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PUBLIC SERVICE COMMISSION

February 26, 2001

VIA ELECTRONIC FILING

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 Twelfth Street, SW - TW-A325  
Washington, DC 20554

Re: **Florida Public Service Commission Comments Opposing the Multi-Association Group Plan in CC Docket No. 00-256, Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers Universal Service; CC Docket No. 96-45, Federal-State Joint Board on Universal Service; CC Docket No. 98-77, Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation; and CC Docket No. 98-166, Prescribing the Authorized Rate-of-Return for Interstate Services of Local Exchange Carriers**

Dear Ms. Salas:

Forwarded herewith are the Florida Public Service Commission Comments opposing the Multi-Association Group Plan in the above-stated dockets.

Sincerely,

/s/

Cynthia B. Miller, Esquire  
Bureau of Intergovernmental Liaison

CBM:tf  
Attachment

cc: Brad Ramsay, National Association of Regulatory Utility Commissioners

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of:	)	
	)	
Multi-Association Group (MAG)	)	
Plan for Regulation of Interstate	)	
Services of Non-Price Cap Incumbent)	)	
Local Exchange Carriers and	)	
Interexchange Carriers	)	CC Docket No. 00-256
Universal Service	)	
	)	
Federal-State Joint Board	)	
on Universal Service	)	CC Docket No. 96-45
	)	
Access Charge Reform for Incumbent	)	
Local Exchange Carriers Subject to	)	
Rate-of-Return Regulation	)	CC Docket No. 98-77
	)	
Prescribing the Authorized Rate-	)	
of-Return for Interstate Services	)	
of Local Exchange Carriers	)	CC Docket No. 98-166
	)	

**COMMENTS OF THE FLORIDA PUBLIC SERVICE COMMISSION  
OPPOSING THE  
MULTI-ASSOCIATION GROUP PLAN**

On January 5, 2001, the Federal Communications Commission (FCC) released a Notice of Proposed Rulemaking involving the Multi-Association Group (MAG) Plan. The plan sets forth an interstate access reform and universal service support proposal for incumbent local exchange carriers (LECs) subject to FCC rate-of-return regulation.

The Florida Public Service Commission (FPSC) opposes the MAG plan. Although the plan is designed to affect only interstate rates

and charges, the MAG plan would have a direct impact on the monthly rates of Florida consumers and may apply pressure on intrastate rate structures. The FCC's decision in this matter should reflect the interests of all stakeholders involved in access charge reform, including providers, competitors, and customers.

### **Consumer Benefit**

There is insufficient detail in the proposed plan regarding the impact on consumers. The petitioners have not provided sufficient data to gauge the impacts on either consumer rates or ILEC revenues.

We have considerable doubt about realization of consumer benefits under this proposal. Even though the IXCs are not signatories to the MAG plan, the FCC should require that the IXCs pass through savings from access charge reductions to customers and that low usage minimum charges be eliminated.<sup>1</sup> The FCC should consider requiring interexchange carriers (IXCs) to demonstrate that access charge reductions, regardless of their magnitude and the number of plan participants, have in fact flowed through to residential and business customers.

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<sup>1</sup> NARUC Resolution on CALLS proposal detailing that "companies paying reduced access rates should be encouraged to pass these reductions on to end user customers," NARUC Convention, November 10, 1999.

Unlike the commitment letters that were filed with the CALLS plan,<sup>2</sup> no such agreements from any of the IXCs have accompanied the MAG plan. To the contrary, there are no reliable, meaningful, or enforceable assurances that access reduction will flow-through to ratepayers. With fewer than 8% of the access lines in the country involved with this plan, it is almost certain that per-minute rates for long distance will not be affected. While the IXCs will enjoy reduced expenses, the plan contains no enforceable mechanism to ensure that customers will realize any benefit from these access reductions.

As we have commented before,<sup>3</sup> we believe it is critical for consumers, both rural and urban, to have the choice of at least one long distance plan that does not have a minimum charge or monthly fee. In return for reduced access fees, we believe the IXCs should make firm commitments to provide these plans nationwide. To ensure that this is accomplished, the FCC should exact firm commitments from the interstate carriers during this period of negotiation.

### **Universal Service**

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<sup>2</sup> AT&T filing on 3/30/00 and ILECs letter on 3/29/00 committing to flow through savings on access charge reductions to consumers.

<sup>3</sup> FPSC comments to FCC regarding CALLS plan, April 3, 2000, p. 4.

The FCC should not adopt the Universal Service Fund component of the MAG plan until there is further consultation with or referral to the Federal-State Joint Board on Universal Service. It is critically important that the FCC engage in analysis to determine the appropriate amount of interstate Universal Service support that is necessary to make explicit any implicit support contained in the current interstate carrier access charges.

The MAG plan would eliminate section 54.305 of the Commission's rules, a section which limits the Universal Service support for acquired telephone exchanges to the support received by the seller.<sup>4</sup> To the extent this rule has helped to curtail increases in the overall fund size of Universal Service, the FPSC believes that this rule should be retained.

Section 254(b)(5) of the Telecommunications Act states that "There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service." It is incumbent upon the MAG proponents to demonstrate that their proposal will produce sufficient, and only sufficient, federal support. They have failed to do so. Their proposal results in an overall increase in the size of the fund, without a reasonable

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<sup>4</sup> 47 C.F.R. Section 54.305

showing that such an increase is necessary to meet the goals of universal service.

### **Economic Impact**

The FPSC has concerns over whether or not this proposal is good for competition and consumers, or whether it merely insulates rate-of-return ILECs from market pressures on access rates and preserves ILEC revenues at an unreasonably high level for the next five years. Additionally, the FPSC has concern over what the actual impact of this plan will be on the rural telecommunications industry. With some companies choosing Path A and some choosing Path B, along with the possible effects of any decision to be made regarding the Rural Task Force, state regulators are left with few finite answers on how the MAG proposal will affect consumers. MAG proponents have provided little or no support on such important topics as access reform and Universal Service funding.

The FPSC has concerns regarding the five-year transition period allowed under the plan rules to convert to incentive-based regulation. During this transition period, it appears that it would be possible for a company to buy excessive amounts of equipment knowing that recovery of these expenditures are guaranteed once a

Path A election is made. Little is detailed in the plan on when a company should or should not opt into the two different options. Having two options makes it nearly impossible to predetermine what the probable impact of these plans will be on consumers.

According to the plan, when certain study areas convert to incentive-based regulation, they will no longer be required to report cost data.<sup>5</sup> For jurisdictions that have intrastate Universal Service funds, this diminished reporting requirement could result in a lack of data from which policy makers can discern the economic performance of regulated telephone companies. When combined with efforts in Congress to decrease reporting and the potential for decreased reporting by certain companies to the FCC, public policy makers may be left with insufficient information from which to make sound judgements regarding the economic performance of regulated utilities.

The MAG plan also proposes to eliminate the limitation on the corporate operations expense account.<sup>6</sup> The FPSC is concerned over potential abuse of this expense category during the five-year transition period from rate-of-return regulation to incentive-based regulation. Some oversight, possibly review by the National

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<sup>5</sup> FCC NPRM, FCC 00-448, p. 4.

<sup>6</sup> 47 C.F.R. Sections 36.601(c) and 36.621

Exchange Carrier Association, needs to be applied to ensure that reasonable expense levels are reported and recovered.

**Consumer Education**

It is estimated that some 170,000 access lines in Florida may be affected by adoption of the MAG plan. After the subscriber line charge remained at \$3.50 for eleven years on the customer bill, the FCC has an obligation to alert ratepayers that they have approved this change, which could result in a charge on residential bills to \$5.00 per month by July 1. The multi-line business lines would change from the current \$6.00 per line to \$9.20 per line by July 1, 2003. The FPSC will not defend such Federally-authorized increases in charges.

In addition, as local service becomes more expensive, it is especially important to educate the public about the availability of Lifeline services so that consumers who qualify for this assistance are aware of its availability. The MAG proponents should commit to working with the FCC Consumer Information Bureau and the state commissions to develop and conduct a consumer education plan.

While we are assured that Lifeline support will be expanded to cover the increased cost of local service as a result of the increases to the SLCs, we are not convinced that utilization of Lifeline service will increase without enhanced educational efforts

and streamlined procedures for enrollment. As part of any implementation of the MAG plan, the participants should be cognizant of the importance of informing their customers of the availability of Lifeline support.

### **Conclusion**

In conclusion, the FPSC opposes this proposal. An "all-or-nothing" private proposal leaves little room for regulatory oversight. A comprehensive solution to access charge issues and universal service can only be accomplished through open negotiations among all interested parties. A five-year "stop gap" measure may only delay definitive action. In general, the overall aggregate increases imposed on the consumer are not offset with equivalent benefits.

This proposal is not even close to an optimal solution. In lieu of accepting this privately negotiated agreement, the FCC should take advantage of the opportunity to restructure access charges permanently for the entire industry. This could address any identified inequities and imbalances in telecommunications rate structures.

Respectfully submitted,

Florida Public Service Commission  
CC Dockets No. 00-256, 96-45, 98-77, 98-166  
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/s/

Cynthia B. Miller, Esquire  
Bureau of Intergovernmental Liaison

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DATED: February 26, 2001

**Certificate of Service**

I HEREBY CERTIFY that a true and correct copy of the foregoing  
Comments of the Florida Public Service Commission will be furnished  
to the parties on the attached service list.

/s/

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