or decline. Over roughly the same time period, since SBC's entry into the Texas long distance market, AT&T, WorldCom and Sprint, the "big three" long distance providers, have gone from 77% market share in 2000 to 59% in 2002. The report examines the existing condition of competition in the local, long distance, and broadband telecommunications market at both a national and state level.

In its last Scope Report, the TX PUC reported that CLECs were capturing more customers in the larger metro and suburban areas, but competition in rural areas was limited. The PUC found that the situation had changed. As of June 2002, CLECs served 16% of the local customers in rural and urban areas and 13% in suburban areas.

The PUC noted that it is not clear that such competition is sustainable. The ability of CLECs to sustain themselves in the local telecommunications market is uncertain due partly to pending actions at the FCC concerning the continuous availability of access to the ILECs' networks. The ILECs still serve 85% of the local market and own the underlying facilities and therefore may still possess market power.

The TX PUC performed a follow-up study in December 2002. It found that, despite the struggling economy, local telecommunications competition continues to develop, but at a slower rate of growth. Wireless demand remains high, and some consumers have begun to substitute wireless phones for traditional landline phones. Consumers have benefited significantly from strong competition in the long-distance market. Broadband internet demand has also grown. Taken together, these trends indicate that the telecommunications industry is undergoing significant competitive transition that will bring more choices to consumers.

Two years after SBC-Texas (SBCT) was granted approval by the FCC to enter the long-distance market in Texas, SBC has made significant progress in the long-distance market – SBCT estimates its Texas market share at 40% - while competition in the local market is still emerging, and many competitors of SBCT are struggling to remain financially viable.

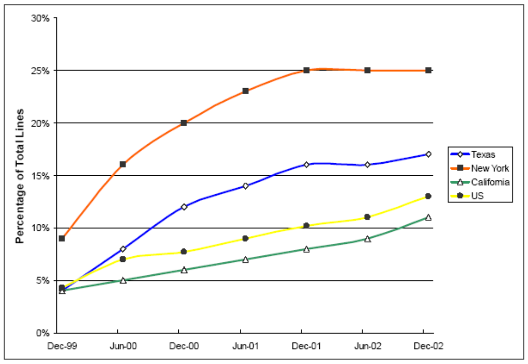
The following graphs and charts summarize the TX PUC's findings.

Table 5 — Total Access Lines by Geography

	Rural	Suburban	Urban	Total
ILEC	2,856,744	2,233,385	5,896,158	10,986,287
CLEC	389,966	409,037	1,518,238	2,317,241
Total	3,246,710	2,642,422	7,414,396	13,303,258

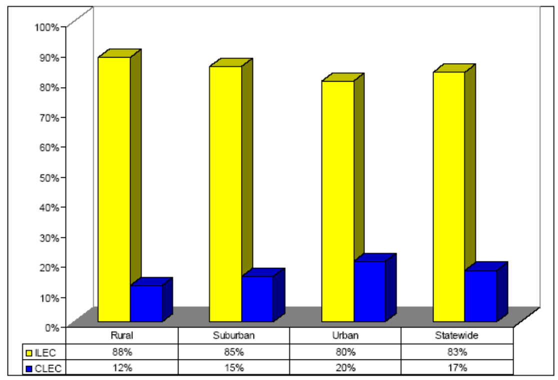
SOURCE: Texas PUC 2003 Scope of Competition Data Responses.

Figure 8 — CLEC Line Growth in Texas Compared with Nationwide and Other States



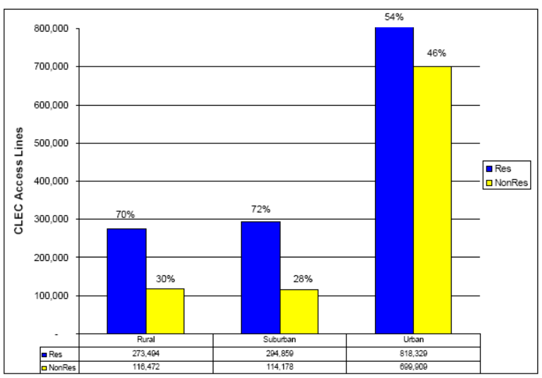
SOURCES: *Local Telephone Competition Reports,* FCC (Aug. 2000, May 2001, July 2002, Dec. 2002), Texas PUC 2003 Scope of Competition Data Responses.

Figure 12 — ILEC versus CLEC Lines in Texas by Geography as of December 31, 2002



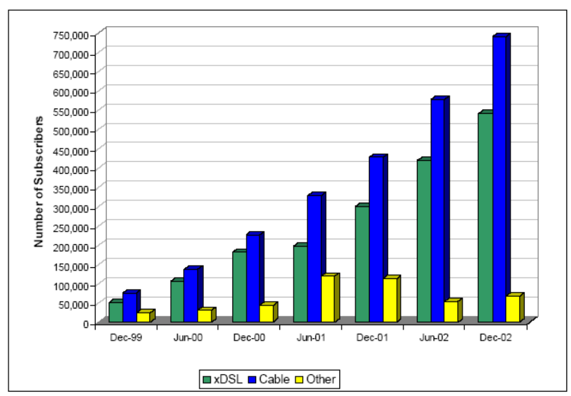
SOURCE: Texas PUC 2003 Scope of Competition Data Responses.

Figure 14 — Texas CLEC Lines by Geography and Type of Customer



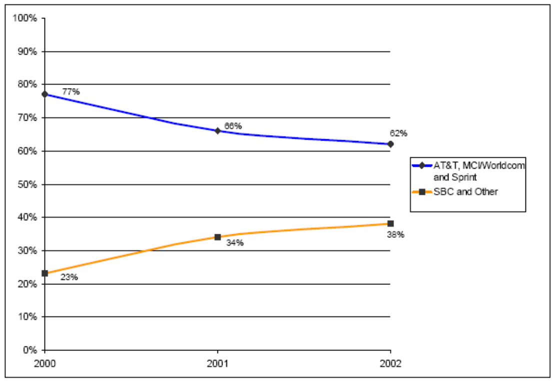
SOURCE: Texas PUC 2003 Scope of Competition Data Responses.

Figure 18—Broadband Subscribers in Texas



SOURCE: *High Speed Services for Internet Access*, FCC (Dec. 2000, Aug. 2001, Feb. and July 2002, June 2003).

Figure 19 — Long-distance Market Share Over Time



SOURCE: Texas PUC 2003 Scope of Competition Data Responses. The other category includes facilities-based IXCs, such as Williams Communications and Broadwing, Inc., as well as resellers.

Table 9 — Comparison of Wireline and Wireless in Texas

	2000	2001	2002
Mobile Wireless Subscribers	7,548,537	9,062,064	9,943,429
Long-distance (Switched Access) Minutes of Use	11,397,493,545	11,495,969,512	11,364,074,299
Total Basic Dialtone Lines	13,750,684	13,531,474	13,303,528

SOURCES: *Local Telephone Competition Reports*, FCC (May 2001, July 2002, June 2003), Texas PUC 2003 Scope of Competition Data Responses.

Contact: Rosemary McMahill, Co-Lead 512-936-7244, rosemary.mcmahill@puc.state.tx.us

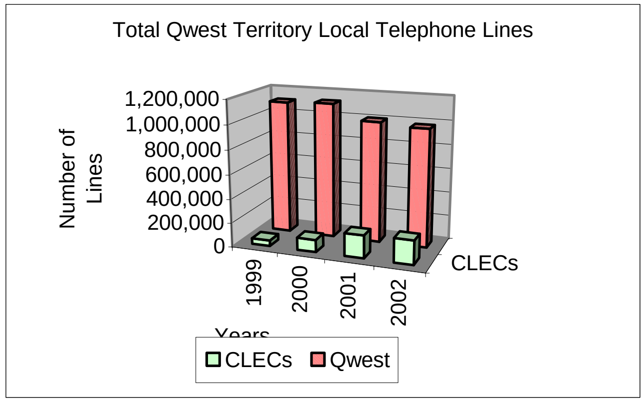
UTAH

The Utah Competitive Report, prepared with the assistance of the Division of Public Utilities (Division), outlines access line growth, broadband deployment, revenue generation, and other information on the current state of competition in the telecommunications industry. UCA §54-8b-2.5 requires the Utah Public Service Commission to submit an annual report on the state of local telecommunication competition to the Governor, the Legislature, the Public Utilities and Technology Interim Committee, and the Information Technology Commission.

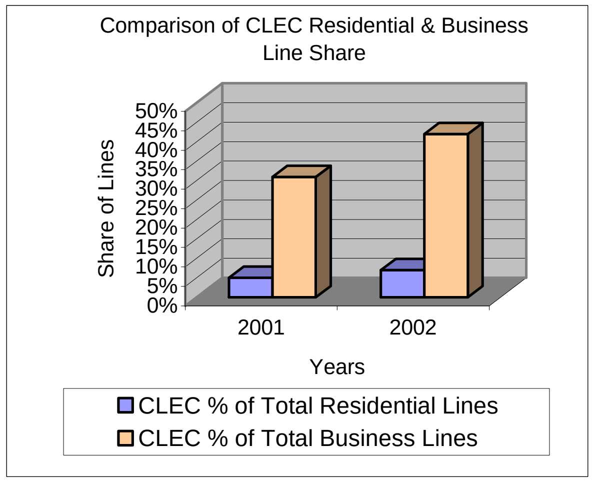
Utah investigated the following areas in studying statewide competition:

- Impacts of Qwest's price increases under price cap regulation since it was authorized to use that method of regulation
- Collocation issues, including the number of Qwest central offices (COs) that have collocation, the number of COs with three or more collocations, and the percent of Qwest's access lines within the state. Utah also noted that CLEC collocation is limited to a few population centers.
- Billing and service complaints were used as indicators of quality of service
- Current status of deployment of telecommunications relay service
- Current status of Number Conservation and Area Code Relief
- Concerns over carriers' service quality, or perceived quality of service. Utah recognized in its report that concerns over carriers' service quality can reduce the market to a single dominant company if customers are afraid to try an "unestablished newcomer" for services considered essential. It is not just the number of carriers in each telecommunications market that defines competition, but also market shares and perceived quality of service.
- Broadband and VoIP
- Two economic measures used to evaluate market power and level of competition in the industry: the Herfindahl-Hirschman Index ("HHI") and the Effective Firm Index
- Geographic location(s) of competition
- Competitors serving in each ILEC territory and whether they provide residential and/or business service
- Cable, DSL, satellite, fixed wireless, wireless, and municipal telecommunications
- Challenges to competition in the state and policy recommendations (at state and federal level) to encourage competition
- Impact of mergers/acquisitions

Indicators of Telecommunications Competition in Utah
·99 CLECs hold certificates and 17 of them currently provide service.
·Statewide, 16 ILECs, 388 toll resellers.
·99 Interconnection Agreements; 207 collocations.
·Within Qwest's service area, Qwest's market share is 83.1%; the CLECs', 16.9%.
·Within Qwest's service area, Qwest controls 67.4% of business lines; CLECs', 32.6%.
·Within Qwest's service area, Qwest controls 92.1% of residential lines; CLECs', 7.9%.
·Qwest has petitioned the FCC to provide long distance service to its Utah customers; our final Section 271 Order was issued in July 2002 finding that Qwest met the requirements of the federal law.
·DSL will be available by the end of 2002 in all of Qwest's central offices as required by the 1999 Commission merger order. DSL will not be available to all Qwest customers, however, because of some technological limitations.
·The wireless market is growing: 25 licensed cellular and 40 PCS broadband companies offer service in Utah.



The Utah PSC found that competitiveness in markets is always a matter of degree. In its report, they investigated how much of the market each company holds, measured by its revenues, number of lines, and customers. Residential competition in the local market is currently very limited. Data indicates that Qwest, holds a dominant position even though it reported a slight net decline in the total number of residential telephone lines served during 2002. The number of residential lines served by CLECs increased by 31 percent over last year's number, however, as a percentage of the total market CLECs still serve only about 8 percent of the residential lines. CLECs are present in 20 of Utah's 29 counties. In percentage terms, CLECs serve 33 percent of business access lines in Qwest's service territory. Some CLECs are providing bundled residential service, either including local service, a fixed or unlimited amount of monthly long distance service in addition to Internet access, or combining local and long distance phone service with cable television and Internet service. AT&T has been the strongest contender in the residential market, but has restructured its AT&T Broadband segment, splitting from the parent company. Information and charts for number of lines and revenues can be viewed by double clicking the figure below.



The Utah PUC used two economic measures to evaluate market power: the Herfindahl-Hirschman Index ("HHI") and the Effective Firm Index. Both can be used to judge the level of competition in the industry. HHI measures market concentration by squaring the market share of each firm competing in the market and summing the results. The HHI increases as the number of firms in the market decreases and as the disparity in size between those firms' increases. An index value of .50 is the necessary threshold value for the market to begin to be considered somewhat competitive. The table below reflects the HHI values for the past three years in Qwest's Utah service territory.

Herfindahl-Hirschman Index for Qwest's Utah Operations

Year	Total Market	Residential Market	Business Market
2000	.844	.985	.614
2001	.716	.888	.480
2002	.695	.853	.472

The Effective Firm Index for Qwest's Utah service territory remains basically unchanged at 1.44, compared to the previous year's 1.40. The index, which is the inverse of the HHI, will usually not exceed 2 unless the dominant firm's market share declines to approximately 65 percent. The Effective Firm Index in the business market was 2.12, slightly larger than last year's 2.08. In the residential market, the Effective Firm index increased from 1.13 to 1.17. The results show that the total market has changed only slightly in the past year. The 17 CLECs active in Utah jointly have the impact of a little less than one half of an effective competitor in the overall market.

The Utah PSC concluded that Competition does exist in some portions of the Utah telecommunications markets, but it is neither equally distributed throughout the state nor equally present in the residential and business service markets. Generally urban areas are more competitive than rural areas and some parts of the state have little or no competition.

Deregulatory Activities in Other States

PUD Staff sent a survey to Commission contacts in all 50 states regarding deregulatory activities in telecommunications. Of the 50 states polled, 28 responded. Attachment 1 provides a table displaying the actual responses received from other states.

Six states have generally deregulated the telecommunications industry:

1. Arkansas in 1998
2. Nebraska in 1986
3. Pennsylvania in 2004
4. Massachusetts in 1985 (non-dominant carriers have price deregulation; dominant carriers have upward price flexibility)
5. Tennessee has some level of "exemption"
6. Utah

Most states have implemented varying levels of relaxed regulation, alternative regulation, or price cap regulation. Further, it was noted that states including Idaho, Oregon, and Texas do not regulate CLECs.

According to a recent *draft* report issued by the National Regulatory Research Institute (NRRI), as of 3/3/05, legislation to deregulate telecommunications services has been introduced in 12 states since the beginning of 2005. Attachment 2 contains an excerpt from this draft report, which details the various legislative activities in states throughout the nation. Additional information is also provided to detail those states with future plans to introduce such legislation.

Deregulatory Activities in Other States
Individual State Responses to Staff's Survey

State	Deregulated?	Services/carriers that are Deregulated	Monitor Impacts of Deregulation?	Comments
Alabama	No			Relaxed regulation in areas where there is some competition. Commission approved price regulation / flexibility in December 2004.
Alaska	No			Alaska has not deregulated the local carriers at this time, but they do have relaxed regulation. Some optional services detariffed.
Arizona	No			Commission decision to be issued in this area on March 8, 2005.
Arkansas	Yes	Arkansas effectively deregulated in 1998. Most services are deregulated for carriers that opt into limited regulation. There are limits on how much local rates can be raised. Interconnection rates are "regulated" to the extent required under federal law.	Not specified.	
California	No response.			
Colorado	No			We have a current proceeding that would deregulate much of retail competition in CO - application filed by Qwest. Hearings are scheduled for April 18-29 - so no conclusion yet.
Connecticut	No response.			
Delaware	No			Delaware has not deregulated the telecommunications service provider industry, including local exchange service providers, within their jurisdictions.

State	Deregulated?	Services/carriers that are Deregulated	Monitor Impacts of Deregulation?	Comments
Florida	No	Florida has only one small LEC that is rate-base regulated. The others are regulated under Florida statute 364.051 - Price Regulation.	Not stated.	
Georgia	No response.			
Hawaii	No response.			
Idaho	No for ILECS --- Idaho has deregulated local exchange service for CLECs (since 1988).		They have not paid too much attention to deregulation in the sense that they are more or less regulated by the rates the ILEC charges.	Idaho Legislature is currently voting on deregulating Qwest. The Commission currently regulates residential lines and businesses with 5 or fewer lines. This is for Qwest only - Verizon in Northern Idaho is fully regulated.
Illinois	No response.			
Indiana	No	There are particular services (e.g. toll and payphones) and particular carriers (e.g. some small ILECs) that are not regulated.		Indiana does not price regulate CLECs and the three largest ILECs (SBC, Verizon and Sprint) have alternative regulatory plans that form the basis of their regulation. Also, there is a bill pending before the legislature that would for all intent and purposes deregulate telecommunications.
Iowa	No			Based on the current legislative session, Iowa statutes will be amended to deregulate business and retail local exchange services, except for single line flat-rated residential and business rates. This will become effective July 1, 2005. The Iowa Utilities Board issued an order deregulating rates for local exchange service, but not service quality, in about 19 Iowa communities on December 23, 2004. These were all communities where a CLEC had overbuilt a substantial part of the

State	Deregulated?	Services/carriers that are Deregulated	Monitor Impacts of Deregulation?	Comments
				exchange and had successfully taken at least 50 percent of the market.
Kansas	No	SBC and Sprint/United.	With respect to monitoring activities, CLECs are required to file a one-page annual report with the Commission.	Competition in Kansas Local Exchange markets was introduced by state statute during 1997. To date, only SBC and Sprint/United have opted into the Price Cap regulation. These two companies serve 315 of the 583 Kansas Wire Centers, or approximately 90% of the ILEC access lines.
Kentucky	No response.			
Louisiana	No response.			
Maine	No response.			
Maryland	No - Verizon is the ILEC for all but about 4,000 customers in Maryland and is subject to Price Cap regulation.		Not stated.	While the MD PSC does not regulate the rates charged by CLECs and IXC, it has not fully deregulated any part of the industry.
Massachusetts	Yes	Non-dominant carriers have price deregulation; Verizon, the main dominant carrier, has upward price flexibility.	Yes – yearly reports are required.	Massachusetts has largely price deregulated the telecommunications industry in our state. All non-dominant carriers are allowed to charge market-based rates for all services. This policy has been in place since 1985. In 2003, the Department granted Verizon, the only dominant carrier in the state except for four tiny rural ILECs, significant upward pricing flexibility for most of its services.
Michigan	No response.			
Minnesota	No response.			
Mississippi	No response.			
Missouri	No			In Missouri, all telecommunications providers are at least required to submit tariffs for Commission

State	Deregulated?	Services/carriers that are Deregulated	Monitor Impacts of Deregulation?	Comments
				review on all services except for 1. Dedicated, nonswitched, private line and special access services; and 2. Central office-based switching systems which substitute for customer premise, (PBX)
Montana	No	Qwest - somewhat		Current law and Commission policy have resulted in the Commission forbearing from regulation under certain circumstances, permitting flexible regulation, reducing regulation and deregulating carriers and services when an appropriate degree of competition exists. HB539 was recently introduced in the legislature to deregulate all telecommunications services except the primary lines into a home or business.
Nebraska	Yes	All services/carriers.	Not specifically stated.	The telecommunications industry in Nebraska was deregulated in 1986 under LB 835. The PSC role is now primarily related to consumer protection, monitoring tariffs and IXC filings, reviewing and approving new applications for certification, boundary changes, rate center consolidation, and numbering resources.
Nevada	No response.			
New Hampshire	No			
New Jersey	No			New Jersey has not deregulated any basic telecommunications services; however, it has granted competitive status to many business services to provide for pricing flexibility. We are in the process of considering whether 2-4 line basic business lines should be granted competitive status. We are currently reviewing monitoring criteria and expect to

State	Deregulated?	Services/carriers that are Deregulated	Monitor Impacts of Deregulation?	Comments
				revise the current reporting requirements. Service Quality standards are also in place.
New Mexico	No response.			
New York	No			This is a very hard question to answer unless you define deregulation, and if you mean has the legislature done it, in NY we do not have a deregulation statute but we "lightly" regulate non-dominant carriers.
North Carolina	No response.			
North Dakota	No response.			
Ohio	No			The PUC of Ohio's "off-the-shelf" alternative regulation plan affords carriers certain pricing flexibility for non-core telecommunications services.
Oregon	Not fully.	CLECs. Varies for ILECs.	Not stated.	This response assumes that "deregulation" means exemption from regulation of price, terms, and conditions of service. Oregon has not fully deregulated local exchange telecommunications service. Competitive providers are entirely exempt from rate regulation for all services including local exchange services. Rate regulation of Incumbent providers varies.

State	Deregulated?	Services/carriers that are Deregulated	Monitor Impacts of Deregulation?	Comments
Pennsylvania	Yes – generally.		Not specifically stated.	Pennsylvania has had alternative forms of regulation in place for incumbent local exchange carriers since 1993. At the end of 2004, the Pennsylvania Legislature passed additional provisions to allow further deregulation of the ILECs. Presently, the ILECs are filing tariff changes and other filings to comply with the provisions of Act 183 of 2004.
Rhode Island	No response.			
South Carolina	No response.			
South Dakota	No response.			
Tennessee	No			In Docket 03-00391 IntraLATA toll service and Primary Rate ISDN Service were deregulated. The company is to file price list for these services. Additionally, we will review the deregulated status of PRI in one year. The law for "exemption" (that's what our statute says instead of de-regulation) was passed in 1995 and no ILEC had ever filed any petition to exempt a service until last year. Now, we have had several. You may be interested to know that we can exempt "all or part of service" and can place restrictions on it.

State	Deregulated?	Services/carriers that are Deregulated	Monitor Impacts of Deregulation?	Comments
Texas	No		The Public Utility Commission of Texas is required to submit exhaustive reports to the legislature on a biennial basis covering the "scope of competition" in the telecommunications markets of Texas. Additionally, the Commission reports on the availability of advanced services in rural and high cost areas, and other subjects related to telecommunications competition and the quality and availability of telecommunications infrastructure in the state.	On 3/23/05, the House voted to approve legislation that would allow, among other things, deregulation of local rates of incumbent carriers in the state contingent on reductions in access rates, and universal service fund support (USF). The bill now heads to the Senate for consideration. HB 789, eliminates certain regulatory requirements of incumbent carriers, and looks at developing a technology neutral mechanism in applying municipal right-of-way taxes as well as reviewing the USF with possible reductions in disbursements. Full pricing flexibility would occur by 2008, if the carriers agree to reduce their interstate-switched access rate level by 50% of the difference in the intrastate and interstate level by Sept. 1, and by the remaining 50% by Jan. 1, 2007.
Utah	Yes	Qwest, generally.	Not specifically stated.	The Utah legislature passed statutes to facilitate competition in 1995. The "Public Telecommunications Law" Utah Code Title 54-8b allowed LECs to offer competitive services but required a Commission finding that competition existed. Since 1997, Qwest has not been under Rate of Return regulation in Utah. In the legislative session that just ended, they passed a bill to de-tariff all Qwest services except the first residential line basic service. The requirement for the Commission to find that competition existed was eliminated. The law allows small rural telephone companies to also opt to de-tariff services but would

State	Deregulated?	Services/carriers that are Deregulated	Monitor Impacts of Deregulation?	Comments
				require a finding that competition exists.
Vermont	No			Vermont has a statutory provision allowing alternative forms of regulation (30 VSA Section 226b). Currently, Verizon is the only incumbent carrier under this form of regulation. We are currently working on a successor alt reg plan in Docket 6959 to replace the original plan. The independent incumbent telcos are still under traditional rate regulation, although they could apply for alt reg if they wanted. We do not regulate rates for CLECS or IXCs, but they are still subject to other regulations. --- In a nutshell, we have a statute for "incentive regulation" or price caps. Our 9 independent telcos are thinking about filing for incentive regulation but they're also in the legislature seeking total deregulation. We have another statute that allows reduced regulation of non-dominant carriers.
Virginia	No response.			
Washington	No			The Washington Utilities and Transportation Commission does not have authority to deregulate carriers or services, however, it does have authority to implement regulatory flexibility in the form of rule waivers and pricing flexibility via competitive classification. The primary example of this activity is in Qwest business exchange services in Washington.
West Virginia	No response.			

State	Deregulated?	Services/carriers that are Deregulated	Monitor Impacts of Deregulation?	Comments
Wisconsin	No			We do not "regulate" CLECs, resellers or IXCs. Certification is needed and they follow some rules and pay into the USF, but there is nothing "economic". We have no rate or earning regulation of telephone cooperatives since sometime in the early 80s. Also in the 80's, a new regime was established for "small telcos." At first that was under 10,000 access lines, but later was changed to 50,000 access lines. These companies can change rates up to 30% per year without PSC approval - unless a petition of 10% of customers is filed. In 1994, a new law, Act 496, passed in Wisconsin. It established two new kinds of ILEC regulation.
Wyoming	No response.			

All information in this Attachment was excerpted from the draft NRRI Report – "WHAT TO THINK ABOUT WHEN YOU THINK ABOUT TELECOMMUNICATIONS DEREGULATION", March 3, 2005.

Table 1: Telecommunications Deregulation Legislation in the States

State	Bill Number	Status
Alabama	SB 114	Introduced 2/1/05, passed committee, amended in Senate 3/3/05, awaiting 3rd reading
Georgia	SB 120	Introduced 2/7/05, referred to committee
Idaho	HB 57	Introduced 1/27/05,passed committee 2/24/05
Indiana	HB 1518	Introduced 1/18/05, passed committee (2/21/05); amended in House 2/24/05; awaiting 3rd reading
Iowa	HF177	Introduced 2/11/05, passed House 2/16/05, passed Senate 3/3/05
Kansas	SB 120	Introduced 1/27/05, hearings 2/16,2/21/05; withdrawn from, and re-referred to, Utilities Committee 2/25/05
Montana	HB 539	Introduced 2/03/05, hearings 2/14/05, tabled 2/15/05, missed deadline for general bill transmittal 3/1/05
New Mexico	HB 750 SB 672	House: passed Consumer & Public affairs Committee 2/26/05, referred to Business & Industry Committee; Senate: passed Corporations & Transportation. Committee 2/26/05, referred to Judiciary Committee
North Dakota	SB 2216	Introduced 1/12/05, passed Senate 1/24/05; introduced House 2/11/05, committee hearing 3/02/05
Oregon	SB 878	Introduced 2/21/05, referred to committee
Texas	HB 789 SB 332	House: introduced 2/1/05, hearing 2/22/05, pending in committee; Senate: introduced 2/7/05, hearing 2/15/05, pending in committee
Utah	SB 108	Introduced 1/11/05, signed into law 2/15/05
Illinois	NA	Bill expected in the future
Michigan	NA	Bill expected in the future
Ohio	NA	Bill expected in the future
California	NA	Commissioner-proposed investigation
Colorado	NA	Commission has open docket; legislation expected
Oklahoma	NA	Commission study, following recommendation by legislature (SCR 74 in 2004)

Source: NRRI.

Below are brief Comments regarding the legislation in the 12 active states with respect to its potential effect on commission authority. The text of the full legislation may be accessed at the following page: http://www.nrri.ohio-state.edu/programs/markets/dereg-legislation.html.

Alabama: Deregulates service except for basic service. Basic service allows for limited automatic price increases. Provisions become effective 18 months from effective date.

Georgia: Establishes that advanced technologies (broadband, wireless, VoIP) are exempt from any regulation, except for interconnection agreement authority. Commission orders on DSL over UNE-P voided in 2006. Protects access charge authority. Bill would take effect on 7/1/05.

Idaho: Deregulates after a three year transition period per company, although the commission may extend this period by up to two years if it is in the public interest. During the transition, rates are capped, but may increase $1.75/year. Commission retains non-economic regulatory authority relating only to basic service to all companies providing such service. Filing of tariffs would be voluntary.

Indiana: Commission would cease oversight of non-basic services on 6/30/07, and would cease oversight of pricing, terms, and conditions of basic service on 6/30/10. Filing of tariffs would be voluntary. Commission may not impose any more stringent requirements on basic service than are already in effect , and basic service quality requirements must apply to all providers. Commission must establish one reasonable price on UNE, resale of services, and interconnection in accordance with the Federal Telecommunications Act of 1996. Retains commission authority over interconnection disputes. Bill would take effect 7/1/05.

Iowa: Deregulates except for basic service on 7/1/05; basic service deregulated after 7/1/08, although the commission may extend its authority for two more years if it is in the public interest. In the interim, basic service rates would be capped, but allowed to increase by annual increments ($1 for residential, $2 for business) until 2008. Commission retains authority to resolve antitrust disputes among carriers.

Kansas: Price deregulation of packaged or bundled services, and any new service offered after 8/1/05. Deregulation includes residential and single-line business services if customers are receiving bundled services that are available individually. Remaining price caps annually adjusted for the telephone component of the Consumer Price Index plus any commission-approved cost. Any new service after 8/1/05 is deregulated. Price deregulation will be extended to all residential and business services in any exchange area where carrier demonstrates at least one carrier is providing basic service. Bill preserves commission authority to modify contributions to universal service fund.

Montana: Removes regulatory oversight for all services except primary lines for residential and business customers. The provisions would be effective upon enactment.

New Mexico: Companies may provide price lists for non-basic service for decreases in rates. Increases for non-basic rates, as well as all rates for basic residential and business would be set according to ILEC's alternative form of regulation plan.

North Dakota: Caps primary lines for business and residential customers, but all other services are deregulated.

Oregon: Utility may file price lists for nonessential services or for essential services in area deemed to be competitive by the commission. The presence of additional nonregulated service providers qualifies that service as competitive. The Commission may re-regulate after notice and hearing.

Texas: Deregulates all areas by 8/1/07 except where Commission determines area should remain regulated. ILEC rates capped at 2005 levels. PUC may re-regulate if necessary, and small companies may elect to remain regulated. Commission retains authority to adjust universal service funds, but deregulated carriers may only receive lifeline services funding. Deregulated companies exchange certificate of convenience and necessity for operating certificate. Requires ILECs to reduce access charges, subject to commission review. Establishes extensive wholesale code of conduct to be enforced by commission. Establishes legislative committee to conduct joint oversight with commission of competitiveness issues.

Utah: Effective 5/2/05, removes residential rate cap in competitive exchanges, although ILECs serving fewer than 30,000 customers must petition for deregulation. ILEC basic service rates capped at 2004 rates (except as provided by the commission) until a commission review of the presence of competition in the service area. Commission allowed to intervene if it determines that competition has not developed or is otherwise in the public interest.

Oklahoma Corporation Commission
Cause No. PUD 200400605
<u>Voice over IP Provider Listing</u>

COMPANY NAME	COMPANY LOCATION	COMPANY TYPE	AVAILABLE IN OK?	MONTHLY SERVICE PRICE	EQUIPMENT REQUIRED?
AT&T	USA	Service Provider	Yes	$29.99	Yes
Belkin	USA	Manufacturer	No	$14.95-24.95	Company Belkin Adapter
BroadCom	Irvine, CA	Manufacturer	Unknown	N/A	N/A
BroadVoice	USA	Service Provider	Yes	$19.95	Any VOIP Adapter
Earthlink	Atlanta, GA	Service Provider	Yes	$14.99-49.99	Phone Adapter
Encounta	Australia	Service Provider	Yes	N/A	N/A
FonoSip	info@fonosip.com	Service Provider	Yes	Monthly plans and per-minute plans	Off-the-Shelf equipment
Free Call	Sidney, Australia	Service Provider	Yes	$5.00 MRC and $0.03 per min.	Internet Phone
FreeWorldDialup	Melville, NY	Service Provider	Yes	FREE (member-to-member service)	Company software and adapter
GlobalTouch Siptalk	Los Angeles, CA	Service Provider	Yes	$9.95 (200 minutes); $49.95 unlimited	Unknown
Gratis SIP NL	Unknown	A Dutch SIP Service	Unknown	Unknown	Unknown
IAXTel	USA	Service Provider	Yes	Monthly plans	Asterisk Servers
InPhonex	USA	Vendor	Yes	Monthly plans	Company Equipment and Off-the-Shelf
Iptel	Norway	Equipment Vendor	Yes	$220 for Hardware	Company Equipment
KonceptUSA	USA	Vendor	Yes	Adapters and End-to-End VoIP	Company Equipment
Lingo	USA	Service Provider	Yes	$19.95	Company Lingo Device
LiveVoip	Mesa, AZ	Service Provider	Yes	Available in OK for DID -$0.012 per min for up to 100,000 minutes	Off-the-Shelf (to place outbound calls, users need the PBX City Plan)
MyVoipLine	USA	Equipment vendor	Unknown	Unknown	VoIP Phone
Packet 8	USA	Service Provider	Yes	$19.95	Company Packet 8 Adapter
Quicknet	San Francisco, CA	Manufacturer	N/A	Unknown	Unknown
SIPphone	San Diego, CA	Manufacturer/Service Provider	Yes	N/A	Both
Symbol	Unknown	Vendor/Manufacturer	N/A	N/A	N/A
Telegea	Waltham, MA	Equipment Vendor	No	N/A	N/A
Verizon VoIP	USA	Service Provider	Yes	$34.95	Company VoiceWing Adapter
Voiceglo	For Lauderdale, FL	Service Provider	Yes	$9.95 and up ($4.95 per mo + $5.00 calling card) per-minute rate of $0.025-$0.050	Glophone and router adapter
Voicetronix/ NETIX	Australia	Equipment Vendor	Yes	N/A	Unknown
Voipnet	Miami, FL	Service Provider	Yes	$12.95-44.95	Unknown
VoipTalk	London, UK	Equipment vendor	Unknown	Unknown	Unknown
Vonage	USA, Canada, Mexico, & UK	Service Provider	Yes	$14.99-24.99	Router from company or retailer
WorldTeq	Rockville, MD	Design & Service Provider	Yes	N/A	Company equipment

News from the Oklahoma Corporation Commission

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April 8, 2005

Media Advisory - Hearing

What: Hearing on the Commission's investigation of telecommunications in Oklahoma.

Who: Corporation Commissioners, OCC Staff, AARP, the Attorney General, telecommunications companies from across the state, others.

When: Tuesday, April 12 @ 9:30 a.m.

Where: Commission Courtroom (301), Jim Thorpe Building, 2101 North Lincoln, State Capitol Complex, Oklahoma City

Why: A task force appointed by the Oklahoma legislature last year to examine the state of telecommunications in Oklahoma asked the Commission to conduct an investigation of the industry, including regulation and competition. The staff of the OCC's telecommunications section has just filed its report on the matter.**

Many parties have filed positions on this topic, particularly as regards the question of whether telecommunications competition exists in Oklahoma, and the impact of the issue on the consumer, particularly as regards removing current regulations on local phone rates.

****NOTE: A copy of the report can be found on the OCC's home page (www.occeweb.com) under "News".**

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All OCC advisories and releases are available at www.occ.state.ok.us

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Denise A. Bode, Commissioner

Contact: Gary Walker (405) 521-2822

May, 02 2005

Commissioner Bode to join with other women leaders from the region to encourage greater participation of women in public service

Organizers of the upcoming 2005 Southern Women in Public Service Conference have asked Oklahoma Corporation Commissioner Denise Bode to serve in the position of “Pacesetter” for the state of Oklahoma.

This annual conference has become the most significant gathering of women political leaders throughout the South who want to make a difference through public service at the national, state and local levels. The purpose of the conference is to provide leadership development opportunities to women political leaders and to encourage more women to seek leadership positions in public service.

“This is a cause that is very near and dear to my heart,” said Bode. “I am honored and humbled by the invitation.”

In 1995 the Stennis Center established the annual Lindy Boggs Award to recognize an outstanding woman from the South who has been a role model for women who want to make a difference through political leadership. This year’s recipient is Lady Bird Johnson. The award will be presented at the conference.

The 2005 Southern Women in Public Service Conference will be held May 15 – 17 in San Antonio, Texas. It is sponsored by the Stennis Center for Public Service, which was created by Congress in 1988 to promote and strengthen leadership in public service in America. For more information, go to www.stennis.gov .

Denise Bode has served on the Corporation Commission since 1997, having twice won election to the post.

(end)

News **from the Oklahoma Corporation Commission**
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May 2, 2005

Media Advisory - Commission approves PSO rate agreement

The Oklahoma Corporation Commission today approved a stipulated agreement involving Commission staff, the Oklahoma Attorney General, Public Service Company of Oklahoma (PSO) and other parties, which contains a $6.9 million rate cut for most PSO customers.

It is estimated the average PSO residential customer would save $1.45 a month under the plan. The June billing statements will be the first under the new rate plan.

Under the agreement, PSO will not be allowed to ask for a rate adjustment until after February 15, 2006.

The Final Order approving the agreement included language added by the Commissioners encouraging PSO to bury certain distribution lines in order to enhance reliability. Specifically, the order states:

"The Commission finds that the reliability performance of PSO may be enhanced by placing selected distribution overhead facilities underground. The Commission encourages PSO to continue its efforts to place lines underground as it appears to be in the public interest to do so."

The stipulated agreement was reached with all parties to the case in March, when a Commission administrative law judge recommended its approval.

Originally, PSO had requested a $41 million rate increase.

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May 2, 2005

Media Advisory – Marchi McCartney named new head of Transportation Division

Oklahoma Corporation Commission veteran Marchi McCartney has been appointed to the post of Director of the Commission's Transportation Division.

McCartney has been at the Commission for 15 years. Most recently, she served as Director of the Commission's Consumer Services Division. Prior to that, she was assistant General Counsel.

In addition to her law degree, McCartney also holds a Masters Degree in civil engineering.

The previous Transportation Director, Ace McCown, passed away in late April.

The Commission's Transportation Division oversees trucking, pipeline safety and railroads in Oklahoma.

-occ-

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Editors please note: A photo of Ms McCartney is attached

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Denise A. Bode, Commissioner

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May 20, 2005

A LIFE-SAVING DECISION

Commissioner Bode praises FCC vote on VOIP-911

(Washington, D.C.) Calling it "a quick, decisive move to save lives while still encouraging innovation," Oklahoma Corporation Commissioner Denise Bode today praised the Federal Communications Commission (FCC) vote this week that will mean those who use a VoIP telephone service (commonly referred to as "Internet phone service") will have access to 911.

Bode is a member of the Intergovernmental Advisory Committee (IAC) to the FCC, and is in Washington for an IAC meeting. She says the FCC Commissioners' vote this week is in response to concerns brought by the IAC and others.

"There have been recent tragedies caused in part by the fact that the person needing help was using a VoIP phone service, unaware it did not offer either 911 service or enhanced (E911) service which allows the 911 operator to pinpoint the location of the call," said Bode. "While I and my fellow IAC members are committed to the idea of allowing innovation to flourish without undue government interference, this is a safety and security issue.

"The Oklahoma Corporation Commission is responsible for overseeing the fund that pays for E911 upgrades for Oklahoma communities. As we approve these disbursements in the future, we will do it with the confidence that the service will be available to users of VoIP telephone service, as well as traditional phone service," Bode added.

Specifically, the FCC Order approved Thursday requires VoIP telephone service providers to deliver all 911 calls to the customer's local emergency operator as a standard feature of the service. The providers must also provide emergency operators with the call back number and location information of the caller if the 911 center has the necessary (E911) equipment. The requirements take effect in 4 months.

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Bob Anthony, Chairman

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05-25-2005

Chairman Anthony Named To National Panel In The Forefront Of Utility Issues

(Washington D.C.) Oklahoma Corporation Commission Chairman Bob Anthony has been appointed to the Board of Directors of the National Regulatory Research Institute (NRRI). The NRRI was established by the National Association of Regulatory Utility Commissioners (NARUC) to gather and disseminate thoughtful, unbiased research on issues coming before public utility commissions across the nation, including the Oklahoma Corporation Commission.

NRRI President Diane Munns said Anthony's service on the Board will be "important to the cause of strengthening effective public regulation. "

Chairman Anthony is currently serving his third consecutive six-year term on the Corporation Commission. He holds a B.S. from the Wharton School of Finance at the University of Pennsylvania, an M.SC. from the London School of Economics, an M.A. from Yale, and an M.P.A. from the Kennedy School of Government at Harvard.

(end)

News **from the** **Oklahoma Corporation Commission**
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June 13, 2005

MEDIA ADVISORY

A True "Pocketbook" Issue – What Will Energy Costs Be?

WHAT: News Conference on Commission's 3rd annual Energy Outlook, containing:

1) **Forecasts for what utility bills are expected to be this summer, winter and spring for ONG, PSO, OG&E, and Centerpoint customers.**
2) **The 1st annual Reliability Scorecard, allowing Oklahomans to compare the reliability of electric utilities.**
3) **The new annual report on oil and natural gas production in Oklahoma.**
4) **Trends and forecasts on gasoline prices, supplies.**

WHO: Corporation Commissioners, utility company officials, Commission staff.

When: Thursday, June 16 @ 11:00 a.m.

Where: Commission Courtroom (301), Jim Thorpe Building, 2101 North Lincoln, State Capitol Complex, Oklahoma City

Why: To assist Oklahomans in planning and budgeting for volatile energy costs.

Note: News media materials to be distributed at the news conference will include charts and other graphics in .pdf and/or .doc file versions, as well as "hard" copy.
Those unable to attend the news conference in person can join the event through an interactive web site that will allow you to ask questions. For more information, call or e-mail Matt Skinner.

-occ-

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June 16, 2005

MEDIA ADVISORY – NEWS CONFERENCE TODAY – THURSDAY JUNE 16

WILL OKLAHOMANS FACE AN EXPENSIVE SUMMER AND WINTER?

A True "Pocketbook" Issue – What Will Energy Costs Be?

WHAT: News Conference on Commission's 3rd annual Energy Outlook, containing:

1) **Forecasts for what utility bills are expected to be this summer, winter and spring for ONG, PSO, OG&E, and Centerpoint customers. (Hint: Some may experience "sticker shock"**
2) **The 1st annual Reliability Scorecard, allowing Oklahomans to compare the reliability of electric utilities.**
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July 28, 2005

LEVELING THE PLAYING FIELD

Commission approves order aimed at increasing telecommunication competition, services

(Oklahoma City) The Oklahoma Corporation Commission (OCC) today approved a measure that changes some of the regulations SBC-Oklahoma is currently under.

Commission Chairman Jeff Cloud said the measure is a well-balanced, reasoned approach to a complex issue.

"When it comes to telecommunications, the Commission is charged with protecting the consumer and fostering an environment that encourages innovation and competition," noted Cloud. "This order meets both obligations."

"By giving SBC pricing flexibility to better compete in Oklahoma, the door is open for more services to go to more people, including high-speed Internet service. Indeed, SBC has committed to bringing DSL to more rural areas as a result of the order approved today," Cloud continued. "However, the Commission also retains adequate safeguards that can be used as necessary to protect the consumer from anti-competitive forces. Specifically, if the Commission determines that a given service is no longer competitive, the order allows the Commission to reinstitute the previous rate regulations for that service."

Vice Chairman Denise Bode believes the order will "result in lower prices and better choices for consumers."

"This is the next phase in the process begun five years ago to respond to Oklahoma consumers and changes in the telecommunications marketplace," said Bode. "It most definitely is <u>not</u> 'deregulation,' as some have claimed. This order continues complete regulatory oversight by the Commission. Nor are we alone in this approach. So far this year, eleven other states have acknowledged the growth of telecommunications competition and have acted to change regulations as a result."

(more)

Commissioner Bob Anthony dissented on the order, saying that while he votes "yes" for expanding DSL service in Oklahoma, he disagrees with the conclusion that telecommunications competition has grown to such an

extent that Commission rate regulation of SBC's residential phone service can now be loosened.

"Cellular phone service is not as reliable as land-line residential phone service, and such cuttingedge technology as Internet-based telephone service requires a high-speed Internet connection, as well as a charge for the service itself," said Anthony. "When you look at an apples-to-apples comparison, effective competition for residential telephone service does not exist statewide.

"Further, there is nothing that requires SBC to offer DSL service to all its customers. While adding DSL capability to its central offices in Oklahoma is an important and commendable goal, it is only one link in the chain of providing DSL to each customer. What is needed are legal commitments, not hollow promises of benefits to customers," Anthony concluded.

-occ-

All OCC advisories and releases are available at www.occ.state.ok.us

NOTE: Today's order, an executive summary of the order prepared by Vice-Chairman Bode, and Commissioner Anthony's separate opinion are attached.