

**Report to the 79th  
Texas Legislature**

***Effects of PURA Chapter 58  
And Chapter 59  
Telecommunications  
Incentive Regulation***

***Public Utility Commission of Texas  
January 2005***

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## *Public Utility Commission of Texas*

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January 1, 2005

Honorable Members of the Seventy-Ninth Texas Legislature:

We are pleased to submit our 2005 Report on the Effects of PURA Chapter 58 and Chapter 59 Telecommunications Incentive Regulation, as required by Section 58.028 of the Public Utility Regulatory Act (PURA).

The goals of Chapter 58 and Chapter 59 incentive regulation, enacted by legislation passed during the 1995 and 1999 Legislative sessions, included the following: 1) to provide electing incumbent local exchange carriers (ILECs) with a framework for an orderly transition from the traditional regulation of return on invested capital to a fully competitive telecommunications marketplace in which all telecommunications providers compete on fair terms; 2) to preserve and enhance universal telecommunications service at affordable rates; 3) to upgrade the telecommunications infrastructure of this state; 4) to promote network interconnectivity; and 5) to promote diversity in the supply of telecommunications services and innovative products and services throughout the entire state, including urban and rural areas. In addition, the Legislature sought to interconnect schools, libraries, and public-health entities across the state, and to deploy ubiquitous advanced services to these entities.

The Legislation provides for electing ILECs to price and package services with limited Commission review in return for modernizing their network infrastructure, making certain network investments, and providing discounted, high-speed services for public entities such as schools, libraries, and public-health facilities. Currently, thirteen of the sixty-four Texas ILECs have elected regulation under either Chapter 58 or Chapter 59. Information gathered by the Commission for this report showed that these electing ILECs have met their infrastructure requirements, and have exercised pricing flexibility on optional calling features and new packages. In addition, schools and libraries provided information attesting to the positive financial impact and other benefits afforded by the high-speed service discounts.

The report concludes with options regarding whether Chapter 58 and Chapter 59 should be extended, modified, eliminated or replaced for the Legislature to consider in the 79th legislative session.

We look forward to continuing to work with you on this and other policy objectives. If you need additional information about any issues addressed in the report, please call on us.

Sincerely,

Julie Parsley  
Commissioner

Paul Hudson  
Chairman

Barry T. Smitherman  
Commissioner



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## Executive Summary

The Public Utility Regulatory Act (PURA) § 58.028 requires the Public Utility Commission of Texas (Commission) to review and evaluate the incumbent local exchange companies (ILECs) that elect into incentive regulation, and to provide the Legislature with a report that reviews the effects of the election, including consumer benefits, impact of competition, infrastructure investments, and quality of service. PURA also states that the report must include the Commission's recommendations as to whether the incentive regulation provided by Chapters 58 and 59 should be extended, modified, eliminated, or replaced with another form of regulation.

Chapters 58 and 59 address essentially two different areas: 1) incentive regulation, such as pricing flexibility, for ILECs; and 2) the provisions created to benefit public institutions, referred to as "special programs" in this Report. Following are the highlights of this Report.

Regarding incentive regulation of electing ILECs, the comments reveal that:

- Stakeholders generally believe that Chapters 58/59 have achieved their stated infrastructure goals, and provided more flexibility to ILECs.
- Major ILECs believe that this regulation is now outmoded and should be replaced with lessened, or no, regulation.
- Competitive local exchange carriers (CLECs) believe that ILECs are still dominant and that competition will not be meaningful without continued regulatory oversight of ILECs.

Regarding "special programs" or discounts to certain public entities:

- As envisioned by the Legislature, these discounts have resulted in the interconnection of, and provision of advanced services to, public entities throughout the state.
- Recipients of these discounts feel strongly that the programs are very much in the public interest and provide the necessary certainty to continue these services.
- SBC Texas advocated parity in regulation regarding such programs.
- AT&T commented that competition for business from entities receiving the discounts is not feasible.

The report concludes with recommendations and alternatives for the Legislature to consider in the 79th Legislative Session. The alternatives presented range from a return to rate-of-return regulation, to no change, slight modification, or more extensive de-regulation. The choices are dependent on the Legislature's assessment of whether the current level of competition can ensure affordable local telephone rates and the highest quality of service for consumers.

## Chapter I. Background

In 1975, the Public Utility Commission of Texas (Commission) was created to regulate electric and telephone utilities in Texas. One of the key functions of the Commission was to set the rates of incumbent local exchange carriers (ILECs) pursuant to rate-of-return regulation through traditional rate cases.

During the 1995 and 1999 sessions, the Texas Legislature enacted major changes – under Chapters 58 and 59, incentive regulation for electing ILECs and special discounts for schools, libraries and public health facilities – to the regulatory structure governing incumbent carriers in the Public Utility Regulatory Act (PURA).<sup>1</sup> PURA requires the Commission to review and report on the effects of the election of incentive regulation under Chapters 58 and 59.

### A. Goals of Incentive Regulation and Special Discounts

The goals of Chapter 58 incentive regulation include the following: 1) to provide electing ILECs with a framework for an orderly transition from the traditional regulation of return on invested capital to a fully competitive telecommunications marketplace in which all telecommunications providers compete on fair terms; 2) to preserve and enhance universal telecommunications service at affordable rates; 3) to upgrade the telecommunications infrastructure of this state; 4) to promote network interconnectivity; and 5) to promote diversity in the supply of telecommunications services and innovative products and services throughout the entire state, including urban and rural areas.<sup>2</sup>

Likewise, Chapter 59 is intended to promote these same goals and offers an alternative to ILECs not wishing to elect into Chapter 58. It also is meant to incent electing ILECs to deploy infrastructure that will benefit the residents of this state while maintaining reasonable local rates and universal service.<sup>3</sup>

### B. History of Chapters 58 & 59

Two major bills enacted incentive regulation: House Bill 2128 (HB 2128), enacted during the 74<sup>th</sup> Legislative Session, and Senate Bill 560 (SB 560), enacted during the 76<sup>th</sup> Legislative Session.

#### 1. 1995 Legislative Session – HB 2128

HB 2128 significantly amended PURA with regard to telecommunications regulation. It established provisions in PURA (formerly Subchapters H and I, now

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<sup>1</sup> Public Utility Regulatory Act, TEX. UTIL. CODE, Ch. 54, Subchapter C (Vernon 2000 & Supp. 2005) (PURA).

<sup>2</sup> *Id.* at § 58.001.

<sup>3</sup> *Id.* at § 59.001.

referred to as PURA Chapters 58 and 59) that allow ILECs the option of electing into a new regulatory framework based on pricing incentives rather than setting rates based upon rate-of-return regulation, *i.e.*, traditional rate cases. This framework is referred to as incentive regulation. This bill also required electing ILECs to offer certain special discounts for schools and libraries, and to build out certain infrastructure by specific deadlines.

In addition to establishing incentive regulation, HB 2128 mandated the opening of local exchange telecommunications markets in Texas, provided a framework for competitive local exchange carriers (CLECs) to obtain authority from the Commission to provide local exchange service, and provided for competitive safeguards in Chapter 60 of PURA.

## **2. 1999 Legislative Session – SB 560**

In 1999, the Legislature enacted SB 560, which gave electing ILECs greater flexibility. SB 560 amended PURA Chapters 58 and 59 to allow electing ILECs to change certain prices, introduce new services, and package services on an expedited basis with limited oversight from the Commission. This flexibility allows electing ILECs to respond to competitors' offerings without extensive delay for implementing the tariff revisions. For instance, under Chapters 58 and 59, an electing ILEC can introduce a new service with ten days' notice to the Commission.

In addition, SB 560 reduced SBC Texas's switched-access charge rates by \$0.03/minute, and provided for an electing ILEC with fewer than five million access lines to petition the Commission to withdraw its Chapter 58 or Chapter 59 designation, or for the Commission to do so for good cause.

## **C. Chapter 58 Requirements**

Chapter 58 created incentive regulation that provided electing ILECs with immunity from rate-based rate-of-return regulation, established a cap on basic network service prices, and provided for additional flexibility to adjust the prices of, and to package, other telecommunications services. In return, the electing ILEC must commit to modernizing infrastructure and making certain investments, and to providing special rates to specified public entities (*e.g.*, schools, libraries, and telemedicine centers of public or non-profit medical institutions) for certain private network services.

### **1. Rate-Capped Services**

The Chapter 58 ILECs' services are classified as basic and non-basic pursuant to statute. Rates for basic services are capped until September 1, 2005.<sup>4</sup> Basic services must be made available on a stand-alone basis and under tariff, and are subject to traditional tariff review. Pursuant to PURA § 58.051, the following are defined as basic services:

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<sup>4</sup> *Id.* at § 58.054(c).

- (1) flat rate residential local exchange telephone service, including primary directory listings and the receipt of a directory and any applicable mileage or zone charges;
- (2) residential tone dialing service;
- (3) lifeline and tel-assistance service;
- (4) service connection for basic residential services;
- (5) direct inward dialing service for basic residential services;
- (6) private pay telephone access service;
- (7) call trap and trace service;
- (8) access for all residential and business end users to 911 service provided by a local authority and access to dual party relay service;
- (9) mandatory residential extended area service arrangements;
- (10) mandatory residential extended metropolitan service or other mandatory residential toll-free calling arrangements; and
- (11) residential call waiting service.

## **2. Services With No Rate Caps**

Non-basic services are offered by electing ILECs through expedited informational filings with the Commission. All rates for non-basic services must be set above the electing ILEC's long-run incremental cost (LRIC), except as noted below (*e.g.*, business rates, tone dialing, etc.). Pursuant to PURA § 58.151, the following are defined as non-basic services:

- (1) flat rate business local exchange telephone service, including primary directory listings and the receipt of a directory, and any applicable mileage or zone charges, except that the prices for this service shall be capped until September 1, 2005, at the prices in effect on September 1, 1999;
- (2) business tone dialing service, except that the prices for this service shall be capped until September 1, 2005, at the prices in effect on September 1, 1999;
- (3) service connection for all business services, except that the prices for this service shall be capped until September 1, 2005, at the prices in effect on September 1, 1999;
- (4) direct inward dialing for basic business services, except that the prices for this service shall be capped until September 1, 2005, at the prices in effect on September 1, 1999;
- (5) "1-plus" intraLATA message toll services;
- (6) 0+ and 0- operator services;
- (7) call waiting, call forwarding, and custom calling, except that:
  - (A) residential call waiting service shall be classified as a basic network service; and
  - (B) for an electing ILEC subject to Section 58.301, prices for residential call forwarding and other custom calling services shall be capped at the prices in effect on September 1, 1999, until the electing ILEC implements the reduction in switched access rates described by Section 58.301(2);

- (8) call return, caller identification, and call control options, except that, for an electing ILEC subject to Section 58.301, prices for residential call return, caller identification, and call control options shall be capped at the prices in effect on September 1, 1999, until the electing ILEC implements the reduction in switched access rates described by Section 58.301(2);
- (9) central office based PBX-type services;
- (10) billing and collection services, including installment billing and late payment charges for customers of the electing ILEC;
- (11) integrated services digital network (ISDN) services, except that prices for Basic Rate Interface (BRI) ISDN services, which comprise up to two 64 Kbps B-channels and one 16 Kbps D-channel, shall be capped until September 1, 2005, at the prices in effect on September 1, 1999;
- (12) new services;
- (13) directory assistance services, except that an electing ILEC shall provide to a residential customer the first three directory assistance inquiries in a monthly billing cycle at no charge;
- (14) services described in the WATS tariff as the tariff existed on January 1, 1995;
- (15) 800 and foreign exchange services;
- (16) private line service;
- (17) special access service;
- (18) services from public pay telephones;
- (19) paging services and mobile services (IMTS);
- (20) 911 services provided to a local authority that are available from another provider;
- (21) speed dialing;
- (22) three-way calling; and
- (23) all other services subject to the commission's jurisdiction that are not specifically classified as basic network services in Section 58.051, except that nothing in this section shall preclude a customer from subscribing to a local flat rate residential or business line for a computer modem or a facsimile machine.

### **3. Pricing and Packaging Flexibility**

Under Chapter 58 incentive regulation, an electing ILEC enjoys pricing flexibility and is able to package services with an expedited review by the Commission. Instead of using a traditional tariff process, the electing ILEC provides an informational notice with the Commission 10 days prior to introducing the new service, promotion or service package. This pricing flexibility applies to customer-specific contracts, volume, term or discount pricing, zone-density pricing, and other forms of promotional pricing. Basic services may be included in these packages, but the electing ILEC must meet specific criteria that are intended to demonstrate that all costs are being recovered, the package is not anti-competitive, and cross-subsidization is not occurring.

#### **4. Infrastructure Goals**

PURA also established infrastructure goals for Chapter 58 ILECs, requiring minimum standards for the installation of central office switches, broadband interoffice backbone facilities, end-to-end digital connectivity and other technological improvements. Electing ILECs have met these requirements, and the deadlines for these items have passed.

In addition, an ILEC electing under Chapter 58 must meet the infrastructure needs of non-profit medical centers and hospitals, non-profit telemedicine centers, educational institutions and libraries (the qualifying entities) within its service areas, and provide private network services at a rate no higher than 105% of the electing ILEC's LRIC. In addition, an electing carrier with more than five million access lines – such as SBC Texas – must provide toll-free Internet access to educational institutions and libraries until such access is available within the exchanges. SBC Texas must develop a statewide averaged, non-distance-sensitive rate for T-1 services that is no higher than 105% of its statewide average LRIC.

#### **D. Chapter 59 Requirements**

Chapter 59 election is available to an ILEC with less than 5 percent of the access lines in the state if the ILEC has not elected Chapter 58 incentive regulation. Under Chapter 59, an electing ILEC is no longer regulated under rate-of-return regulation. The election remains in effect subject to renewal by the electing ILEC every two years; however, an electing ILEC may also petition the Commission to withdraw its designation, or the Commission may determine to withdraw its designation for good cause, such as matters beyond the electing ILEC's control.

Like Chapter 58, Chapter 59 affords expedited rollout of new services with limited Commission review. The electing ILEC is allowed to introduce new services, promotions, prices or packages ten days after providing the Commission with an informational notice. Tariff filings are not required.

Pricing flexibility includes customer-specific contracts, volume, term or discount pricing, zone-density pricing, and other forms of promotional pricing. Rates cannot be increased. A rate may be lowered from the tariffed rate (the cap) so long as it remains above the electing ILEC's LRIC (the floor). An electing ILEC serving fewer than one million access lines is allowed to adopt cost studies, previously accepted by the Commission, of larger ILECs to establish its own LRIC for a service offering. Promotional offerings are subject to time and duration limitations, and generally may not be offered more than 90 days in a 12-month period. Limitations also include specific discounts on installation or service-order charges, and a temporary discount of not more than 25 percent of the tariffed rate for not more than 60 days in a 12-month period.

PURA established additional infrastructure goals for Chapter 59-electing ILECs, requiring minimum standards for the installation of central office switches, broadband interoffice backbone facilities, end-to-end digital connectivity and other technological

improvements. The deadline for these infrastructure goals was January 1, 2000, and the electing ILECs met these requirements.

A Chapter 59-electing ILEC is required to give investment priority to serving rural areas, critically underserved medical or educational areas, and educational institutions with high percentages of economically disadvantaged students. On each anniversary of the ILEC's election date, the electing ILEC is required to file a report with the Commission stating its progress toward meeting its infrastructure commitments; however, the Commission is not allowed to consider the electing ILEC's costs of infrastructure implementation when determining whether the ILEC is entitled to a rate increase under Chapter 59 or increased universal service funds under Chapter 56.

In addition, the Chapter 59-electing ILEC must meet the infrastructure needs of telemedicine centers, educational institutions and libraries within its service areas, and provide private network services, including broadband services, customized services and package network services, at a significant discount. Contracted services for these entities must be set at a rate no higher than 110% of the electing ILEC's LRIC.

## **E. Electing ILECs**

### **1. Chapter 58 Electing ILECs**

The following ILECs have elected into Chapter 58 incentive regulation:

Central Texas Telephone, Inc. d/b/a Sprint (Sprint)  
Consolidated Communications (formerly known as TXU Communications and Fort Bend Telephone)  
Continental Telephone d/b/a Verizon (Verizon TXC)  
GTE Southwest, Inc. d/b/a Verizon (Verizon TXG)  
Southwestern Bell Telephone Company (SBC Texas)  
United Telephone Company d/b/a Sprint (Sprint)  
Valor Telecom

### **2. Chapter 59 Electing ILECs**

The following ILECs have elected incentive regulation under Chapter 59:

Big Bend Telephone Company  
CenturyTel of San Marcos  
CenturyTel Port Aransas  
CenturyTel Lake Dallas  
Kerrville Telephone Co. (d/b/a KTC)  
Sugar Land Telephone Co. and Texas Alltel, Inc. (Texas Alltel)

For further information on when each of the ILECs made their elections, refer to Appendix D – Chapters 58 and 59 Electing ILECs.

## Chapter II. Evaluation of the Effects of Election

Public Utility Regulatory Act (PURA) § 58.028 requires the Public Utility Commission of Texas (Commission) to review and evaluate the incumbent local exchange carriers (ILECs) that elect into incentive regulation, and to provide the Legislature with a report that reviews the effects of the election, including consumer benefits, impact of competition, infrastructure investments, and quality of service. Project No. 29072 was established to allow the stakeholders in this process (including Chapter 58 and Chapter 59 electing ILECs, competitive local exchange carriers (CLECs), public entities such as libraries and institutions of higher education, and other interested parties) to provide feedback on the effects of these chapters.<sup>5</sup>

Following is an evaluation based on comments received from interested stakeholders, pertinent data provided by the stakeholders and data maintained by the Commission. The evaluation is broken out into two sections. The first focuses on the effects of incentive regulation on residential and business consumers, and the second focuses on the special discounts afforded to schools, libraries, and non-profit medical institutions. A total of twenty-two stakeholders attended the Commission's June 23, 2004 workshop,<sup>6</sup> and twenty parties filed written comments and/or reply comments with the Commission.<sup>7</sup>

### A. Effects of Incentive Regulation on Residential and Business Consumers

Following is the Commission's review and evaluation of the effects of incentive regulation on residential and business consumers.

#### 1. Residential and Business Consumer Benefits

PURA § 58.028 requires the Commission to review and evaluate the effects of Chapters 58 and 59 incentive regulation on consumer benefits. PURA § 58.201, *Statement of State Goal*, reads in part:

The best way to bring the benefits of an advanced telecommunications network infrastructure to communities in this state is through innovation and competition among all the state's communications providers. Competition will provide residents of this state with a choice of telecommunications providers and will drive technology deployment,

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<sup>5</sup> *Report to the 79<sup>th</sup> Texas Legislature on Chapter 58 and Chapter 59 Incentive Regulation*, Project No. 29072, Control Request Form (Dec. 17, 2003).

<sup>6</sup> See Appendix A – Commission Workshop Notice and Request for Comment, and Appendix B – Stakeholders Participating in Workshop.

<sup>7</sup> See Appendix C – Comments Received by the Commission.



innovation, service quality, and cost-based prices as competing firms try to satisfy customer needs.

**a. Stakeholders' Comments**

The majority of respondents believe that the existing statutes have accomplished the Legislature's goals to some extent. Most of the responding ILECs reported that Chapter 58 and 59 elections provided flexibility that allowed them to respond more rapidly to competitive challenges and indicated that they offered new services and packages to their customers in response to competitors' offerings.<sup>8</sup>

For the most part, the information provided by the stakeholders did not differentiate the benefits or detriments of incentive regulation with regard to residential versus business customers. In fact, the Chapter 58- and 59-electing ILECs reported improvements in their telecommunications service applicable to residential as well as business consumers. With regard to the benefits of incentive regulation pertaining to residential consumers, electing ILECs generally noted the consistency of basic service rates, due to the requirement that these rates remain unaltered after a carrier's election, and the introduction of packaged vertical services at discounted, competitive rates. Electing ILECs also noted the introduction of advanced services, financed in part by the additional revenues gained after election into Chapter 58 or Chapter 59 regulation.

Generally, electing ILECs stated that the increased availability of bundled services has benefited business and residential customers with more choices and lower prices.<sup>9</sup> Sprint reported that the availability of incentive pricing and packaging flexibility has allowed it to respond quickly to its competitors and that its responses, which have focused on bundled-service packaging, have benefited consumers.

Consolidated Communications (a combination of the former Fort Bend Telephone Company and TXU Communications) reported that incentive regulation has allowed it to expedite service offerings and packages at substantial savings to consumers.<sup>10</sup> According to Texas Alltel, two major benefits have affected all categories of consumers – local rates have not increased, and innovative, new and competitive services have been accessible to consumers.<sup>11</sup>

Two CLECs, MCI and AT&T, provided input during this project. Both expressed doubt that the increasing prices for calling features and other non-basic services benefit the consumer. According to AT&T, it is difficult to draw a connection between customer benefit over the last seven years and incentive regulation, and assertions that Texas

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<sup>8</sup> See e.g., Comments of CenturyTel at 1 (June 18, 2004).

<sup>9</sup> See Comments of CenturyTel at 1 (June 19, 2004); Comments of Consolidated Communications at 1 (June 17, 2004); Comments of SBC Texas at 3 (June 17, 2004); Supplemental Comments of SBC Texas at 4 (July 23, 2004); and Sprint's Comments at 3 (June 17, 2004).

<sup>10</sup> Comments of Consolidated Communications at 1.

<sup>11</sup> Response of Sugar Land Telephone Company and Texas Alltel, Inc. at 3 (June 17, 2004).

customers have benefited is “an overstatement that is unsupported by the facts.”<sup>12</sup> AT&T reasoned that the lack of wholesale competition limits the advancement of retail competition for residential and business customers. AT&T concluded that the ILECs are still dominant carriers and require regulatory constraint if the CLECs are to compete in a meaningful way.

### **b. Data Provided by Stakeholders**

SBC Texas reported that it has introduced 28 new products or bundles and offered more than 115 promotions since 1999 to its business and residence customers.<sup>13</sup> According to SBC Texas, more than half of its residential customers subscribe to bundles or packages.<sup>14</sup>

Sprint advised that it has spent over 19 million dollars on the build-out of digital subscriber line (DSL) services since its election into Chapter 58, and as of April 2004, close to 58% of its access lines were DSL-capable.<sup>15</sup> Big Bend, a small ILEC that elected Chapter 59 incentive regulation two years ago, reported that it now offers DSL throughout all of its exchanges, despite the low population density, in part due to the revenue stability afforded by Chapter 59.<sup>16</sup> Likewise, Consolidated Communications attributed its ability to expand DSL throughout almost all of its service territory to the pricing-flexibility provisions in Chapters 58 and 59.<sup>17</sup>

Texas Alltel reported that, since electing Chapter 59 incentive regulation, it has introduced several new offerings to business customers, including ISDN PRI pay-per-use pricing packages, Centrex Music on Hold, and term pricing for T-1 services.<sup>18</sup>

MCI stated that it was not aware of facts or concrete examples that establish consumer benefits or incentive regulation’s effects on service quality.<sup>19</sup> AT&T asserted that some ILECs have consistently raised all rates on non-restrained services since electing Chapter 58 or Chapter 59 in 1999.<sup>20</sup>

### **c. Commission Data and Analysis**

Electing under Chapter 58 or Chapter 59 generally prohibits an ILEC from increasing basic local service rates; therefore, local telephone service monthly rates have

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<sup>12</sup> Comments of AT&T Communications, L.P. at 10 (July 23, 2004).

<sup>13</sup> Comments of SBC Texas at 3; *see also* Appendix E – Pricing Chart Provided by SBC Texas.

<sup>14</sup> Comments of SBC Texas at 3.

<sup>15</sup> Sprint’s Comments at 2 (June 17, 2004).

<sup>16</sup> Comments of Big Bend Telephone Company at 2.

<sup>17</sup> Comments of Consolidated Communications at 1-2.

<sup>18</sup> Response of Sugar Land Telephone Company and Texas Alltel at 3.

<sup>19</sup> MCI’s Comments at 1-2 (June 17, 2004).

<sup>20</sup> *See* Appendix F, *AT&T Chart of SBC Texas Rate Increases*, submitted with AT&T’s Reply Comments (July, 2004).

remained unchanged for electing ILECs. SBC Texas has had its basic rates capped since September 1995. However, pursuant to one of the exceptions to the rate cap, basic local service rates have increased in some areas of the state as a result of the electing ILEC's ability to seek rate-group reclassification. The largest electing ILECs set telephone rates based on the number of customers, or access lines, in an exchange. Similarly sized exchanges are grouped together into "rate groups," and the ILEC's local telephone rate is the same for all exchanges in a rate group. Pursuant to PURA § 59.024(d), an electing ILEC may reclassify an exchange from one rate group to another due to access line growth. In general, larger exchanges belong to rate-group categories that have higher rates, so that the result of rate-group reclassification is often a higher basic local service rate. SBC Texas, Verizon, and Sprint have increased some basic local service rates in this manner since their Chapter 58 elections.<sup>21</sup>

Prices for optional calling features (also referred to as vertical features), such as Caller ID and Call Forwarding, have increased since incentive regulation was introduced. Informational notice filings from the two largest electing ILECs in the state, SBC Texas and Verizon, indicate that since 1999, their monthly rate for Caller ID Name and Number service has increased by 38% and 19% respectively.<sup>22</sup> Similarly, their monthly rate for Three-Way Calling has increased 138% and 48% respectively.<sup>23</sup>

These vertical calling features are often offered in discounted packages.<sup>24</sup> The following tables compare a list of both common and popular vertical service-rate changes for Verizon and SBC Texas since each of these ILECs elected into incentive regulation:

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<sup>21</sup> See *Application of United Telephone Company of Texas, Inc. dba Sprint to Reclassify Rate Groups Pursuant to PURA §3.402(b)(3)*, Docket No. 17970 (Sept. 11, 1997); *Application of Southwestern Bell Telephone Company to Revise General Exchange Tariff to Change Rate Group Classifications of Fifty Two Exchanges*, Docket No. 18509 (Dec. 18, 1997); and *Applications of GTE Southwest, Inc. dba Verizon TXC and Verizon TXG to Properly Align Individual Exchanges with Their Respective Rate Bands*, Docket Nos. 24917 and 24919 (Oct. 26, 2001).

<sup>22</sup> See Verizon Tariff Control No. 27694 (eff. July 7, 2003); Verizon Tariff Control No. 29407 (eff. Mar. 8, 2004); SBC Tariff Control No. 24399 (eff. July 30, 2001); SBC Tariff Control No. 25249 (eff. Jan. 17, 2002); and SBC Tariff Control No. 29626 (eff. May 15, 2004).

<sup>23</sup> See Verizon Tariff Control No. 29407 (eff. Mar. 8, 2004) and SBC Tariff Control No. 25249 (eff. Jan. 17, 2002).

<sup>24</sup> See Appendix E – Pricing Chart Provided by SBC Texas.

**Table 1 – Price Changes in SWBT’s Residential Vertical Services**

Service	Texas Residential Retail Price		
	Before September 1999	As of September 2004	% Increase
Three-Way Calling	\$2.10/month	\$5.00/month	138%
Call Forwarding			
Speed Calling 8			
Anonymous Call Rejection	\$1.00/month	\$2.00/month	100%
Auto Redial	\$2.00/month	\$4.50/month	125%
Call Waiting	\$2.80/month	\$2.80/month	-
Call Waiting ID	\$3.00/month	\$4.50/month	50%
Caller ID Name	\$4.95/month	\$7.00/month	41%
Caller ID Number	\$4.95/month	\$7.00/month	41%
Caller ID Name and Number	\$6.50/month	\$8.95/month	38%
Call Blocker	\$2.00/month	\$5.00/month	150%
Priority Call	\$2.00/month	\$3.00/month	50%
Personalized Ring	\$3.50/month	\$2.95/month	-16%
Call Return	\$0.50/use	\$1.25/use	150%
Three-Way Calling	\$0.75/use	\$1.25/use	67%
Call Trace	\$8.00/use	\$6.00/use	-25%
Directory Assistance	\$0.30/use	\$1.25/use	317%
Rate for Non-Published Number	\$1.10/month	\$4.95/month	350%
Call Completion	\$0.30 add'l each use	\$0.25 add'l each use	-17%

SOURCE: Texas PUC filings

**Table 2 – Price Changes in Verizon’s Residential Vertical Services**

Verizon Service	Texas Residential Retail Price		
	Before September 1999	As of September 2004	% Increase
Three-Way Calling – Per Event	\$0.75	\$0.95	26%
Automatic Busy Redial – Per Event			
Automatic Call Return – Per Event			
Three-Way Calling – Monthly	\$2.70	\$4.00	48%
Automatic Call Return - Monthly	\$3.00	\$4.00	33%
Remote Call Forwarding - Monthly	\$14.50	\$17.00	17%
Caller ID Name and Number	\$6.50	\$7.75	19%
Caller ID Name and Number with Automatic Call Block	\$6.75	\$7.95	18%
Operator Verification – Per Event	\$1.35	\$2.50	85%
Operator Interrupt – Per Event	\$2.20	\$5.00	127%
Local Directory Assistance – Per Event	\$0.25	\$1.25	400%
Additional Directory Listing – Per Listing	\$.55	\$1.10	100%
Return Check Charge – Per Event	\$10.00	\$25.00	150%
Rate for Non-Published Number	\$1.65/month	\$1.65/month	-

SOURCE: Texas PUC filings

Since electing incentive regulation, SBC Texas has introduced several discounted pricing promotions for other non-basic services – such as CompleteLink Basic Flat Rate for businesses, which affords significant discounts with a long-term service commitment, and the Additional Residential Access Line Promotion, which provides a credit for residential customers who are considering disconnecting their second line or who previously did so and want to restore the additional line<sup>25</sup> – that, according to SBC Texas, are aimed at winning back business and residential customers from CLECs.

Regarding packaging of services, SBC Communications (SBC), SBC Texas's parent company, has stated that it considers bundling services a core strategy for its consumer market, and credits bundling with producing higher average monthly revenues and customer-retention rates.<sup>26</sup> SBC reported that 75 percent of its residential customers subscribed to basic local phone service with at least two optional calling features, such as Caller ID and Call Forwarding.<sup>27</sup> Further, 58 percent of SBC's residential consumers subscribe to product bundles that include a basic phone line plus one or more of the following: long distance, DSL, jointly-billed Cingular Wireless, or SBC/DISH Network satellite television.<sup>28</sup> According to SBC, customers with bundles spend more than twice as much as customers without bundles, and its revenue per retail line increased 9.2 percent over third-quarter, 2003.<sup>29</sup> SBC Texas has introduced a package solely for business customers in its smallest markets – such as Alpine, Luling and Skidmore – that bundles a business line with five optional calling features at a discount.<sup>30</sup>

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<sup>25</sup> Southwestern Bell Telephone Company, Local Exchange Tariff, Section 1, Sheet 51.5, 3.4 – CompleteLink Basic Flat Rate – Business (eff. Feb. 15, 2001); Section 1, Sheet 51.39, 3.24 - Additional Residential Access Line Promotion (eff. March 22, 2004).

<sup>26</sup> SBC Communications, Investor Briefing at 5 (July 22, 2004), available online at [http://www.sbc.com/Investor/Financial/Earning\\_Info/docs/2Q\\_04\\_IB\\_FINAL.pdf](http://www.sbc.com/Investor/Financial/Earning_Info/docs/2Q_04_IB_FINAL.pdf).

<sup>27</sup> *Id.*

<sup>28</sup> SBC Communications, Investor Briefing at 5 (Oct. 21, 2004), available online at [http://www.sbc.com/Investor/Financial/Earning\\_Info/docs/3Q\\_04\\_IB\\_FINAL.pdf](http://www.sbc.com/Investor/Financial/Earning_Info/docs/3Q_04_IB_FINAL.pdf).

<sup>29</sup> *Id.*

<sup>30</sup> See Appendix E, Pricing Chart Provided by SBC Texas, Custom BizSaver Plan – Rate Group 1.

**Table 3 – Comparison of Residential Rate Packages as of October 2004**

<b>Landline Telephone Providers</b>			
<b>Company</b>	<b>Package Name</b>	<b>Description Provided by Company</b>	<b>Price/Mo.</b>
Southwestern Bell d/b/a SBC Texas	All Distance	Unlimited Local Service, Unlimited National Long Distance, Caller ID and choice of two vertical features ( <i>i.e.</i> : Call Waiting, Call Forwarding, Call Blocking, etc.), Call Notes (answer & messaging service), Inline (telephone wire and jack maintenance plan)	\$48.95
Verizon TXC & TXG	Verizon Freedom	Unlimited Local & Toll Service, Unlimited U.S. & Canada Long Distance, Caller ID, Home Voice Mail, Call Waiting, Speed Dialing, and Three-Way Calling	\$54.95
Sprint	Personal Solutions with Unlimited Long Distance	Unlimited Local and Long Distance, Caller ID, Call Waiting, Three-Way Calling, Call Forwarding, Return Call, and Repeat Dial, and a choice of 2 premium services (Voicemail, Line Guard, CPE Warranty or Sprint Privacy ID®)	\$61.95
AT&T	One Rate USA	Unlimited Local & Toll Service, Unlimited U.S Long Distance, 4 calling features ( <i>i.e.</i> : Call Waiting, Call Forwarding, etc.)	\$48.95
MCI	The Neighborhood	Unlimited Local and Long Distance, Voicemail, Caller Id, Call Waiting, Speed Dial 8 and Three-Way Calling	\$49.99
<b>Voice Over Internet Protocol (VOIP) or Digital Phone Service<sup>31</sup></b>			
<b>Company</b>	<b>Package Name</b>	<b>Description Provided by Company</b>	<b>Price/Mo.</b>
AT&T	CallVantage	Unlimited Local, Long Distance and Canada, International Toll Reductions, Call Waiting, Voicemail, Caller ID, Call Forwarding (*Requires broadband Internet connection at an additional fee.)	\$29.99
Cox Digital Cable	Unlimited Connection	Unlimited Local, Toll and U.S. calls, Busy Line Redial, Call Forwarding, Call Return, Call Waiting, Caller ID, Priority Ring, Speed Dial 8, Three-Way Calling (*Requires Cox Cable and Internet service at additional fee. Available only in Cox Cable franchise areas.)	\$38.95
Time Warner Cable	Unlimited Calling	Unlimited Local & Toll Service, Unlimited Long Distance in U.S., Caller ID, Call Waiting, Call Forwarding. (*Requires subscription to Time Warner Cable Video and High-Speed Internet Service. Available only in Time Warner Cable franchise areas).	\$48.53
Vonage	Premium Unlimited Plan	Unlimited calls anywhere in the U.S. and Canada, Voicemail, Call Waiting, Three-Way Calling, Caller ID with name, Call Forwarding, and Free In Network Calling (*Requires broadband Internet connection at an additional fee.)	\$24.99

<sup>31</sup> Prices and descriptions identified for VOIP may be found at company websites and/or with a call to a service representative at the telephone number listed at a company website. Examples of web addresses are as follows: <http://www.usa.att.com/callvantage/index.jsp?soac=64528> and <http://www.vonage.com/>.

**Table 4 – Comparison of Small-Business Rate Packages as of October 2004**

<b>Landline Telephone Providers</b>			
<b>Company</b>	<b>Package Name</b>	<b>Description Provided by Company</b>	<b>Price/Mo.</b>
Southwestern Bell d/b/a SBC Texas	“Business Unlimited“	Unlimited Local Service, Unlimited National Long Distance, Caller ID, Call Forwarding, Three-Way Calling, and Call Return	\$48.95
Verizon	Currently Not Available	N/A	N/A
Sprint	Unlimited Priority Solutions	Unlimited Local, Toll and Long Distance, Caller ID with Name, Call Waiting, and Call Forwarding	\$60.90
AT&T	All In One Advantage	Unlimited Local Service, Unlimited Nationwide and Toll Service, BusinessDirect® (a “web portal” to access and review AT&T business services)	\$54.95
MCI	MCI Business Complete	Unlimited Local, Toll and National Long Distance, Hunting and Rollover features, Call Waiting, Caller ID, Call Forwarding, Three-Way Calling and Speed Dial 8	\$59.99
<b>Voice Over Internet Protocol (VOIP) or Digital Phone Service<sup>32</sup></b>			
<b>Company</b>	<b>Package Name</b>	<b>Description Provided by Company</b>	<b>Price/Mo.</b>
GalaxyVoice	GalaxyVoice Phone Service	Unlimited Local and Long Distance, Voice Mail, Call Forward, Call Transfer, Repeat Dialing, Caller ID Block.	\$44.95
Time Warner Cable	Not Available		
Vonage	Small Business Unlimited	Unlimited calls anywhere in the U.S. and Canada, Voicemail, Call Waiting, 3 Way Calling, Caller ID with Name, Call Forwarding, & Free In Network Calling (*Requires broadband Internet connection at an additional fee.)	\$49.99

## **2. Impact of Competition**

As indicated in PURA § 58.028, the Commission must review and evaluate the effects of the election of incentive regulation on the impact on competition. According to PURA § 58.001, one of the policy goals of incentive regulation was to provide a framework for an orderly transition from the traditional regulation of return on invested capital to a fully competitive telecommunications marketplace, in which all telecommunications providers compete on fair terms. Such an examination requires full consideration of all of the goals of Chapters 58 and 59 in concert with the public-policy priority of establishing a fully competitive telecommunications marketplace free of roadblocks or barriers to entry. Thus, the analysis of the impact on competition of

<sup>32</sup> Prices and descriptions identified for VOIP may be found at company websites and/or with a call to a service representative at the telephone number listed at a company website. Examples of web addresses are as follows: <http://www.galaxyvoice.com/?GTSE=goto&GTKW=voip> and [http://www.vonage.com/products\\_premium\\_sb.php](http://www.vonage.com/products_premium_sb.php).

Chapters 58 and 59 incentive regulation should examine whether incentive regulation has eased or eliminated roadblocks and barriers to fair and equitable telecommunications competition.

**a. Stakeholders' Comments**

The participants in the Texas telecommunications marketplace have provided diverse and wide-ranging views on what incentive regulation has done to enhance competition.

In AT&T's view, competition has not advanced to the level envisioned by the Legislature, and has not advanced to a sufficient level to support the major "regulatory parity" modifications to Chapter 58 and Chapter 59 sought by some of the electing ILECs.<sup>33</sup> AT&T claimed that competition in the retail market is not analogous to competition in the wholesale market. AT&T asserted that a fully competitive telecommunications marketplace would require robust wholesale competition or at least access to comparable alternatives to the incumbent's wholesale network services. AT&T indicated that no commenter specifically asserted that the local telecommunications market is more competitive today as a direct result of incentive regulation.<sup>34</sup> Neither is AT&T aware of any evidence that competition in the local service market has improved in Texas as a result of incentive regulation.<sup>35</sup>

According to CenturyTel, it is difficult to measure the impact of incentive regulation on competition, but CenturyTel noted that it has executed nine interconnection agreements with CLECs, and ports four to six percent of its telephone lines to facilities-based CLECs.<sup>36</sup>

SBC Texas maintained that aggressive competitive alternatives from both wireless and wireline providers have created a telecommunications market where offers of bundled local and long-distance service for a low, flat rate are now more the rule than the exception.<sup>37</sup> In addition to package discounts, bundles of services, including local and long-distance service with mobile service and high-speed Internet access, have allowed consumers to receive all of their telecommunications services from one provider on one bill. Therefore, according to SBC Texas, incentive regulation has been successful in bringing additional choice to Texas consumers.<sup>38</sup> SBC Texas stated that the Commission and Legislature should focus on wireline issues within a broader context of the emerging wireless and broadband markets.

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<sup>33</sup> Comments of AT&T at 3.

<sup>34</sup> *Id.* at 4.

<sup>35</sup> *Id.* at 5.

<sup>36</sup> Comments of CenturyTel at 2.

<sup>37</sup> Supplemental Comments of SBC Texas at 4.

<sup>38</sup> *Id.*



Sprint indicated that pricing and packaging flexibility have enhanced its ability to respond to competitors through innovative and targeted pricing plans.<sup>39</sup> Verizon generally shared SBC Texas's opinions, indicating that packaging by service providers has benefited residential and small-business consumers. These packages often include an array of different services such as local, custom-calling options, long distance, wireless, and high-speed Internet access.<sup>40</sup> Verizon stated that service packaging provides consumers with overall price discounts and the convenience of receiving a single bill. Verizon asserted that the transition to a competitive market is over and competition is now available in Texas, and that unnecessary rules must be eliminated to allow competitive market forces to work.<sup>41</sup>

### **b. Data Provided by Stakeholders**

According to AT&T, although consumers may have benefited from the stability of basic local service rates, certain electing ILECs have consistently raised all rates for services not subject to rate caps. AT&T provided a summary of SBC Texas's rate increases over the last several years, and argued that the incentive-regulation elections have not benefited customers as much as the ILECs have claimed.<sup>42</sup> AT&T disagreed with the assertion of the electing ILECs that intermodal competition should drive regulatory decisions today, as intermodal competition does not yet provide consumers with a viable alternative to local wireline service.<sup>43</sup> According to AT&T, wireless and wireline are not effective intermodal competitors because wireless carriers such as Verizon, Sprint and Cingular "are each owned by wireline monopolists," and "the ILEC has a high probability of capturing any consumer canceling wireline service for wireless service."<sup>44</sup>

AT&T posited that only effective local exchange wireline competition has the potential to act as a constraint upon market power and stated that, as of 2002, 85% of the Texas local market was still controlled by the ILECs. AT&T noted that, of the 15% market share enjoyed by the CLECs, 80% of those competitors provide service through the use of ILEC network elements or the resale of ILEC services.<sup>45</sup> In contrast, AT&T asserted that SBC Texas has entered the long-distance market throughout Texas and, by November 2003, had gained a 60% share of the interexchange (IXC) market. AT&T reminded the Commission that one federal requirement for its own IXC deregulation had been that AT&T have no more than 55% of the total IXC market.<sup>46</sup>

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<sup>39</sup> Sprint's Comments at 3.

<sup>40</sup> Comments of Verizon Southwest at 3.

<sup>41</sup> *Id.* at 1.

<sup>42</sup> Comments of AT&T at 10; *see also* Appendix F – Chart Tracking SBC Texas Price Changes – Provided by AT&T.

<sup>43</sup> Comments of AT&T at 9.

<sup>44</sup> *Id.* at 6, fn. 8.

<sup>45</sup> *Id.* at 8.

<sup>46</sup> *Id.*

SBC Texas asserted that competition is robust, with 62 ILECs, 224 CLECs, 19 wireless providers and 43 broadband providers serving customers in Texas. SBC Texas stated that all of its Texas wire centers have at least one landline competitor.<sup>47</sup>

### c. Commission Data and Analysis

The electing ILECs have capitalized on their incentive-regulation ability to create packages, bundles, customer-specific pricing, term contracts and promotions (see above discussion, II.A.1.c.). The electing ILECs have reported that this flexibility has allowed them to respond to competitive pressures, both from wireline CLECs competing in their markets (“intramodal” competitors), wireless, cable and broadband VOIP companies (“intermodal” competitors).

Some level of intermodal competition from wireless and cable providers exists in some areas. The FCC recently reported that, nationwide, 5-6 percent of households now have wireless phones only.<sup>48</sup> As shown in the following chart, the number of wireless subscribers is rapidly approaching the total number of landline telephone subscribers in Texas.

**Table 5 – Comparison of Wireline, Wireless and VOIP in Texas**

	2000	2001	2002	2003
<b>Mobile Wireless Subscribers</b>	7,548,537	9,062,064	9,943,429	11,327,700
<b>Long-distance (Switched Access) Minutes of Use</b>	11,397,493,545	11,495,969,512	11,364,074,299	10,539,257,059
<b>Total Basic Dial Tone Lines<sup>49</sup></b>	13,750,684	13,531,474	13,303,528	12,888,973
<b>Voice Over IP Lines</b>	N/A	N/A	N/A	7,381

SOURCES: *Local Telephone Competition Reports*, FCC (May 2001, July 2002, June 2003, Dec. 2003, June 2004); Texas PUC 2005 Scope of Competition Data Responses. VOIP lines are as of June 30, 2004; see Texas PUC 2005 Scope of Competition Data Responses.

In general, service packages offered by carriers – electing ILECs, wireless, and CLECs – look similar (see Tables 3 and 4, above). It is not clear, however, who is leading the market. Electing ILECs that are providing packaged services that mirror their competitors’ packages may be responding to competitive pressure, or the electing ILECs may be initiating packages that their competitors are then trying to match.

A more general discussion on competition in the telecommunications market in Texas, as well as granular data on where CLECs have targeted their efforts, is available

<sup>47</sup> SBC Texas Comments at 4.

<sup>48</sup> *In re Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services*, WT Docket No. 04-111, FCC 04-216, Ninth Report at ¶ 212, fn. 575 (rel. Sept. 28, 2004).

<sup>49</sup> This total includes all known access lines served by CLECs and ILECs.

in the Commission's 2005 *Report to the 79<sup>th</sup> Legislature on the Scope of Competition in Telecommunications Markets in Texas*.<sup>50</sup>

### 3. Infrastructure Investments

The legislative goals stated in PURA do not differentiate between residential and business consumers. PURA § 58.201, *Statement of State Goal*, states that:

It is the goal of this state to facilitate and promote the deployment of an advanced telecommunications infrastructure to spur economic development throughout the state.

Most of the perceived benefits of infrastructure development seem to accrue to all categories of consumers equitably, and the Legislature stated specifically that an advanced telecommunications infrastructure is expected to spur economic development.<sup>51</sup>

The infrastructure commitments that an electing ILEC must fulfill vary depending on the number of access lines it serves and whether it chooses to be subject to Chapter 58 or Chapter 59 regulations. Chapter 58 requires an electing ILEC to commit to: (1) making end-to-end digital connectivity available to each customer by December 31, 1996; (2) for each new switch installed after September 1, 1995, the ILEC must install only digital, or technically equal to or superior to digital, central offices; switches installed after September 1, 1997, must, at a minimum, be capable of providing integrated services digital network (ISDN); (3) serve 50 percent of its local exchange access lines by January 1, 2000; and (4) employ broadband facilities capable of 45 or more megabits per second in its public switched network backbone interoffice facilities. In addition to these commitments, an ILEC serving more than one million but fewer than five million access lines is required to (1) install Common Channel Signaling 7<sup>52</sup> in each central office and (2) connect all of the serving central offices to their respective local access and transport area (LATA) tandem central offices with optical fiber or equivalent facilities.

In contrast, Chapter 59 requires an electing ILEC to commit to completing all of the prescribed infrastructure investments within six years of its election. Chapter 59 requires an electing ILEC to: (1) install only digital central offices for each new central office switch installed after September 1, 1995; (2) make end-to-end digital connectivity available to each customer; (3) serve 50 percent of its local-exchange access lines with a digital central office switch; (4) employ broadband facilities capable of 45 or more megabits per second in its public switched network backbone interoffice facilities; and (5) install Common Channel Signaling 7 capability in each access tandem office.

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<sup>50</sup> Project No. 29074 – *Report to the 79<sup>th</sup> Legislature on the Scope of Competition in Telecommunications Markets*. The Commission is required to provide this report to the Legislature on January 15, 2005.

<sup>51</sup> PURA § 58.201(a).

<sup>52</sup> Common Channel Signaling refers to a network architecture that uses a specific signaling protocol, Signaling System 7 (SS7), to facilitate network management, and to enable telephone networks to exchange data and services, such as optional calling features like Caller ID.

### a. Stakeholders' Comments

Several electing ILECs asserted that investment in new technologies has resulted, in part, from the additional profits recovered from opting into incentive regulation. Further, all of the electing ILECs stated that they had met their infrastructure commitments. No party presented evidence refuting these statements.

Texas Alltel stated that the regulatory certainty afforded by incentive regulation has insulated consumers and assisted the industry as a whole in maintaining a level of capital investment that would not have been feasible without these measures.<sup>53</sup> Big Bend echoed Texas Alltel's sentiment that the stable revenue stream afforded by incentive regulation has allowed it to commit to network investments that have improved service quality and allowed it to provide new services, such as DSL, to its customers.<sup>54</sup>

### b. Data Provided by Stakeholders

Sprint reported that, under incentive regulation, it has replaced several miles of defective cable plant and outdated equipment with more efficient technologies.<sup>55</sup>

Verizon opined that its customers have benefited from incentive regulation with an all-digital network introduced since 1998, DS-3 broadband interoffice facilities (IOF) in service since 2000, and access to all digital end-to-end IOF since 2001. These investments have allowed Verizon to expand its offering of asymmetrical digital subscriber line service (ADSL) to more customers.<sup>56</sup> Valor credited its election of incentive regulation as a means of being able to offer its rural customers services that allow faster Internet access.<sup>57</sup>

SBC Texas reported that it provided digital switching in all exchanges by the end of 2000.<sup>58</sup> Additionally, by 1999, SBC Texas stated it had met its commitment to ensure that every customer had the capability to obtain digital services and had provided fiber-optic cable between all central offices.

Valor opined that incentive regulation's infrastructure requirements have been instrumental in the deployment of advanced services, end-to-end digital connectivity, digital switch deployment and interoffice broadband facilities. Valor reported that it made approximately \$145.5 million in infrastructure capital investment since September 2000 as a result of Chapter 58 regulation.<sup>59</sup> Valor stated that one consequence of these investments had been service quality improvements throughout its rural market.

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<sup>53</sup> Response of Sugar Land Telephone Company and Texas Alltel, Inc. at 2.

<sup>54</sup> Comments of Big Bend Telephone Company at 2 (June 17, 2004).

<sup>55</sup> Sprint's Comments at 5-6.

<sup>56</sup> Comments of Verizon Southwest at 9.

<sup>57</sup> Valor's Comments at 1-2.

<sup>58</sup> Comments of SBC Texas at 5.

<sup>59</sup> Response of Valor Telecommunications of Texas, LP to PUC Request for Comments at 2 (June 16, 2004).

Verizon reported that it had made a number of technological improvements to its network subsequent to Chapter 58 election, including: (1) conversion to an all-digital switch network; (2) the implementation of DS-3 interoffice broadband facilities; (3) provision of ADSL for high-speed Internet access; and (4) a 25% increase in fiber deployment.<sup>60</sup> Verizon advised that it has invested \$3 billion to modernize its network since 1995, and recently announced plans to deploy fiber to the customer premises, which it expects will greatly improve service quality and provide consumers with greater capacity and a better choice of services.<sup>61</sup>

### c. Commission Data and Analysis

Since the inception of incentive regulation, the Commission has closely monitored the infrastructure investments and network upgrades made by the 15 ILECs that elected this form of regulation. Electing ILECs have completed the required infrastructure buildouts, as required by Chapters 58 and 59.<sup>62</sup>

The obligations included replacing analog switches with more efficient digital switches, providing end-to-end digital connectivity and installing fiber-optic facilities between switches. To date, electing ILECs have invested more than \$622 million in order to fulfill their obligations.<sup>63</sup> The following table shows the approximate total investment amount for each category from 1996 to 2006:

**Table 6 – Infrastructure Investment in Texas, 1996 – 2003**

<b>Infrastructure Commitment</b>	<b>Total Investment Amount</b>
End-to-End Digital Connectivity	\$18,955,841
New Digital Switch Deployment	\$365,884,950
Inter-office Broadband Facilities	\$122,145,515
SS7 Deployment	\$1,633,206
Fiber optics to Tandem Offices	\$114,072,776

SOURCE: Texas PUC filings in Project No. 18686.

## 4. Quality of Service

Pursuant to PURA § 58.028, the Commission must review and evaluate the effects of incentive regulation on quality of service.

The service-quality objectives and performance benchmarks for local exchange service established by the Commission have facilitated the replacement of outdated, slower transmission facilities with more reliable and faster facilities. These transmission upgrades, in conjunction with investments related to infrastructure commitments, have

<sup>60</sup> Comments of Verizon Southwest at 9 (June 17, 2004).

<sup>61</sup> *Id.*

<sup>62</sup> See *Infrastructure Reports*, Project No. 18686.

<sup>63</sup> This investment amount was derived from infrastructure reports that are filed ongoing in Project No. 18686.

allowed carriers to deploy advanced telecommunications infrastructure, which has improved the quality of local exchange service in Texas.

**a. Stakeholders' Comments**

The electing ILECs stated that consumers have benefited from their responses to competitors. Verizon noted that quality of service is a key competitive strategy in a competitive market, and this opinion was echoed by other electing ILECs. SBC Texas asserted that competition, not regulation, is the best incentive for high-quality service.<sup>64</sup>

SBC Texas, Sprint, and Verizon commented that their respective network service-quality results show that capital investments under incentive regulation have allowed their quality of service to remain steady or improve over time. Sprint reported that investments associated with interoffice diversity help to reduce the occurrence of customer outages, and argued that reduced customer complaints filed with the Commission show that incentive regulation has helped to improve service quality in Texas.<sup>65</sup>

Texas Alltel commented that the regulatory certainty of incentive regulation has allowed it to continue capital investment in its infrastructure. Texas Alltel asserted that this continued investment bolsters service quality through the provision of new plant, which ultimately results in fewer customer problems and complaints.<sup>66</sup>

**b. Data Provided by Stakeholders**

Several electing ILECs reported that their customer complaints had fallen as a result of their responses to competitive forces and that their quality of service had improved as a result of an acute awareness of the market. Sprint stated that its quality of service has improved under incentive regulation and that customer complaints fell 50% between 2002 and 2003.<sup>67</sup>

Verizon stated that it had greatly improved its network reliability and the range of services available to its customers, with the result that a recent survey indicated 81% of residential and 74% of business customers view their Verizon service as outstanding or very good. To further emphasize this point, Verizon noted that the number of Verizon customer complaints filed at the Commission dropped by approximately 33% between 2002 and 2003.<sup>68</sup>

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<sup>64</sup> Comments of SBC Texas at 4.

<sup>65</sup> Sprint's Comments at 3-4.

<sup>66</sup> Response of Sugar Land Telephone Company and Texas Alltel at 5.

<sup>67</sup> Sprint's Comments at 4.

<sup>68</sup> Comments of Verizon Southwest at 8.

SBC Texas asserted that it has maintained consistently high compliance with statewide network service-quality standards under incentive regulation.<sup>69</sup> SBC Texas reported that its network service-quality results have remained steady or improved under incentive regulation.<sup>70</sup>

**c. Commission Data and Analysis**

For all electing ILECs, the replacement of analog switches with more efficient digital switches, the provision of fiber-optic facilities between end-offices, and the availability of end-to-end digital connectivity have aided in improving the quality of service customers receive from electing carriers.

The Commission monitors eight service-quality measurements, of which the following three measurements provide a good visual indicator of overall network performance. The following charts depict selected service quality measurements for the four largest ILECs in the state – SBC Texas, Sprint, Valor, and Verizon – from 2000 through 2003.

The “Percent Installation Commitments Met” chart measures the percentage of customer installations completed within the required time frame for the service ordered and the customer type (see Figure 1 below).<sup>71</sup>

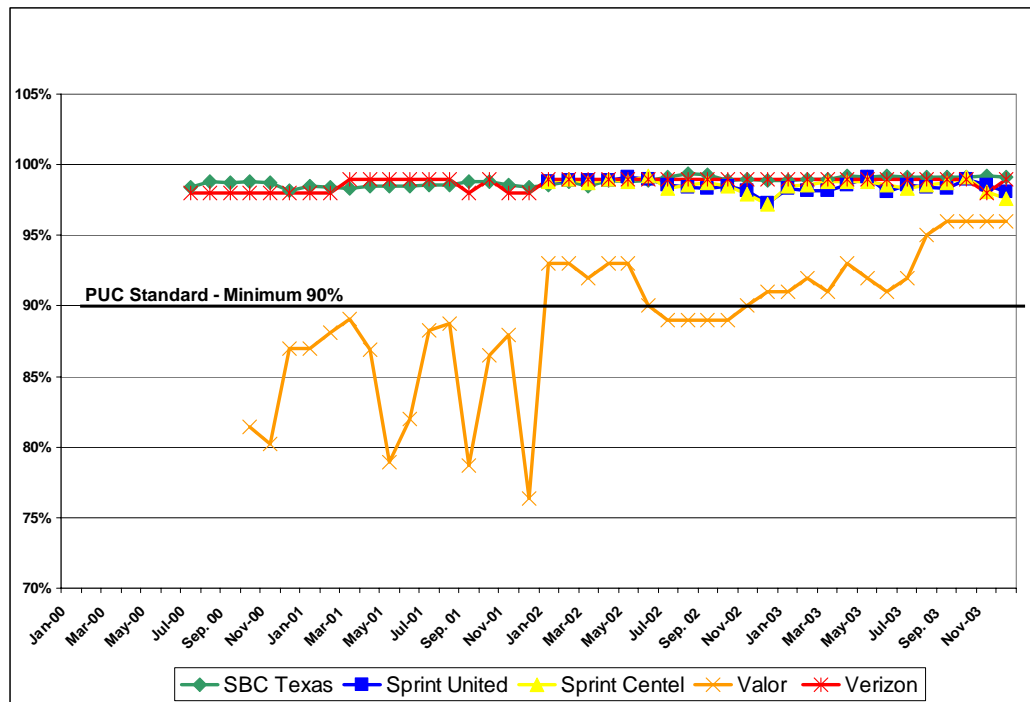
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<sup>69</sup> See Appendix G, *SBC Texas Statewide Network Service Quality Results*, filed with SBC’s July, 2004 *Reply Comments* as “Attachment B”.

<sup>70</sup> Supplemental Comments of SBC Texas at 5; see also Appendix G – Service Quality Chart Provided by SBC Texas.

<sup>71</sup> P.U.C. SUBST. R. 26.54.

**Figure 1 – ILEC Percent Installation Commitments Met, 2000-2003**

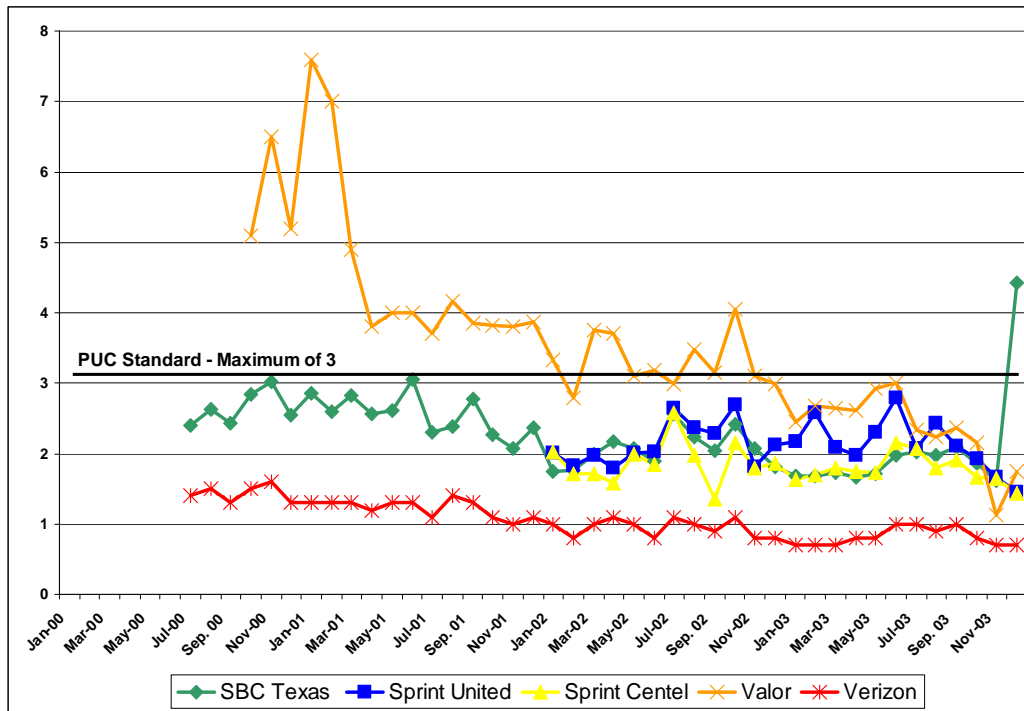


SOURCE: Texas PUC filings in Project Nos. 20367, 24102, 25699 and 27612.

The “Percent of Trouble Reports per 100 Customer Lines” and “Percent Repeat Trouble Reports” charts measure the number of facility problems reported by the electing ILEC’s customers. Trouble Reports encompass a large range of customer facility problems, such as bad weather or degraded wire (see Figures 2 and 3 below).

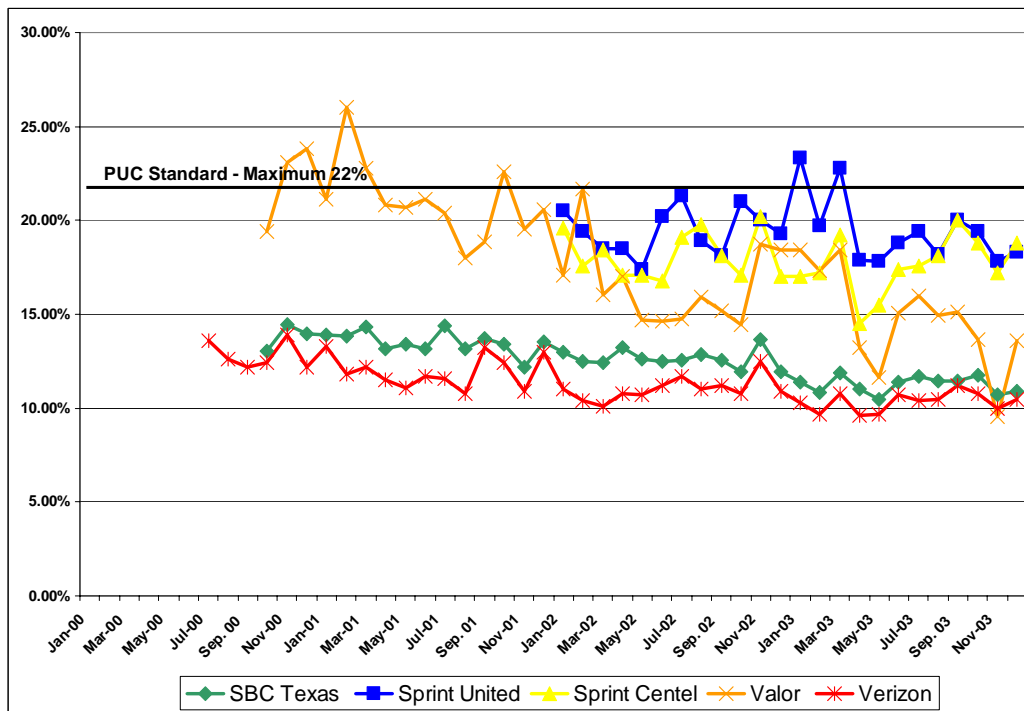


**Figure 2 –ILEC Trouble Reports per 100 Customer Lines, 2000-2003**



SOURCE: Texas PUC filings

**Figure 3 – Percent Repeat Trouble Reports, 2000-2003**



SOURCE: Texas PUC filings

## **B. Special Programs**

Chapter 58 and Chapter 59 regulation required the implementation of reduced rates for private network services, contractual rate caps (no more than 105% of cost for Chapter 58 carriers and no more than 110% of cost for Chapter 59 carriers), toll-free Internet access in SBC Texas's service area, and statewide, average rates for T-1 facilities. Under these discounts, the electing ILEC must provide a private network service under a customer-specific contract, offer private network service contracts at 105 percent of the LRIC of providing the private network service, including installation, and shall file the contract with the Commission; however, Commission approval of the contract is not required.

Under PURA §§ 58.253 and 58.258, these private network services must be provided to the following entities upon request: (1) an educational institution; (2) a library as defined in PURA Section 57.042(6)(A) and (B); (3) a nonprofit telemedicine center; (4) a public or not-for-profit hospital; (5) a project that would have been eligible to be funded by the telecommunications infrastructure fund under Subchapter C, Chapter 57, as that subchapter existed on January 1, 2001; (6) a project funded by the telecommunications infrastructure fund under Subchapter C, Chapter 57, except for a tele-pharmacy system; (7) a project eligible to have been funded by the telecommunications infrastructure fund under Subchapter C, Chapter 57, as of January 1, 2001; and (8) a legally constituted consortium or group of entities listed in this subsection.

The purpose of providing these services at such discounts was to improve and increase the interconnectivity of educational institutions, libraries and non-profit medical facilities throughout the state. The comments and reply comments received in this project indicate that this legislative goal has been greatly advanced.

### **1. Schools/Libraries Benefits**

PURA §58.251, Subchapter G, *Infrastructure Commitment to Certain Entities*, and §59.071, Subchapter D, *Infrastructure Commitment to Certain Entities*, provided specific requirements and goals for electing ILECs serving educational institutions, libraries and telemedicine centers, as well as consortiums representing these entities. The Legislature's stated intention was to establish an infrastructure that interconnects these entities, thereby allowing the individual networks of these entities to interconnect and interoperate across the broadband, digital service infrastructure. PURA §58.251(b) states:

The goal of this subchapter is to interconnect and aggregate the connections to every entity described in this subchapter, in the local serving area.

### a. Stakeholders' Comments

In general, the electing ILECs reported that they have complied with PURA's requirements and provide discounted services to many schools, libraries, medical facilities, and other eligible entities. Pursuant to PURA's requirements,<sup>72</sup> services are provided upon request and are tariffed.

Schools and libraries, the beneficiaries of these discounted rates, asserted that incentive-regulation requirements have provided the necessary certainty for purchasing services for their networks. Among those providing comments on behalf of schools and libraries were the following stakeholders: Harris County Public Library (HCPL), Houston Public Librarians, the Office of Public Utility Counsel (OPC), Plains Independent School District (Plains ISD), the State of Texas (the State), Texas Education Telecommunications Network (TETN), the Texas Library Association (TLA), and the University of Texas Systems (UT). All parties agreed that Chapters 58 and 59 requirements have provided beneficial infrastructure and rate commitments.

Houston Librarians asserted that, prior to the availability of the Chapters 58 and 59 discounts, they were unable to afford T-1 circuits and only provided 56 kilobit (KB) access to each branch.<sup>73</sup> The increased T-1 bandwidth available as a result of incentive regulation's required pricing has allowed Houston libraries to provide enhanced services to the public – such as the ability to do job searches – and to provide students with Internet access, as many have no access at home. Houston Librarians stated that, without the discounted rates, they would face an unstable environment with additional costs and a substantial reduction in money available for the purchase of books.<sup>74</sup>

Plains ISD, part of the Region 17 Interactive Video Conferencing Service Center Consortium, stated that the Legislature is seeking ways to hold down education costs while increasing academic standards.<sup>75</sup> Plains ISD asserted that the use of high-speed access and its instructional television (ITV) centers accomplishes these ends by making better use of teaching resources (fewer teachers teach more students), and allows for the filing of mandatory reports and exchange of information between the ISD and TEA.<sup>76</sup>

The State asserted that consumer benefits to state agencies receiving discounted Chapter 58 and 59 services are substantial and essential.<sup>77</sup> The State asserted that the *2002-2003 Texas Dept. of Informational Resources Report* showed that both of these discounts are the key to the state's improved educational infrastructure.<sup>78</sup> In addition, the

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<sup>72</sup> See PURA §§ 58.253, 58.259, 59.072, and 59.077.

<sup>73</sup> Comments of Houston Public Librarians at 1 (June 15, 2004).

<sup>74</sup> *Id.* at 3.

<sup>75</sup> Comments of Plains ISD at 2 (June 23, 2004).

<sup>76</sup> *Id.* at 2-3.

<sup>77</sup> Comments of the State of Texas at 1 (June 17, 2004).

<sup>78</sup> *Id.* at 2.

State reported that the use of discounted high-bandwidth services allows educational and Internet availability in rural areas.<sup>79</sup>

TETN, a consortium of TEA and twenty Texas Education Service Centers that provides data, voice and video systems among its members, contended that educational institutions use the savings that have resulted from these guaranteed rates to upgrade computer equipment and to finance the costs of the comprehensive telecommunications technology system (to be completed in 2010).<sup>80</sup>

TLA emphasized the importance of library access to the Internet for citizens, noting that these services, unavailable without access to high-bandwidth services, are now being provided to the elderly, to households without computers, and to households without better connectivity (due to costs or availability).<sup>81</sup>

According to UT, incentive-regulation rates make it possible for educational institutions, libraries, telemedicine centers and non-profit hospitals to accomplish their respective missions.<sup>82</sup> UT asserted that incentive regulation has greatly enhanced the networking capabilities of higher-education institutions, libraries, the K-12 community, telemedicine and non-profit hospitals, and that the loss of this rate structure would have a catastrophic effect and prevent these entities from carrying out their missions.<sup>83</sup>

#### **b. Data Provided by Stakeholders**

Texas Alltel reported that it is providing T-1 service to 21 schools at 27 different locations, and in the Sugar Land service area, a private network linking approximately 61 schools and 8 associated support facilities has been installed, with plans to add 3 to 4 more schools to this network.<sup>84</sup> Consolidated reported that it has responded to all special construction and service requests from educational institutions and health-care-facility customers.<sup>85</sup> According to SBC Texas, under Chapter 58, it provides, at a deep discount, more than 7,500 circuits to education customers, 2,800 circuits and services to qualified medical customers, and 165 circuits and services to libraries.<sup>86</sup>

HCPL reported that it leases 26 T-1 circuits from SBC Texas for its wide area network (WAN), which encompasses 26 libraries. HCPL reported that its WAN provides full Internet connectivity to 960 public-access computers that were used to offer more than 15,000 hours of free Internet training to Texas citizens in 2003.<sup>87</sup> These same

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<sup>79</sup> Comments of the State of Texas at 3.

<sup>80</sup> Comments by TETN at 6 (June 16, 2004).

<sup>81</sup> Comments of the Texas Library Association at 2 (June 16, 2004).

<sup>82</sup> Additional Comments of the University of Texas System at 2 (July 23, 2004).

<sup>83</sup> Comments of the University of Texas System at 2 (June 16, 2004); Additional Comments at 5.

<sup>84</sup> Response of Sugar Land Telephone Company and Texas Alltel at 6.

<sup>85</sup> Comments of Consolidated Communications at 4.

<sup>86</sup> Comments of SBC Texas at 5.

<sup>87</sup> Comments of HCPL at 2 (June 16, 2004).

connections provide online database searches, and an online public-access catalog. HCPL spends \$83,616 annually for these T-1s, and reported that the same network would cost \$131,352 more per year under the rate structure prior to SBC Texas's election to Chapter 58 regulation, a substantial increase.<sup>88</sup>

Houston Librarians reported that in 2003, more than 1.2 million customers used a computer at Houston library, more than 3.8 million customers visited their website, 14,133 reference questions were submitted via e-mail, and 525,546 text retrievals were completed by customers. Houston Librarians advised that 41 branch libraries rely on the current rate structure, which saves them more than \$139,000 annually versus the pre-incentive regulation rates.<sup>89</sup>

Plains ISD reported that its ITV Consortium provides interactive video to 57 schools, allowing students to take dual-credit courses (college and high-school credit simultaneously).<sup>90</sup> Plains ISD advised that its ITV network usage has more than doubled during the last three years, from 7,529 hours in 2002 to 17,746 hours in 2004.<sup>91</sup> Aside from the T-1 circuit cost savings, Plains ISD asserted that, through the use of the ITV network, rural schools avoid substantial travel expenses.

TETN reported that, within six years of the passage of HB 2128, all school districts had access to the Internet, and most had completed Internet connectivity to their classrooms. TETN also supports a connection to Internet2. According to TETN, more than 23,000 students and educators received classes over its video networks in 2003.<sup>92</sup> TETN asserted that it was the pricing incentives created in HB 2128 and embodied in Chapter 58 and 59 requirements that allowed every state school district in Texas to gain access to the Internet. This access has been essential, in TETN's opinion, to meeting the Adequate Yearly Progress and No Child Left Behind mandates, and providing rural ISDs with the toll-free access and reduced network circuitry necessary to accomplish these ends.<sup>93</sup> TETN emphasized that the stability of these discounted rates is critical for planning and budgeting purposes, and estimated that \$1.9 million in travel costs were saved during the last year as a result of videoconferencing and remote classes.<sup>94</sup> TETN advised that schools spend approximately \$5.5 million annually on circuits (more than 1,400 T-1s, 48 DS3s, 13 OC3 and OC12 circuits, and 10 GigaMan connections), with roughly \$2 million of this figure paid through the federal E-rate program.<sup>95</sup>

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<sup>88</sup> *Id.*

<sup>89</sup> Comments of Houston Public Librarians at 3.

<sup>90</sup> Comments of Plains ISD at 1.

<sup>91</sup> *Id.* at 2.

<sup>92</sup> Comments of TETN at 3.

<sup>93</sup> *Id.* at 3-4.

<sup>94</sup> *Id.* at 4.

<sup>95</sup> *Id.* at 5.

The State reported that the University of Texas saves \$2 million annually as a result of these discounted rates, and that the Texas Department of Information Resources estimates savings on T-1, DS3 and OC3 services to range between \$180,000 and \$6 million annually.

TLA advised there are 558 public libraries, 305 branch offices, and 184 academic library systems (incorporating approximately 6,500 school libraries) in the state serving over 20 million people. TLA stated that its cost for connecting to Texas Higher Education network (THEnet), UT's network, is \$625,000 per year, and that this would cost approximately \$3.3 million without the Chapters 58 and 59 discounts. TLA reported that the El Paso ISD has saved over \$1.2 million in the last two years on its telecommunications expenses as a result of these lower rates.<sup>96</sup>

UT, which operates the THEnet, advised that THEnet serves more than 200 educational institutions, as well as non-profit hospitals, libraries, research organizations, and governmental agencies. UT reported that it currently spends \$483,000 annually for DS-3 services purchased through its discounted contract arrangements with SBC Texas. UT advised that these same services purchased from SBC Texas's Digital Link Tariff would cost approximately \$2.76 million annually.<sup>97</sup> In addition, UT reported that it has purchased more than 300 T-1 circuits at an annual cost of \$1.8 million, which it estimates would cost approximately \$8 million per year without the discounts.<sup>98</sup> UT reported that the savings are substantial and that the requisite facilities would not be affordable without the discounted rates.

### **c. Commission Data and Analysis**

The Commission does not currently compile this information independently, and thus relied upon the data provided by the stakeholders during this project. From the data provided, it appears that schools and libraries across Texas have availed themselves of incentive-regulation discounts to obtain advanced services. It is also apparent that the commenting schools and libraries consider it critical to retain predictable pricing, cost savings and the certainty that the services will be provisioned in order to continue purchasing Internet access and other broadband services.

## **2. Telemedicine/Hospitals Benefits**

Although telemedicine facilities and non-profit hospitals are included among the entities eligible for Chapter 58 and Chapter 59 discounted services, no specific comments were received regarding such institutions.

It should be noted that the Federal Communications Commission (FCC) has also recently commented upon the dearth of information regarding non-profit medical

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<sup>96</sup> Comments of the Texas Library Association at 3.

<sup>97</sup> Comments of the University of Texas System at 1. A Chapter 58 ILEC must provide its service at no more than 5% above the actual cost.

<sup>98</sup> Additional Comments of the University of Texas System at 1.

facilities' use of telecommunications discount plans. Based on discussions at the June 2004 workshop in this project, the Commission believes that the majority of such facilities may be encompassed under educational institutions' facilities, but there is not enough information to reach a conclusion on this matter at this time.

**a. Stakeholders' Comments**

Comments received from the educational stakeholders indicate that educational consortiums do count among their clients educational telemedicine and non-profit medical facilities, and use broadband technology to accommodate the distances between medical institutions and consumers and between educational faculty and medical students. In particular, UT provided detailed information regarding the use of broadband by the UT System's various medical schools and facilities for distance-learning courses.<sup>99</sup> Outside of this information, however, no other party provided specific comment on the impact of incentive regulation on telemedicine or public-health entities during this proceeding.

**b. Data Provided by Stakeholders**

According to UT, 23 health-care entities utilize the HB 2128 discounts for distance learning and teleconferencing.<sup>100</sup> However, no specific data was reported by telemedicine or public health entities during this proceeding.

**c. Commission Data and Analysis**

The Commission does not independently compile data on the provision of these special discounts to telemedicine and other public-health entities.

**3. Impact of Competition**

Schools and libraries commented that, for the most part, there is no active competition to serve them; therefore, they primarily order services from the ILEC in their service territory. No telemedicine or public-health entities provided information to the Commission regarding whether similar services were offered by carriers competing with the electing ILECs. There was consensus, however, among the schools and libraries that Chapters 58 and 59 incentive-regulation requirements have worked, and are responsible for services being provided in a timely fashion and better service quality. Only AT&T expressed reservations, described below, regarding the impact of PURA-mandated discounted rates for these public entities and its ability to compete for their business.

**a. Stakeholders' Comments**

According to AT&T, the Chapters 58 and 59 discount structure has made it impossible for competitive carriers to effectively compete for these entities'

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<sup>99</sup> *Id.* at 1-5.

<sup>100</sup> *Id.* at 1.

telecommunications contracts.<sup>101</sup> AT&T argued that, in effect, the incentive regulation discounts insulate higher education, libraries and telemedicine institutions from competition. Thus, while AT&T competes for the business of schools, libraries, universities, and hospitals, the CLEC has in large part not been successful in obtaining this business. AT&T believes that its inability to compete for these potential customers is due largely to the PURA-mandated ILEC discounts for certain private network services, such as access to data and Internet services.<sup>102</sup>

SBC Texas indicated that it has provided thousands of discounted services to eligible entities, and that those entities have benefited from the lower cost structure afforded them; however, SBC Texas suggested that a “continuation of these types of incentive discounts may only make sense in an environment of parity regulation.”<sup>103</sup>

TLA recommended that the state expand its current rate-reduction requirements to encompass all broadband providers – wireless, landline and cable.<sup>104</sup>

#### **b. Data Provided by Stakeholders**

No specific data was reported by the CLECs or electing ILECs regarding the number of entities served who are eligible for these discounts, or the typical services ordered by these entities. Comments from schools and libraries indicated that the majority purchase services through the electing ILECs. While TLA stated that some libraries may purchase broadband services from cable providers,<sup>105</sup> the Commission has no data regarding the level of competition from cable providers to serve these entities.

#### **c. Commission Data and Analysis**

The Commission does not independently compile data on the provision of these special discounts to schools and libraries. Therefore, the Commission relied upon the data provided by the schools and libraries to make its recommendation on special programs (see Chapter III for a discussion on Commission recommendations).

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<sup>101</sup> Comments of AT&T at 12.

<sup>102</sup> *Id.*

<sup>103</sup> Supplemental Comments of SBC Texas at 5.

<sup>104</sup> Comments of the Texas Library Association at 4.

<sup>105</sup> *Id.*





## Chapter III. Commission Alternatives and Recommendations

Public Utility Regulatory Act (PURA) § 58.028 requires the Public Utility Commission of Texas (Commission) to include in its report to the 79th Texas Legislature the Commission's recommendations as to whether the incentive regulation and special program discounts provided by Chapters 58 and 59 should be (1) extended; (2) modified; (3) eliminated, with a return to rate-of-return regulation; or (4) replaced with another form of regulation. After reviewing the stakeholders' comments, the Commission offers the following analysis and recommendations.

### A. Incentive Regulation

As indicated in PURA §§ 58.001 and 58.028, an examination of the impact of incentive regulation on competition may take into consideration the transition from traditional rate-of-return regulation to a fully competitive marketplace, the status of competition in the telecommunications industry, the diversity in the supply of telecommunications services and products throughout urban and rural areas of the state, network interconnectivity, upgraded telecommunications infrastructure, and universal telecommunications service provided at affordable rates.

#### 1. Proposals by the Stakeholders

##### a. Extend Incentive Regulation

AT&T, the only competitive local exchange carrier (CLEC) to comment on this issue, maintained that Chapter 58 and Chapter 59 regulation should not be eliminated or have major reductions because competition in the local exchange service market has not yet advanced to a point to justify repeal of or major changes to the regulatory requirements on electing incumbent local exchange carriers (ILECs).<sup>106</sup> AT&T further stated that the electing ILECs remain dominant carriers under PURA and should be held to standards that help ensure that competition is not thwarted by unreasonably preferential, prejudicial, predatory or discriminatory prices or rules.<sup>107</sup>

Big Bend stated that the protections afforded revenue streams under incentive regulation are of paramount importance to small ILECs.<sup>108</sup>

Office of Public Utility Counsel (OPC) maintained that competition has not emerged throughout Texas at a level to justify further deregulation of the telephone industry.<sup>109</sup>

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<sup>106</sup> Comments of AT&T at 11.

<sup>107</sup> *Id.*

<sup>108</sup> Comments of Big Bend Telephone Company at 3.

<sup>109</sup> OPC Comments at 3.

## **b. Modify Incentive Regulation**

Consolidated Communications maintained that significant modifications should be made to incentive regulation, with a goal of regulatory parity for all telecommunications providers. Specific changes suggested by Consolidated included greater pricing flexibility, streamlined tariff-approval processes, removal of billing-format requirements, and a re-examination of service-quality benchmarks and all reporting requirements.<sup>110</sup>

SBC Texas advocated a lessened and/or simplified regulatory structure due to the robust level of competition it believes it faces from both intramodal and intermodal sources, as well as technological developments such as Voice Over Internet Protocol (VoIP).<sup>111</sup> To the extent that regulation of telecommunications is modified rather than eliminated, SBC Texas advocated that all certificated providers should be treated equally and have pricing flexibility. SBC Texas also argued that the Commission's role should be changed to a focus on consumer advocacy and information, and should not include enforcement of service-quality standards and associated penalties.<sup>112</sup>

Sprint opined that the current law should be changed to reduce unnecessary regulatory reporting requirements and extend pricing flexibility to all services, including basic network services.<sup>113</sup>

Texas Alltel maintained that Chapters 58 and 59 should be modified to make substantial movement toward the goal of transitioning to a fully competitive marketplace. To this end, Texas Alltel advocated changes designed to provide regulatory and competitive parity between ILECs and their competition. Specific changes suggested by Texas Alltel included removing 10-day filing requirements, allowing for quicker price reductions and geographic pricing, and reducing or eliminating ILEC reporting requirements.<sup>114</sup>

Texas Telephone Association (TTA), an organization representing 56 ILECs, stated that Chapters 58 and 59 should be changed to recognize the effects of competition and strive for market-based solutions instead of traditional regulation, and be streamlined with regard to regulatory processes.<sup>115</sup>

## **c. Eliminate Incentive Regulation**

Big Bend advocated, if Chapters 58 or 59 incentive regulation were eliminated or even replaced, allowing ILECs the option to maintain their current regulatory regime for

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<sup>110</sup> Comments of Consolidated Communications at 5-6.

<sup>111</sup> Comments of SBC Texas at 6.

<sup>112</sup> *Id.*; Supplemental Comments of SBC Texas at 6-7.

<sup>113</sup> Sprint's Comments at 6-8.

<sup>114</sup> Response of Sugar Land Telephone Company and Texas Alltel at 6-9.

<sup>115</sup> TTA Response to PUC Request for Comments at 3.

the entire election period. Further, Big Bend recommended, if Chapters 58 or 59 are eliminated, allowing an electing ILEC the option to return to rate-of-return regulation under Chapter 52.<sup>116</sup>

#### **d. Replace Incentive Regulation**

SBC Texas recommended that all current regulatory requirements be replaced with legislation that deregulates ILECs (which could include replacement or elimination of Chapters 52 and 53).<sup>117</sup> It is SBC Texas's position that, on a forward-going basis, a fully competitive marketplace would accomplish the goals that were established for Chapters 58 and 59 incentive regulation.

Valor Telecom stated that Chapters 58 and 59 incentive regulation should be replaced with another form of regulation. Valor opined that such a replacement regulatory scheme should strive for market-based solutions instead of traditional regulation, and should include the goal of regulatory parity.<sup>118</sup>

Verizon asserted that incentive regulation should be replaced with a framework that 1) eliminates retail regulation; 2) provides for equal treatment of providers of the same service; 3) regulates services as opposed to providers (where regulation is necessary); 4) continues certain consumer safeguards; (5) retains a fair universal service mechanism; and (6) contains policies that encourage competitive network investment.<sup>119</sup>

## **2. Commission Observations and Recommendations**

The Legislature is faced with difficult choices regarding incentive regulation that hinge on whether the existing level of competition in the local telecommunications marketplace warrants changing Chapter 58 and Chapter 59 incentive regulation, establishing some other form of regulation for these electing ILECs, or leaving the current regulation in place for some period of time. In considering these issues, the Legislature must consider whether current market forces can ensure affordable local telephone rates and the highest quality of service for consumers.

Another significant aspect that the Legislature must consider as it conducts its review is the complex relationship between pricing, subsidies and programs in the telecommunications market. Relevant components include residential and business basic local rates, non-basic local features (such as Caller ID and Call Forwarding), the state's universal service fund (USF) mechanism, and switched access charges. Any significant change to any one of these components would have a direct impact on the others; thus, evaluations and changes should take into account the entire structure simultaneously.

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<sup>116</sup> Comments of Big Bend Telephone Company at 3.

<sup>117</sup> Comments of SBC Texas at 6; Supplemental Comments of SBC Texas at 6-7.

<sup>118</sup> Response of Valor at 5.

<sup>119</sup> Comments of Verizon Southwest at 10.

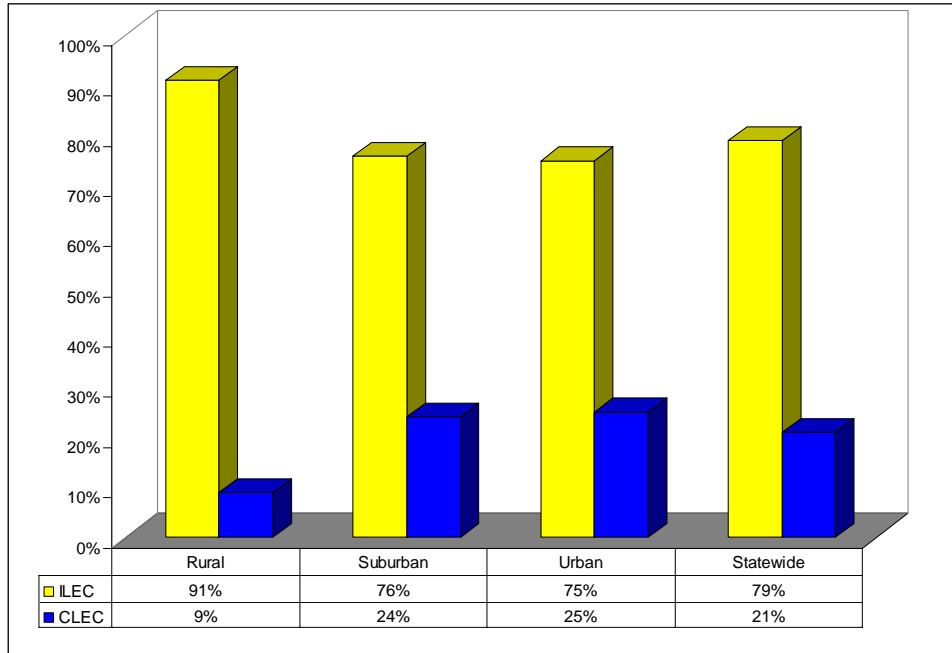
The ILECs argue that they face increasing competition from other landline competitors (“intramodal” competition), as well as wireless substitution and a rapidly emerging VOIP market (“intermodal” competition). While competition in the local telephone market continued to grow through June, 2004, and there are signals that certain consumer and geographic segments have been the target of competitive providers, there are also signs, particularly in the mid-sized and rural areas of the state, that there has been much less competition from intramodal competitors for the consumer base.

**Table 7 – Total Access Lines by Geography as of June 2004**

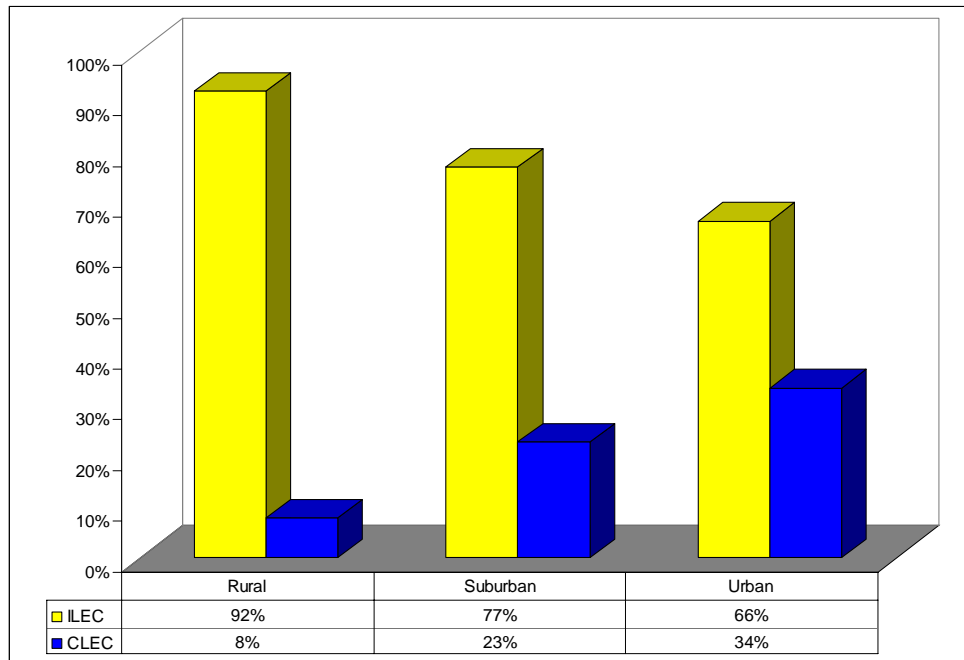
	<b>Rural</b>	<b>% of Total</b>	<b>Suburban</b>	<b>% of Total</b>	<b>Urban</b>	<b>% of Total</b>	<b>Total</b>
<b>ILEC</b>	2,769,207	27.1%	1,752,676	17.2%	5,691,306	55.7%	10,213,189
<b>CLEC</b>	279,366	10.4%	548,374	20.5%	1,848,044	69.1%	2,675,784
<b>Total</b>	3,048,573	23.7%	2,301,050	17.9%	7,539,350	58.5%	12,888,973

SOURCE: Texas PUC 2005 Scope of Competition Data Responses.

**Figure 4 – ILEC versus CLEC Lines in Texas by Geography as of June 30, 2004**

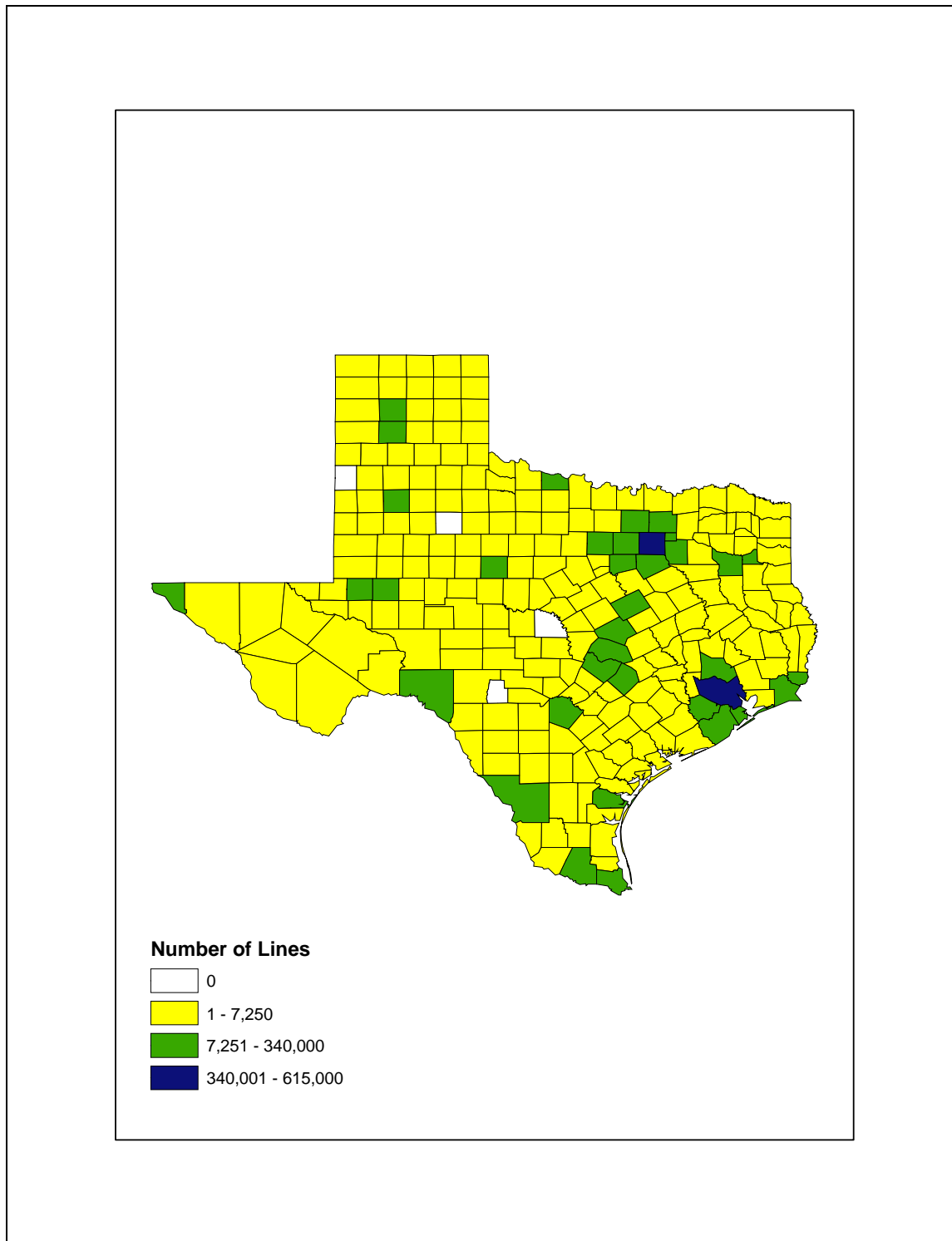


**Figure 5 – LEC Non-Residential Lines in Texas by Geography as of June 30, 2004**



SOURCE: Texas PUC 2005 Scope of Competition Data Responses.

**Figure 6 – Total Number of CLEC Lines by County, as of June 2004**



SOURCE: Texas PUC 2005 Scope of Competition Data Responses

In determining whether local competition is sufficient to ensure reasonable basic local service rates and sufficient quality of service without any Commission regulation, the following variables must be considered:

- (1) Are recent pricing trends a key indicator of the effectiveness of competition?
- (2) What constitutes a valid competitor or competitive product?
- (3) What is the market that should be examined – should it be based on customer class, geography, or some combination of both?
- (4) What constitutes a “sufficient” level of competition? Is it a certain number of competitors? Is it enough to have a duopoly (wireless and landline), or even a tight oligopoly (wireless, landline and cable), to consider a market competitive? Or is it a certain level of competition, *i.e.*, market share, for particular market segments?
- (5) What constitutes a sufficient level of service quality?

After analyzing the information provided by the stakeholders, as well as data it has collected, the Commission believes that the Legislature is faced with central questions as follows in evaluating Chapter 58 and Chapter 59 incentive regulation.

### ***Should Chapter 58 and Chapter 59 Incentive Regulation Be Extended?***

**If the Legislature finds that sufficient competition does not exist at this time to ensure reasonable local telephone rates and service quality:**

#### **The Legislature Could Extend Incentive Regulation Until the Next Sunset**

- The Legislature could extend incentive regulation (including all expiration dates in the Chapter) until the Commission’s next Sunset Commission review. However, the Commission recommends that some of the infrastructure requirements be modified or eliminated, as they are no longer relevant in their current form due to outdated deadlines and build-out requirements that have been met.

#### **The Legislature Could Extend Incentive Regulation with No Changes**

- The Legislature could extend incentive regulation, but let the expiration dates for infrastructure buildouts and price caps remain. This would give electing ILECs flexibility in the pricing and packaging of business rates with limited Commission review after September 1, 2005. While the cap on residential rates expires four



years after the date of the ILEC's election or September 1, 2005, whichever comes later, the extent of the Commission's authority to review those rates after that point, even under PURA § 58.060, is not clear.

### *Should Chapter 58 and Chapter 59 Incentive Regulation Be Modified?*

**If the Legislature believes that a sufficient level of competition exists in certain situations and markets to ensure reasonable local telephone rates and service quality:**

#### **The Legislature Could Modify Incentive Regulation to Include a Mechanism for Electing ILECs to Petition for a Change from Incentive Regulation**

- If the Legislature believes that competition might have reached a point of helping to ensure reasonable local telephone rates and service quality in some markets, the existing incentive regulation structure could be modified, rather than eliminated, to include a mechanism for electing ILECs to petition for a change from incentive regulation on a market-specific or a customer-class-specific basis. Under this new mechanism, an electing ILEC could petition the Commission and have the opportunity to prove a certain set of criteria – which could include number of market competitors, substitutable services, market share, and other economic power indicia – to trigger change from the current incentive regulation structure to a system with less regulation. Such an approach would allow all potentially affected stakeholders, including the customer base, to participate in a transition to a more market-based pricing structure.

In addition, in order to transition effectively and rationally from all vestiges of rate-of-return regulation, the state's high-cost USF mechanism and ILEC's switched access rates could be adjusted to accommodate market-based pricing. Overall, a transition from the current incentive regulation to market-based pricing, with necessary adjustments to existing regulatory programs, could be phased in over a period of time.

In addition, some of the infrastructure requirements should be modified or eliminated as they are no longer relevant in their current form due to outdated deadlines and build-out requirements that have been met.

### ***Should Chapter 58 and Chapter 59 Incentive Regulation Be Eliminated?***

**If the Legislature finds that the current form of regulation has not achieved its goals, and that sufficient competition does not exist at this time to ensure reasonable local telephone rates and service quality:**

#### **The Legislature Could Eliminate Incentive Regulation and Return to Rate-of-Return Regulation**

- Eliminating Chapter 58 and Chapter 59 would effectively return ILECs to rate-of-return regulation under Chapters 52 and 53.

### ***Should Chapter 58 and Chapter 59 Incentive Regulation Be Replaced?***

**If the Legislature believes that competition will regulate the market and ensure reasonable local telephone rates and service quality:**

#### **The Legislature Could Allow Electing ILECs to Opt Into Deregulation**

- The Legislature could replace incentive regulation as it exists today with new legislation that allows electing ILECs the option of deregulated rates without petitioning for relief from the Commission. If the Legislature chooses to allow electing ILECs to deregulate basic local phone rates, then the Legislature could ensure an orderly transition to market-based rates that protects against significant rate fluctuations. In order to transition from all vestiges of rate-of-return regulation, the state's USF mechanism and ILECs' switched access rates would need to be adjusted to accommodate market-based pricing, in concert with basic local rate deregulation.

In addition, the Commission recommends that some of the infrastructure requirements be modified or eliminated, as they are no longer relevant in their current form due to outdated deadlines and build-out requirements that have been met.

## The Legislature Could Mandate Deregulation of Electing ILECs

- The Legislature could replace incentive regulation as it exists today with new legislation that mandates deregulation of all electing ILECs. If the Legislature chooses to deregulate electing ILECs' basic local phone rates, the Legislature could ensure an orderly transition to market-based rates that protects against significant rate fluctuations. In order to transition from all vestiges of rate-of-return regulation, the state's USF mechanism and ILEC's switched access rates would need to be adjusted to accommodate market-based pricing, in concert with basic local rate deregulation.

In addition, the Commission recommends that some of the infrastructure requirements be modified, or even eliminated, as they are no longer relevant due to outdated deadlines and build-out requirements that have been met.

## B. Special Programs

Pursuant to PURA § 58.251, an analysis of the impact of Chapters 58 and 59 on public entities must take into consideration the ubiquitous interconnection of these entities with broadband and digital services for voice, video and data in the local calling area. As discussed above, special programs include a commitment to build and discounts for private network services for eligible schools, libraries, telemedicine and public health entities. As indicated in PURA § 58.201, an evaluation of the impact of incentive regulation on infrastructure investment can take into consideration the goal of bringing advanced network infrastructure to communities throughout the state by creating incentives for deployment. All parties that participated in the proceeding agreed that Chapters 58 and 59 requirements have provided beneficial infrastructure and rate commitments to public entities.

### 1. Proposals by the Stakeholders

#### a. Extend Special Programs

Houston Public Librarians stated that it is imperative for Chapter 58 and 59 regulations to be extended so that their communities continue to have access to the Internet and other library services.<sup>120</sup>

HCPL and UT stated that Chapter 58 pricing is critical to the continued operation of these and future services,<sup>121</sup> and the State of Texas stressed that the benefits of the Chapter 58 and Chapter 59 discounts are particularly crucial under the current state budgetary constraints. Specifically, the State maintained that the discounts must be maintained to avoid major budgetary crises.<sup>122</sup>

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<sup>120</sup> Comments of Houston Public Librarians at 3.

<sup>121</sup> Comments of HCPL at 1; Comments of the University of Texas Systems at 6.

<sup>122</sup> Supplemental Comments of the State of Texas at 1.

UT maintained that the loss of discounts for these services would be catastrophic.<sup>123</sup> Plains ISD stressed that the pricing discounts must be retained to enable all school districts in Texas to participate in enhanced educational opportunities afforded by high-bandwidth facilities.<sup>124</sup>

### **b. Modify Special Programs**

AT&T believes that the current statute has in effect guaranteed electing ILECs a prime customer base, and has insulated electing ILECs from meaningful competition from competitive providers. According to AT&T, its inability to compete for these potential customers is due largely to the PURA-mandated ILEC discounts for certain private network services, such as access to data and Internet services.<sup>125</sup>

The TLA recommended that the state expand its current rate reduction requirements to encompass all broadband providers – wireless, landline and cable.<sup>126</sup>

The TETN recommended that the current discounted rate structure should be enlarged to include higher bandwidth circuits for the qualifying entities, and recommended that the state consider a separate tariff for eligible entities, as well as a funding mechanism to reimburse any telecommunications carrier offering those tariffed services.<sup>127</sup>

### **c. Eliminate Special Programs**

SBC Texas suggested that “a continuation of these types of incentive discounts may only make sense in an environment of parity regulation.”<sup>128</sup>

### **d. Replace Special Programs**

While several stakeholders suggested modifications to the existing Chapters 58 and 59 discounts and service commitments for public entities, no stakeholder suggested a specific replacement for these discounts and service commitments.

## **2. Commission Observations and Recommendations**

In crafting this section of PURA, the Legislature sought to balance the needs of schools, libraries and telemedicine entities for advanced services at reasonable prices with competition in the telecommunications marketplace. Further, the Legislature sought the ubiquitous availability of broadband, digital services for voice, video and data in the

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<sup>123</sup> Comments of the University of Texas Systems at 6, Additional Comments of the University of Texas Systems at 1.

<sup>124</sup> Comments of Plains ISD at 5.

<sup>125</sup> Comments of AT&T at 11.

<sup>126</sup> Comments of the Texas Library Association at 4.

<sup>127</sup> Comments by TETN at 7; Final Comments by TETN at 5.

<sup>128</sup> Supplemental Comments of SBC Texas at 5.

local calling area, and the interconnection of these public entities across the broadband digital service infrastructure.

The public entities eligible for the discounts from electing ILECs have found these discounts crucial to purchasing necessary services. Schools and libraries, the beneficiaries of these discounted rates, asserted that incentive regulation requirements have provided the necessary certainty for purchasing services for their networks. The surety that the service will be provisioned by the electing ILEC, coupled with tariffed rates from which these entities can forecast their operating budgets, has proven to be a very effective means of accomplishing the Legislature's goal of providing ubiquitous and affordable broadband service. However, based on comments received from AT&T, these special discounts create an artificially low pricing structure that precludes competition.

All available evidence points to the fact that the discounts have achieved a central goal of the regulation: the interconnection of public entities to the state's broadband infrastructure. However, the question remains whether these discounts are necessary to continue these entities' connections, or if competition would support market-based pricing that would provide sufficient certainty and affordability. After analyzing the information provided by the stakeholders, as well as data it has collected, the Commission believes that the Legislature is faced with central questions in evaluating whether to continue the special pricing discounts and deployment requirements in Chapter 58 and Chapter 59, as follows.

It is arguable that the same balance test – competitive choice versus the predictable deployment of advanced services at predictable, discounted and affordable prices – remains today.

***Should the Special Discounts and Service-Provisioning Requirements for Public Entities Be Extended?***

**If the Legislature believes that these discounts provided by electing ILECs continue to be appropriate for schools, libraries, telemedicine and other public health institutions:**

**The Legislature Could Extend the Discounts and Service-Provision Requirements for Electing ILECs Until the Next Sunset**

- If the Legislature finds that the public interest benefits afforded Texans for their schools, libraries and hospitals in the service areas of electing ILECs outweigh the potential merits of a competitive telecommunications market for high-speed digital access for those entities, the existing provisions of PURA providing those discounts should remain intact and be extended until the next Sunset of the Commission.

However, the discount percentage should be re-examined, as these discount percentages are a decade old.

***Should the Special Discounts and Service-Provisioning Requirements for Public Entities Be Modified or Replaced?***

**If the Legislature believes that the discounts are in the public interest, but that they should be expanded to other market participants:**

**The Legislature Could Modify the Discounts and Service-Provision Requirements to Allow Greater Market Participation**

- The Legislature could modify the existing regulation – *i.e.*, the LRIC discounts and requirements to serve upon request – to enable market participants other than exclusively electing ILECs to compete to serve schools, libraries, telemedicine and public-health entities on a more even regulatory footing. Any modification should be narrow in nature, and tailored to make serving these eligible entities financially attractive to all market participants. Further, any changes under this option should continue to provide schools, libraries, telemedicine and public health facilities with the predictability of price and service provisions on which they currently rely.

### **The Legislature Could Replace the Discounts and Service-Provision Requirements**

- The Legislature could replace the current discounts with a new funding mechanism. If incentive regulation were replaced, the Legislature could ensure an orderly transition to market-based rates to allow existing budget projections made by eligible entities to remain viable. Further, any new funding mechanism should provide schools, libraries, telemedicine and public health facilities with the predictability of price and service provisions on which they currently rely. This funding mechanism could also allow other telecommunications providers to compete for these entities on the same regulatory footing. The Commission notes that in 1999, as part of SB 560, the Legislature provided for non-electing ILECs to be reimbursed through the State's universal service fund for high-speed lines provided to these entities (PURA § 56.028).

### ***Should the Special Discounts and Service-Provisioning Requirements for Public Entities Be Eliminated?***

**If the Legislature finds that the ability of other telecommunications providers to compete for the business of schools, libraries and public-health institutions outweighs the public-interest benefits that the current discounts afford these entities, or that competition could achieve equivalent results:**

### **The Legislature Could Eliminate the Discounts and Service-Provision Requirements**

- If the Legislature finds that these entities would be better served by a competitive market and eliminates the special discounts, a glide-path mechanism could be established, rather than a flash-cut change to market-based rates, in order for these entities' current budget projections to remain viable.

## Appendix A – Commission Workshop Notice

**PUBLIC UTILITY COMMISSION OF TEXAS  
PUBLIC NOTICE OF WORKSHOP ON REPORT TO THE 79TH TEXAS  
LEGISLATURE ON CHAPTER 58 AND CHAPTER 59 INCENTIVE  
REGULATION  
AND REQUEST FOR COMMENTS**

The staff of the Public Utility Commission of Texas (commission) will hold a workshop regarding the effects of Chapter 58 and Chapter 59 incentive regulation, on Wednesday, June 23, 2004 at 9:00 a.m. in the Commissioners' Hearing Room, located on the 7th floor of the William B. Travis Building, 1701 North Congress Avenue, Austin, Texas 78701. Pursuant to § 58.028 of the Public Utility Regulatory Act (PURA), Project Number 29072, *Report to the 79th Texas Legislature on Chapter 58 and Chapter 59 Incentive Regulation* has been established for this proceeding. The commission must report to the Legislature on the effects of the election of Chapter 58 and Chapter 59 incentive regulation not later than January 1, 2005. Information regarding this project, including the agenda for the workshop, will be posted at the following commission website: <http://www.puc.state.tx.us/telecomm/projects/29072/29072.cfm>.

House Bill 2128 was enacted in 1995 and established provisions in Chapters 58 and 59 of PURA that allow incumbent telephone companies (ILECs) the option of electing into a new regulatory framework based on pricing incentives rather than on rate of return. Under this “incentive” regulation, the electing ILEC is not subject to earnings reviews or complaints as to reasonableness of its rates, revenues, or earnings. In return, the electing ILEC commits to infrastructure modernization, and to providing special rates to specified public entities (e.g., schools, libraries, and telemedicine centers of public or non-profit medical institutions) for certain private network services. These provisions of PURA



were continued by Senate Bill 560 (SB 560), which was enacted in 1999 and increased flexibility for electing ILECs in pricing and packaging telecommunications services. Pricing flexibility includes customer-specific contracts, volume, term or discount pricing, zone density pricing, and other forms of promotional pricing. Under SB 560, electing ILECs must give the commission ten days' notice before changing their prices.

Currently, companies that have elected incentive regulation under Chapter 58 include Verizon, SBC Texas, Sprint, Valor, Ft. Bend Telephone, and TXU Communications (formerly Lufkin-Conroe). Companies that have elected incentive regulation under Chapter 59 include Sugar Land, Century Tel, Kerrville, Texas ALLTEL, and Big Bend.

The commission requests interested persons file comments to address the following questions:

1. For companies that have elected incentive regulation under Chapter 58 or Chapter 59, please describe in detail, using facts and concrete examples, the effects of that election on consumer benefits, including the effects on:
  - a) the Texas business community, including small, medium, and large businesses;
  - a) Texas residential consumers; and
  - b) libraries and educational institutions.
2. For companies that have elected incentive regulation under Chapter 58 or Chapter 59, please describe in detail, using facts and concrete examples, the effects of that election on competition.

3. For companies that have elected incentive regulation under Chapter 58 or Chapter 59, please describe in detail, using facts and concrete examples, the effects of that election on quality of service.
4. For companies that have elected incentive regulation under Chapter 58 or Chapter 59, please describe in detail, using facts and concrete examples, the effects of that election on infrastructure investments. Please include discussion as to whether the phone companies that have elected into incentive regulation have met the infrastructure commitments required by PURA Chapter 58, Subchapters F and G, and Chapter 59, Subchapters C and D, including infrastructure commitments regarding:
  - b) libraries and educational institutions;
  - c) telemedicine centers; and
  - d) public or not-for-profit hospitals or not-for-profit health care centers.
5. Based on the responses to questions 1 – 4 above, should the incentive regulation provided by Chapters 58 and 59 be extended, modified, eliminated, or replaced with another form of regulation? Please explain why or why not.

Responses may be filed by submitting 16 copies to the commission's Filing Clerk, Public Utility Commission of Texas, 1701 North Congress Avenue, PO Box 13326, Austin, Texas 78711-3326 within 20 days of the date of publication of this notice. All responses should reference Project Number 29072. The commission requests that comments be limited to 30 pages.

Parties are urged to include everything they wish to discuss in their comments, however the Commission requests that parties identify the question for which a response is being provided, and respond to the questions in sequential order. If parties wish to present

anything at the workshop that was not included with the comments, it must be filed in Central Records no later than 3:00 p.m. on June 21, 2004.

Prior to the workshop the commission shall make available in Central Records under Project Number 29072 an agenda for the format of the workshop.

Questions concerning the workshop or this notice should be referred to Marshall Adair, Director Telecommunications and Electric Policy Analysis, Policy Development Division, 512-936-7214. Hearing and speech-impaired individuals with text telephones (TTY) may contact the commission at (512) 936-7136.

**ISSUED IN AUSTIN, TEXAS ON THE 19th DAY OF May 2004 BY THE  
PUBLIC UTILITY COMMISSION OF TEXAS  
ADRIANA A. GONZALES**

## Appendix B – Stakeholders Participating in Workshop

Following is a list of the twenty-two parties who attended the Commission's June 23, 2004 Workshop regarding Project No. 29072 – *Report to the 79th Texas Legislature on Chapter 58 and Chapter 59 Incentive Regulation*:

AT&T

Big Bend Telephone Company

Bullard Independent School District

Central Texas Library System

CHR Solutions

MCI

Office of the Attorney General

Office of Public Utility Counsel

Plains Independent School District

Region 17 Education Service Center (ESC) (Lubbock, Texas)

SBC Texas

Sprint

Sugar Land Telephone Company/Texas ALLTEL, Inc.

Texas A&M University

Texas Education Agency

Texas Education Telecommunications Network (TETN)

Texas Library Association

Texas Statewide Telephone Cooperative, Inc.

Texas Telephone Association

University of Texas System

Valor Telecom

Verizon



## Appendix C – Comments Received by the Commission

Following is a list of the twenty parties who provided written comments to the Commission regarding Project No. 29072 – *Report to the 79th Texas Legislature on Chapter 58 and Chapter 59 Incentive Regulation*:

Entity Name	Date Initial Comments Filed	Date Supplemental Comments Filed
<b>Chapter 58 Electing ILECs</b>		
Consolidated Communications of Fort Bend & Consolidated Communications of Texas (formerly TXU Communications and Fort Bend Telephone)	June 17, 2004	
Southwestern Bell Telephone Company d/b/a SBC Texas	June 17, 2004	July 23, 2004
Sprint	June 17, 2004	
Valor Telecommunications	June 16, 2004	
Verizon Southwest	June 17, 2004	
<b>Chapter 59 Electing ILECs</b>		
Big Bend Telephone Company	June 17, 2004	
CenturyTel (of San Marcos, Lake Dallas and Port Aransas)	June 18, 2004	
Sugar Land Telephone Company/Texas ALLTEL, Inc.	June 17, 2004	
<b>Schools</b>		
Plains Independent School District	June 23, 2004	
Texas Education Telecommunications Network (TETN)	June 16, 2004	July 23, 2004
University of Texas System	June 16, 2004	July 23, 2004
<b>Libraries</b>		
Houston Public Library	June 15, 2004	
Harris County Public Library	June 16, 2004	
Texas Library Association	June 16, 2004	July 22, 2004
<b>Competitive Local Exchange Carriers (CLECs)</b>		
AT&T Communication of Texas, L.P.	July 23, 2004	
MCIMetro Access Transmission Services, Inc.	June 17, 2004	
<b>Other</b>		
Office of Public Utility Council	July 14, 2004	
State of Texas	June 17, 2004	July 23, 2004
Texas Telephone Association (represents 56 ILECs)	June 17, 2004	July 23, 2004



## Appendix D– Chapters 58 and 59 Electing ILECs as of October 1, 2004

### Chapter 58 ILECS

Southwestern Bell Telephone Company (SBC Texas)	09/01/1995
Verizon TXC– (Continental Telephone)	09/20/1995
Verizon TXG – GTE Southwest, Inc.	09/20/1995
Sprint – United Telephone Company	01/28/2002
Sprint – Central Texas Telephone, Inc. (Centel)	01/28/2002
Valor Telecom	05/22/2002
TXU Communications (d/b/a Consolidated Communications)	03/25/2003
Fort Bend Telephone (d/b/a Consolidated Communications)	03/25/2003

### Chapter 59 ILECS

Sugar Land Telephone Co.	10/20/1995
CenturyTel of San Marcos	04/25/1997
CenturyTel Port Aransas	08/01/2001
CenturyTel Lake Dallas	08/01/2001
Kerrville Telephone Co. (d/b/a KTC)	09/28/2001
Texas Alltel, Inc.	05/03/2002
Big Bend Telephone Company	07/24/2002





## Appendix E – Pricing Chart Provided by SBC Texas

<b>Currently Available Packages and Promotions</b>				
<i>Package Name</i>	<i>Package Components</i>	<i>Tariffed Rate of Individual Services</i>	<i>Package Discounts</i>	<i>Package Price</i>
<b>Residence Essentials</b>	Caller ID Name	\$7.00		
	Caller ID Number	\$7.00		
	Three-Way Calling	\$5.00		
	Call Waiting	<u>\$2.80</u>		
		<b>\$21.80</b>	\$(6.80)	\$15.00
<b>Residence Essentials with Call Forwarding-Busy Line Don't Answer and Call Waiting ID</b>	Caller ID Name	\$7.00		
	Caller ID Number	\$7.00		
	Three-Way Calling	\$5.00		
	Call Waiting	\$2.80		
	CFBLDA	\$1.00		
	Call Waiting ID	<u>\$4.50</u>		
		<b>\$27.30</b>	\$(13.58)	\$13.72
<b>Caller ID Value Package - Residence</b>	Caller ID Name or Number	\$7.00		
	Call Return	\$5.00		
	Call Blocker	<u>\$5.00</u>		
		<b>\$17.00</b>	\$(6.05)	\$10.95
<b>Caller ID Value Package Plus - Residence</b>	Caller ID Name	\$7.00		
	Caller ID Number	\$7.00		
	Call Return	\$5.00		
	Call Blocker	<u>\$5.00</u>		
		<b>\$24.00</b>	\$(10.05)	\$13.95
<b>SBC Advantage Plan - Residence</b>	Caller ID Name	\$7.00		
	Caller ID Number	\$7.00		
	Call Waiting	\$2.80		
	Call Blocker	\$5.00		
	Call Forwarding	\$5.00		
	Call Waiting ID	\$4.50		
	Privacy Manager	<u>\$5.00</u>		
		<b>\$36.30</b>	\$(20.35)	\$15.95
<b>Business Essentials</b> (Customers also get a \$1 discount on up to five additional call management services)	Call Forwarding	\$6.50		
	Remote Access to Call Forwarding	\$2.75		
	Three-Way Calling	\$6.50		
	4th Call Mgmt Service (\$6.50 most common price)	<u>\$6.50</u>		
		<b>\$22.25</b>	{1}	\$13.95

<i>Package Name</i>	<i>Package Components</i>	<i>Tariffed Rate of Individual Services</i>	<i>Package Discounts</i>	<i>Package Price</i>
<b>Business Preferred</b> (Customers also get a \$1 discount on up to five additional call management services)	Call Forwarding Remote Access to Call Forwarding Three-Way Calling Call Waiting Call Return Auto Redial Priority Call Caller ID Name and Number	\$6.50 \$2.75 \$6.50 \$8.00 \$5.00 \$5.50 \$3.00 <u>\$11.00</u> <b>\$48.25</b>	{1}	\$19.95
<b>Term Pricing Plan - Federal, State and Local Government Entities</b>	1-Party, Multi-Line Hunting and PBX Trunks 12-month term 24-month term 36-month term 48-month term 60-month term	6% Discount 7% Discount 9% Discount 10% Discount 12% Discount		
<b>Optional EMS Promotion - Business</b>	1-year term 3-year term 5-year term	25% Discount 28% Discount 31% Discount		
<b>CompleteLink – Business</b> (Discounts on selected services based on minimum annual revenue commitments (MARC) and can be 1-year, 2-year, 4-year or 5-year terms)	MARC ranges from \$700 to \$500,000 or more	5% - 13% discount		
<b>SimpleLink – Business</b> (Discounts on selected services based on minimum annual revenue commitments (MARC) and can be 1-year, 2-year or 3-year terms)	MARC ranges from \$500 to \$2,500	8% - 11% discount		
<b>Nifty Fifty Plan</b> (Discounts for customers who have 50 or more lines or trunks)	1-year term 3-year term 5-year term	12% Discount 13% Discount 13.5% Discount		
<b>Business Access Line Promotion</b> (Waives connection or conversion charges for customers customers who are coming from another carrier)	Connection Charges Vary			
<b>Residence Additional Line Promotion</b> (Customers who add an additional line and at least one vertical feature get a \$5.00 credit each month the line is retained for up to 12 months)	Access Line Caller ID Name and Number	\$11.05 <u>\$9.95</u> <b>\$21.00</b>	\$(5.00)	\$16.00

<i>Package Name</i>	<i>Package Components</i>	<i>Tariffed Rate of Individual Services</i>	<i>Package Discounts</i>	<i>Package Price</i>
<b>Custom BizSaver Plan – Rate Group 1</b> (Discounted rates provided on a 12-, 24- or 36-month term agreement, varies based on term and rate group)	Local Access Line	\$19.15		
	Caller ID Name and Number	\$11.00		
	Call Waiting	\$8.00		
	Call Forwarding	\$6.50		
	Three-Way Calling	\$6.50		
	Call Return	\$5.00		
		<b>\$56.15</b>	ADL	\$34.99 \$21.99
<b>Caller ID Name and Number Promotion – Residence</b> (\$50 credit)	Access Line	\$11.05		
	Caller ID	\$9.95		
		<b>\$21.00</b>		
	12 months	<b>\$252.00</b>	\$(50.00)	\$202.00
<b>Essentials Plan Promotion – Residence</b> (Access Line plus the Essentials Plan customers who are coming from another carrier)	Local Access Line	\$11.05		
	Caller ID Name	\$7.00		
	Caller ID Number	\$7.00		
	Three-Way Calling	\$5.00		
	Call Waiting	\$2.80		
		<b>\$32.85</b>	{1}	\$22.95
<b>Privacy Manager Promotion – Residence</b> (Privacy Manager free for six months to customers who subscribe to Privacy Manager, Caller ID Name and Number for customers who are coming from another carrier)	Caller ID Name and Number	\$9.95		
	Privacy Manager	\$5.00		
		<b>\$14.95</b>		
	6 months	<b>\$89.70</b>	\$(30.00)	\$59.70
<b>Business Vertical Services IC Waiver</b> (Vertical installation charge waiver for customers who are coming from another carrier)		\$10.75	\$(10.75)	\$0
<b>MegaSaver – Business</b> (Percentage discount for term plans on lines and trunks)	1-year term	12% Discount		
	2-year term	14% Discount		
	3-year term	16% Discount		
<b>CompleteLink Bonus Promotion – Business</b> (For new CompleteLink customers, an additional percentage bonus of the minimum annual revenue commitment (MARC) is applied two times during the first year of the agreement)	1-year term	3% of MARC		
	2-year term	4% of MARC		
	3-year term	5% of MARC		
	4-year term	5% of MARC		
	5-year term	6% of MARC		
{1} Instead of a discount being tariffed, the net package price is tariffed.				



## Appendix F – Chart Tracking SBC Texas’s Price Changes - Provided by AT&T

Service	Initial Rate	2000 Rate	% Incr.	2001 Rate	% Incr.	2002 Rate	% Incr.	2003 Rate	% Incr.	2004 Rate	% Incr.	Cumul. Diff.	Cumul. % Incr.
<b>Directory assistance - Bus.</b>	\$0.00	\$0.30										\$0.30	300%
<b>Late payment charge</b>													
Residential	\$0.00	\$2.95				\$5.00	69%					\$5.00	500%
Business	4%	5%	25%			6.50%	30%					2.5%	63%
<b>Installment Billing</b>													
Residential	\$0.00	\$5.00										\$5.00	500%
Business	\$0.00	\$10.00										\$10.00	1000%
<b>Payph. use chg.--non-sent paid calls</b>	\$0.00	\$0.30										\$0.30	300%
<b>Service Restoral Charge</b>													
Residential	\$14.95	\$20.00	34%	\$25.00	25%							\$10.05	67%
Business	\$14.95	\$25.00	67%									\$10.05	67%
<b>Returned check fee</b>	\$10.00	\$25.00	150%									\$15.00	150%
<b>Vertical Services - Business</b>													
Caller ID name or number	\$7.50	\$8.00	7%									\$0.50	7%
Caller ID name and number	\$10.00							\$10.50	5%	\$11.00	5%	\$1.00	10%
Call Forwarding	\$3.50	\$5.00	43%	\$6.00	20%	\$6.50	8%					\$3.00	86%
Call Waiting	\$3.25	\$4.50	38%	\$5.00	11%					\$8.00	60%	\$4.75	146%
Three-way calling	\$2.50	\$3.50	40%			\$4.50	29%			\$6.50	44%	\$4.00	160%
Three-way calling(per-use)	\$0.75	\$0.95	27%							\$1.25	32%	\$0.50	67%
Call Return	\$4.00									\$5.00	25%	\$1.00	25%
Call return - per-use	\$0.50	\$0.95	90%							\$1.25	32%	\$0.75	150%
Auto redial	\$4.00									\$5.50	38%	\$1.50	38%
Auto redial (per-use)	\$0.50									\$1.25	150%	\$0.75	150%



Service	Initial Rate	2000 Rate	% Incr.	2001 Rate	% Incr.	2002 Rate	% Incr.	2003 Rate	% Incr.	2004 Rate	% Incr.	Cumul. Diff.	Cumul. % Incr.
Auto Redial	\$2.00	\$3.00	50%	\$4.00	33%			\$4.50	13%			\$2.50	125%
Auto Redial - Pay per use	\$0.50									\$1.25	150%	\$0.75	150%
Call Blocker	\$2.00	\$3.00	50%	\$4.00	33%	\$5.00	25%					\$3.00	150%
Caller ID name or number	\$4.95	\$6.50	31%	\$7.00	8%							\$2.05	41%
Caller ID name & number	\$6.50	\$7.95	22%	\$8.95	13%	\$9.50	6%			\$9.95	5%	\$3.45	53%
Call Forwarding	\$2.10	\$3.00	43%	\$4.00	33%	\$5.00	25%					\$2.90	138%
Remote access call forwarding	\$0.75							\$1.00	33%			\$0.25	33%
Call return - per-use	\$0.50	\$0.95	90%							\$1.25	32%	\$0.75	150%
Call return - monthly rate	\$3.00			\$4.00	33%	\$5.00	25%					\$2.00	67%
Speed Call 8	\$2.10	\$3.00	43%	\$4.00	33%	\$5.00	25%					\$2.90	138%
Anonymous Call Rejection	\$1.00			\$1.50	50%			\$2.00	33%			\$1.00	100%
Call Waiting ID	\$3.00			\$4.00	33%	\$4.50	13%					\$1.50	50%
Personalized Ring	\$3.50			\$4.00	14%	\$5.00	25%	\$2.95	-41%			(\$0.55)	-16%
Vert. Install. Chg.(NRC) 1 feature	\$2.70	\$2.50	N/A	\$3.00	20%					\$5.00	67%	\$2.30	85%
Vert. Install. Chg.(NRC)-2+ features	\$5.40	\$5.00	N/A	\$6.00	20%					\$10.00	167%	\$4.60	85%
Three-way calling	\$2.10	\$3.00	43%	\$4.00	33%	\$5.00	25%					\$2.90	138%
Three-way calling(per-use)	\$0.75	\$0.95	27%							\$1.25	32%	\$0.50	67%
Preferred Number Service	\$3.75									\$4.75	27%	\$1.00	27%
Operator Services													
Line status verification	\$1.25					\$2.95	136%	\$3.95	34%	\$4.95	25%	\$3.70	296%
Busy line interrupt	\$2.00					\$3.95	98%	\$4.95	25%	\$5.95	20%	\$3.95	198%
<b>Local Operator Services:</b>													
<b>Station-to-Station Service</b>													
Calling Card													
Non-Automated	\$1.30	\$2.50	92%	\$2.95	18%							\$1.65	127%



Service	Initial Rate	2000 Rate	% Incr.	2001 Rate	% Incr.	2002 Rate	% Incr.	2003 Rate	% Incr.	2004 Rate	% Incr.	Cumul. Diff.	Cumul. % Incr.
Semi-Automated	\$1.30	\$2.50	92%	\$2.95	18%							\$1.65	127%
Fully Automated	\$0.40	\$1.45	263%	\$1.65	14%							\$1.25	313%
<b>Collect</b>													
Non-Automated	\$1.30	\$2.95	127%	\$3.95	34%							\$2.65	204%
Semi-Automated	\$1.30	\$2.95	127%	\$3.95	34%							\$2.65	204%
<b>Billed to a Third Number</b>													
Non-Automated	\$1.30	\$3.25	150%	\$4.95	52%							\$3.65	281%
Semi-Automated	\$1.30	\$3.25	150%	\$4.95	52%							\$3.65	281%
Fully Automated	\$1.30	\$2.95	127%	\$3.95	34%							\$2.65	204%
<b>Sent Paid</b>													
Non-Automated	\$1.30	\$3.25	150%	\$3.95	22%							\$2.65	204%
Semi-Automated	\$1.30	\$3.25	150%	\$3.95	22%							\$2.65	204%
<b>Person-to-Person Service</b>													
Non-Automated	\$3.15	\$4.95	57%	\$8.95	81%							\$5.80	184%
Semi-Automated	\$3.15	\$4.95	57%	\$8.95	81%							\$5.80	184%
<b>Pay Telephone Operator Services:</b>													
<b>Station-to-Station Service</b>													
<b>Calling Card</b>													
Non-Automated	\$2.10	\$2.50	19%									\$0.40	19%
Semi-Automated	\$2.10	\$2.50	19%									\$0.40	19%
Fully Automated	\$0.75	\$1.45	93%	\$1.65	14%							\$0.90	120%
<b>Collect</b>													
Non-Automated - LOCAL	\$2.10	\$2.95	40%	\$3.75	27%							\$1.65	79%
Semi-Automated - LOCAL	\$2.10	\$2.95	40%	\$3.75	27%							\$1.65	79%
<b>Billed to a Third Number</b>													
Non-Automated - LOCAL	\$2.10	\$3.25	55%	\$3.75	15%							\$1.65	79%
Semi-Automated-LOCAL	\$2.10	\$3.25	55%	\$3.75	15%							\$1.65	79%

Service	Initial Rate	2000 Rate	% Incr.	2001 Rate	% Incr.	2002 Rate	% Incr.	2003 Rate	% Incr.	2004 Rate	% Incr.	Cumul. Diff.	Cumul. % Incr.
Fully Automated - LOCAL	\$2.10	\$2.95	40%	\$3.95	34%							\$1.85	88%
<b>Person-to-Person Service</b>													
Non-Automated	\$3.65	\$4.95	36%									\$1.30	36%
Semi-Automated	\$3.65	\$4.95	36%									\$1.30	36%
<b>Long-Distance Operator Services:</b>													
<b>Station-to-Station Service</b>													
<b>Calling Card</b>													
Non-Automated - LDMTS	\$1.15	\$2.50	117%	\$2.95	18%							\$1.80	157%
Semi-Automated-LDMTS	\$1.15	\$2.50	117%	\$2.95	18%							\$1.80	157%
Fully Automated-LDMTS	\$0.40	\$1.45	263%	\$1.65	14%							\$1.25	313%
<b>Collect</b>													
Non-Automated - LDMTS	\$1.15	\$2.95	157%	\$3.95	34%							\$2.80	243%
Semi-Automated-LDMTS	\$1.15	\$2.95	157%	\$3.95	34%							\$2.80	244%
<b>Billed to a Third Number</b>													
Non-Automated - LDMTS	\$1.15	\$3.25	183%	\$4.95	52%							\$3.80	330%
Semi-Automated-LDMTS	\$1.15	\$3.25	183%	\$4.95	52%							\$3.80	330%
Fully Automated-LDMTS	\$1.15	\$2.95	157%	\$3.95	34%							\$2.80	243%
<b>Sent Paid</b>													
Non-Automated - LDMTS	\$1.15	\$3.25	183%	\$3.95	22%							\$2.80	243%
Semi-Automated-LDMTS	\$1.15	\$3.25	183%	\$3.95	22%							\$2.80	243%
<b>Person-to-Person Service</b>													
Non-Automated - LDMTS	\$2.80	\$4.95	77%	\$8.95	81%							\$6.15	220%
Semi-Automated - LDMTS	\$2.80	\$4.95	77%	\$8.95	81%							\$6.15	220%



## Appendix G – Service Quality Chart Provided by SBC Texas

<b>SBC Texas Statewide Network Service Quality Results</b>													
		<b>2000</b>											
<b>MEASUREMENT</b>	<b>Statewide PUC Objective</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>SERVICE ORDERS</b>													
Percent of regular orders completed in 5 working days	<b>90</b>	99.4	99.3	99.3	99.3	99.3	99.3	99.1	99.3	99.2	99.3	99.3	99.0
Percent of primary orders completed in 5 working days	<b>95</b>	97.5	97.5	97.3	97.5	97.8	97.8	97.8	97.6	97.4	97.7	97.7	97.6
Percent of all orders completed in 30 days	<b>99</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	99.3	99.3	99.2
Percent all orders completed in 90 days	<b>100</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100.	100.	99.9
Percent of installation commitments met	<b>90</b>	98.7	98.7	98.7	98.7	98.7	98.7	98.4	98.8	98.7	98.8	98.7	98.2
<b>ANSWER TIME</b>													
Repair service answer time - Percent within 20 seconds	<b>90</b>	98.1	98.1	98.1	98.9	97.4	97.4	96.6	97.4	97.4	96.6	96.6	97.4
<b>TROUBLE REPORTS</b>													
Trouble reports per 100 access lines (RPHL)	<b>3</b>	1.96	1.91	2.28	2.22	2.57	2.77	2.4	2.63	2.44	2.84	3.02	2.55
Percent of out-of-service reports cleared in 8 working hours	<b>90</b>	93.7	93.7	92.3	92.88	92.72	92.96	81.45	85.37	88.16	90.36	94.89	88.08
Percent of repeated trouble reports	<b>22</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13.05	14.47	13.94

## Appendix G – Service Quality Chart Provided by SBC Texas (cont'd)

SBC Texas Statewide Network Service Quality Results													
2001													
MEASUREMENT	Statewide PUC Objective	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>SERVICE ORDERS</b>													
Percent of regular orders completed in 5 working days	<b>90</b>	99.2	99.2	99.0	99.1	99.2	99.3	99.2	99.2	99.4	99.4	99.4	99.2
Percent of primary orders completed in 5 working days	<b>95</b>	97.6	97.7	97.6	97.6	97.8	97.8	97.7	97.7	97.5	97.7	97.7	97.1
Percent of all orders completed in 30 days	<b>99</b>	99.3	99.5	99.6	99.8	99.8	99.9	99.9	99.9	99.8	99.0	99.9	99.8
Percent all orders completed in 90 days	<b>100</b>	100	100	100	100	100	100	100	100	100	100	100	100
Percent of installation commitments met	<b>90</b>	98.5	98.4	98.3	98.5	98.5	98.6	98.6	98.6	98.8	98.8	98.6	98.4
<b>ANSWER TIME</b>													
Repair service answer time - Percent within 20 seconds	<b>90</b>	97.4	96.6	98.1	97.4	97.4	96.6	97.4	98.1	96.6	97.4	98.1	97.4
<b>TROUBLE REPORTS</b>													
Trouble reports per 100 access lines (RPHL)	<b>3</b>	2.85	2.59	2.82	2.56	2.62	3.06	2.31	2.39	2.77	2.27	2.07	2.37
Percent of out-of-service reports cleared in 8 working hours	<b>90</b>	83.84	72.68	77.36	92.74	94.33	95.36	93.83	98.78	93.81	93.63	92.79	95.20
Percent of repeated trouble reports	<b>22</b>	13.90	13.83	14.34	13.15	13.41	13.17	14.41	13.15	13.73	13.39	12.21	13.50

## Appendix G – Service Quality Chart Provided by SBC Texas (cont'd)

<b>SBC Texas Statewide Network Service Quality Results</b>													
<b>2002</b>													
<b>MEASUREMENT</b>	<b>Statewide PUC Objective</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>SERVICE ORDERS</b>													
Percent of regular orders completed in 5 working days	<b>90</b>	99.3	99.4	99.2	99.5	99.5	99.5	99.6	99.7	99.7	99.6	99.6	99.5
Percent of primary orders completed in 5 working days	<b>95</b>	97.7	98.1	97.9	98.2	98.3	98.4	98.3	98.4	98.4	98.5	98.4	98.5
Percent of all orders completed in 30 days	<b>99</b>	99.8	99.9	98.5	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9
Percent all orders completed in 90 days	<b>100</b>	100	100	100	100	100	100	100	100	100	100	100	100
Percent of installation commitments met	<b>90</b>	98.6	98.8	100	98.9	98.8	98.9	99.1	99.4	99.3	98.9	99.0	98.9
<b>ANSWER TIME</b>													
Repair service answer time - Percent within 20 seconds	<b>90</b>	98.1	98.1	98.9	98.1	98.1	97.4	97.4	97.4	98.1	98.1	98.9	98.9
<b>TROUBLE REPORTS</b>													
Trouble reports per 100 access lines (RPHL)	<b>3</b>	1.74	1.77	1.99	2.17	2.08	1.90	2.57	2.24	2.04	2.42	2.07	1.82
Percent of out-of-service reports cleared in 8 working hours	<b>90</b>	91.78	94.77	93.19	94.64	93.84	94.53	93.54	92.29	95.18	93.57	93.67	90.59
Percent of repeated trouble reports	<b>22</b>	12.98	12.50	12.40	13.25	12.61	12.52	12.55	12.87	12.57	11.95	13.64	11.95

## Appendix G – Service Quality Chart Provided by SBC Texas (cont'd)

<b>SBC Texas Statewide Network Service Quality Results</b>													
<b>2003</b>													
<b>MEASUREMENT</b>	<b>Statewide PUC Objective</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>SERVICE ORDERS</b>													
Percent of regular orders completed in 5 working days	<b>90</b>	99.6	99.6	99.6	99.7	99.7	99.7	99.6	99.6	99.5	99.6	99.7	99.6
Percent of primary orders completed in 5 working days	<b>95</b>	98.6	98.9	98.6	98.9	98.9	98.9	98.9	98.8	98.6	98.7	98.9	98.8
Percent of all orders completed in 30 days	<b>99</b>	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9
Percent all orders completed in 90 days	<b>100</b>	100	100	100	100	100	100	100	100	100	100	100	100
Percent of installation commitments met	<b>90</b>	98.9	99.0	99.0	99.2	99.1	99.2	99.1	99.1	99.1	99.1	99.2	99.1
<b>ANSWER TIME</b>													
Repair service answer time - Percent within 20 seconds	<b>90</b>	98.9	98.1	98.9	98.9	98.1	96.6	97.4	96.6	95.9	98.9	97.4	98.1
<b>TROUBLE REPORTS</b>													
Trouble reports per 100 access lines (RPHL)	<b>3</b>	1.68	1.68	1.73	1.67	1.72	1.98	2.03	1.97	2.09	1.86	1.61	1.43
Percent of out-of-service reports cleared in 8 working hours	<b>90</b>	92.01	94.70	96.33	93.14	92.15	94.87	93.38	91.58	97.15	94.57	91.81	93.31
Percent of repeated trouble reports	<b>22</b>	11.37	10.81	11.89	11.05	10.50	11.41	11.69	11.43	11.44	11.76	10.74	10.92







## Appendix H – PUC Data on SBC Texas’s Service Quality Measures, 2000 - 2003

Performance Measurement	PUC Standard	2000											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Percent Primary within 5 Work Days	95%							97.80	97.60	97.40	97.70	97.70	97.60
Percent Regular within 5 Work Days	90%							99.10	99.30	99.20	99.30	99.30	99.00
Percent All Orders within 30 Days	99%							N/A	N/A	N/A	99.30	99.30	99.30
Percent All Orders within 90 Days	100%							N/A	N/A	N/A	100.	100	99.90
Percent Installation Commitments Met	90%							98.40	98.80	98.70	98.80	98.70	98.20
Percent Out of Service Repaired within 8 Working Days	90%							<b>81.45</b>	<b>85.37</b>	<b>88.16</b>	90.36	94.80	<b>88.08</b>
Number of Trouble Reports per 100 lines	3							2.4	2.63	2.44	2.84	<b>3.02</b>	2.55
Percent of Repeat Trouble Reports	22%							N/A	N/A	N/A	13.05	14.47	13.94

Performance Measurement	PUC Standard	2001											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Percent Primary within 5 Work Days	95%	97.60	97.70	97.60	97.60	97.80	97.80	97.70	97.70	97.50	97.70	97.70	97.10
Percent Regular within 5 Work Days	90%	99.20	99.20	99.00	99.10	99.20	99.30	99.20	99.20	99.40	99.40	99.40	99.20
Percent All Orders within 30 Days	99%	99.30	99.50	99.60	99.80	99.80	99.90	99.90	99.90	99.80	99.00	99.90	99.80
Percent All Orders within 90 Days	100%	100	100	100	100	100	100	100	100	100	100	100	100
Percent Installation Commitments Met	90%	98.50	98.40	98.30	98.50	98.50	98.50	98.60	98.60	98.80	98.80	98.60	98.40
Percent Out of Service Repaired within 8 Working Days	90%	<b>83.84</b>	<b>72.68</b>	<b>77.36</b>	92.74	94.33	95.36	93.83	90.78	93.81	93.63	92.79	95.20
Number of Trouble Reports per 100 lines	3	2.85	2.59	2.82	2.56	2.62	<b>3.06</b>	2.31	2.39	2.77	2.27	2.07	2.37
Percent of Repeat Trouble Reports	22%	13.90	13.83	14.34	13.15	13.41	13.17	14.41	13.15	13.73	13.39	12.21	13.50

NOTE: **Bold** numbers indicate a missed measurement.

## Appendix H – PUC Data on SBC Texas’s Service Quality Measures, 2000 - 2003 (cont'd)

Performance Measurement	PUC Standard	2002											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Percent Primary within 5 Work Days	95%	97.70	98.10	97.90	98.20	98.30	98.40	98.30	98.40	98.40	98.50	98.40	98.50
Percent Regular within 5 Work Days	90%	99.30	99.40	99.20	99.50	98.30	98.40	99.60	99.70	99.70	99.60	99.60	99.50
Percent All Orders within 30 Days	99%	99.80	99.90	99.90	99.90	99.90	99.90	99.90	99.90	99.90	99.90	99.90	99.90
Percent All Orders within 90 Days	100%	100	100	100	100	100	100	100	100	100	100	100	100
Percent Installation Commitments Met	90%	98.60	98.80	98.50	98.90	98.80	98.90	99.10	99.40	99.30	98.90	99.00	98.90
Percent Out of Service Repaired within 8 Working Days	90%	91.78	94.77	93.19	94.64	93.84	94.53	93.54	92.29	95.18	93.57	96.67	90.59
Number of Trouble Reports per 100 lines	3	1.74	1.77	1.99	2.17	2.08	1.90	2.57	2.24	2.04	2.42	2.07	1.82
Percent of Repeat Trouble Reports	22%	12.98	12.50	12.40	13.25	12.61	12.52	12.55	12.87	12.57	11.95	13.64	11.95

Performance Measurement	PUC Standard	2003											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Percent Primary within 5 Work Days	95%	98.60	98.90	98.60	98.90	98.90	98.90	98.90	98.80	98.60	98.70	98.90	98.80
Percent Regular within 5 Work Days	90%	99.60	99.60	99.60	99.70	99.70	99.70	99.60	99.60	99.50	99.60	99.70	99.60
Percent All Orders within 30 Days	99%	99.90	99.90	99.90	99.90	99.90	99.90	99.90	99.90	99.90	99.90	99.90	99.90
Percent All Orders within 90 Days	100%	100	100	100	100	100	100	100	100	100	100	100	100
Percent Installation Commitments Met	90%	98.90	99.00	99.00	99.20	99.10	99.20	99.10	99.10	99.10	99.10	99.20	99.10
Percent Out of Service Repaired within 8 Working Days	90%	92.01	94.70	96.33	93.14	92.15	94.87	93.38	91.58	97.15	94.57	91.81	93.31
Number of Trouble Reports per 100 lines	3	1.68	1.68	1.73	1.67	1.72	1.98	2.03	1.97	2.09	1.86	1.61	4.43
Percent of Repeat Trouble Reports	22%	11.37	10.81	11.89	11.05	10.50	11.41	11.69	11.43	11.44	11.76	10.74	10.92

## Appendix I – PUC Data on Sprint’s Service Quality Measures, 2002 - 2003

Performance Measurement		PUC Standard	2002											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United	Percent Primary within 5 Work Days	95%	97.10	97.30	97.20	96.60	97.90	98.00	97.80	97.90	97.40	97.20	95.50	95.50
Centel	Percent Primary within 5 Work Days	95%	97.90	97.10	96.70	97.20	97.40	97.90	97.60	98.50	98.20	97.40	96.30	96.70
United	Percent Regular within 5 Work Days	90%	98.60	98.40	98.50	98.40	98.80	99.00	99.10	99.10	99.00	98.80	98.60	98.10
Centel	Percent Regular within 5 Work Days	90%	98.20	98.30	98.30	98.60	98.60	98.90	97.60	98.50	98.20	98.80	98.50	98.10
United	Percent All Orders within 30 Days	99%	100	100	100	100	100	100	100	100	100	100	100	100
Centel	Percent All Orders within 30 Days	99%	100	100	100	100	100	100	100	100	100	100	100	100
United	Percent All Orders within 90 Days	100%	100	100	100	100	100	100	100	100	100	100	100	100
Centel	Percent All Orders within 90 Days	100%	100	100	100	100	100	100	100	100	100	100	100	100
United	Percent Installation Commitments Met	90%	98.80	98.90	98.90	98.90	99.10	99.00	98.60	98.40	98.30	98.50	98.20	97.30
Centel	Percent Installation Commitments Met	90%	98.80	99.00	98.70	99.00	98.80	99.20	98.30	98.60	98.70	98.50	97.90	97.20
United	Percent Out of Service Repaired within 8 Working Hours	90%	94.80	95.30	95.70	95.80	94.20	95.30	95.70	96.00	96.20	95.70	98.00	95.40
Centel	Percent Out of Service Repaired within 8 Working Hours	90%	94.80	95.80	95.00	95.20	94.20	93.40	94.30	95.80	96.90	94.90	94.90	97.00
United	Number of Trouble Reports per 100 lines	3	2.01	1.83	1.97	1.79	2.01	2.02	2.65	2.36	2.29	2.69	1.81	2.13
Centel	Number of Trouble Reports per 100 lines	3	2.03	1.71	1.72	1.58	2.00	1.85	2.58	1.97	1.36	2.15	1.80	1.86
United	Percent of Repeat Trouble Reports	22%	20.50	19.40	18.50	18.50	17.40	20.20	21.30	18.90	18.10	21.00	20.00	19.30
Centel	Percent of Repeat Trouble Reports	22%	19.60	17.60	18.40	17.10	17.10	16.80	19.10	19.80	18.10	17.10	20.20	17.00

## Appendix I – PUC Data on Sprint’s Service Quality Measures, 2002 - 2003 (cont’d)

Performance Measurement		PUC Standard	2003											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United	Percent Primary within 5 Work Days	95%	95.70	95.80	96.70	96.10	93.40	95.90	96.40	95.40	95.10	96.20	97.90	97.80
Centel	Percent Primary within 5 Work Days	95%	97.20	96.90	96.90	97.30	97.70	97.30	96.80	96.90	96.90	97.60	98.90	97.90
United	Percent Regular within 5 Work Days	90%	98.80	98.80	98.90	99.00	97.60	98.80	98.90	98.60	98.70	99.10	99.40	99.20
Centel	Percent Regular within 5 Work Days	90%	98.80	99.00	98.90	99.10	99.20	98.90	98.70	98.80	98.80	99.40	99.60	99.30
United	Percent All Orders within 30 Days	99%	100	100	100	100	100	100	100	100	100	100	100	100
Centel	Percent All Orders within 30 Days	99%	100	100	100	100	100	100	100	100	100	100	100	100
United	Percent All Orders within 90 Days	100%	100	100	100	100	100	100	100	100	100	100	100	100
Centel	Percent All Orders within 90 Days	100%	100	100	100	100	100	100	100	100	100	100	100	100
United	Percent Installation Commitments Met	90%	98.30	98.20	98.20	98.60	99.10	98.10	98.60	98.40	98.30	99.00	98.60	98.10
Centel	Percent Installation Commitments Met	90%	98.50	98.60	98.80	98.80	98.80	98.60	98.30	98.60	98.70	99.10	98.10	97.60
United	Percent Out of Service Repaired within 8 Working Hours	90%	94.60	95.90	94.80	95.60	94.00	93.60	95.70	96.30	95.60	95.50	97.10	96.70
Centel	Percent Out of Service Repaired within 8 Working Hours	90%	96.80	95.70	95.20	96.90	95.50	94.90	95.90	93.00	94.50	96.00	94.30	94.20
United	Number of Trouble Reports per 100 lines	3	2.17	2.58	2.09	1.98	2.30	2.79	2.08	2.43	2.11	1.93	1.67	1.45
Centel	Number of Trouble Reports per 100 lines	3	1.64	1.70	1.79	1.75	1.73	2.15	2.08	1.80	1.91	1.67	1.65	1.44
United	Percent of Repeat Trouble Reports	22%	23.30	19.70	22.80	17.90	17.80	18.80	19.40	18.20	20.00	19.40	17.80	18.30
Centel	Percent of Repeat Trouble Reports	22%	17.00	17.20	19.20	14.50	15.50	17.40	17.60	18.10	20.00	18.80	17.20	18.80

## Appendix J – PUC Data On Valor’s Service Quality Measures, 2000 - 2003

Performance Measurement	PUC Standard	2000												
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Percent Primary within 5 Work Days	95%											<b>61.07</b>	<b>57.89</b>	<b>75.51</b>
Percent Regular within 5 Work Days	90%											<b>89.41</b>	<b>85.63</b>	92.83
Percent All Orders within 30 Days	99%											<b>98.56</b>	<b>97.30</b>	<b>98.22</b>
Percent All Orders within 90 Days	100%											100	100	<b>99.85</b>
Percent Installation Commitments Met	90%											<b>81.45</b>	<b>80.25</b>	<b>86.96</b>
Percent Out of Service Repaired within 8 Working Days	90%											<b>79.30</b>	<b>61.50</b>	<b>66.70</b>
Number of Trouble Reports per 100 lines	3											<b>5.10</b>	<b>6.50</b>	<b>5.20</b>
Percent of Repeat Trouble Reports	22%											19.40	<b>23.10</b>	<b>23.80</b>

Performance Measurement	PUC Standard	2001											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Percent Primary within 5 Work Days	95%	<b>74.50</b>	95.00	<b>84.90</b>	<b>80.90</b>	<b>85.10</b>	<b>79.40</b>	<b>84.62</b>	<b>93.27</b>	<b>84.77</b>	<b>79.99</b>	<b>91.60</b>	<b>78.20</b>
Percent Regular within 5 Work Days	90%	96.30	98.30	98.70	98.40	98.20	98.30	98.00	99.00	98.08	98.07	98.77	97.58
Percent All Orders within 30 Days	99%	<b>96.40</b>	<b>98.70</b>	<b>96.40</b>	<b>83.90</b>	<b>96.60</b>	<b>97.80</b>	99.76	99.81	99.77	99.57	99.77	99.42
Percent All Orders within 90 Days	100%	<b>99.00</b>	<b>99.00</b>	<b>99.50</b>	<b>98.70</b>	<b>99.60</b>	<b>99.70</b>	<b>99.98</b>	<b>99.95</b>	<b>99.95</b>	<b>99.95</b>	<b>99.92</b>	<b>99.97</b>
Percent Installation Commitments Met	90%	<b>87.00</b>	<b>88.10</b>	<b>89.10</b>	<b>86.90</b>	<b>78.90</b>	<b>82.00</b>	<b>88.26</b>	<b>88.73</b>	<b>78.71</b>	<b>86.47</b>	<b>87.91</b>	<b>76.38</b>
Percent Out of Service Repaired within 8 Working Days	90%	<b>76.30</b>	<b>64.60</b>	<b>67.50</b>	<b>69.90</b>	<b>75.50</b>	<b>66.70</b>	<b>73.10</b>	<b>75.26</b>	<b>63.18</b>	<b>66.84</b>	<b>69.57</b>	<b>54.76</b>
Number of Trouble Reports per 100 lines	3	<b>7.60</b>	<b>7.00</b>	<b>4.90</b>	<b>3.80</b>	<b>4.00</b>	<b>4.00</b>	<b>3.70</b>	<b>4.16</b>	<b>3.85</b>	<b>3.82</b>	<b>3.81</b>	<b>3.87</b>
Percent of Repeat Trouble Reports	22%	21.10	<b>26.00</b>	<b>22.80</b>	20.80	20.70	21.10	20.40	18.01	18.87	<b>22.58</b>	19.50	20.60

NOTE: **Bold** numbers indicate a missed measurement.

## Appendix J – PUC Data On Valor’s Service Quality Measures, 2000 - 2003 (cont’d)

Performance Measurement	PUC Standard	2002											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Percent Primary within 5 Work Days	95%	97.00	97.00	96.00	96.00	96.55	96.47	94.17	95.83	<b>94.55</b>	96.69	95.98	<b>94.82</b>
Percent Regular within 5 Work Days	90%	99.00	100	99.00	99.00	100	99.00	99.00	99.00	100	99.00	99.00	100
Percent All Orders within 30 Days	99%	100	100	100	100	99.79	99.84	99.83	99.87	99.84	99.85	99.84	99.86
Percent All Orders within 90 Days	100%	100	100	100	100	<b>99.95</b>	<b>99.97</b>	<b>99.98</b>	<b>99.98</b>	<b>99.99</b>	<b>99.99</b>	<b>99.96</b>	<b>99.99</b>
Percent Installation Commitments Met	90%	93.00	93.00	92.00	93.00	93.00	90.00	<b>89.00</b>	<b>89.00</b>	<b>89.00</b>	<b>89.00</b>	90.00	91.00
Percent Out of Service Repaired within 8 Working Days	90%	<b>86.71</b>	<b>82.66</b>	<b>77.90</b>	<b>83.84</b>	<b>84.05</b>	<b>86.93</b>	92.45	<b>88.07</b>	<b>87.41</b>	<b>84.82</b>	<b>86.85</b>	<b>86.77</b>
Number of Trouble Reports per 100 lines	3	<b>3.33</b>	2.79	<b>3.75</b>	<b>3.70</b>	<b>3.11</b>	<b>3.19</b>	2.99	<b>3.48</b>	<b>3.15</b>	<b>4.05</b>	<b>3.10</b>	2.98
Percent of Repeat Trouble Reports	22%	17.10	21.70	16.07	17.05	14.68	14.65	14.74	15.89	15.18	14.46	18.76	18.41

Performance Measurement	PUC Standard	2003											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Percent Primary within 5 Work Days	95%	95.92	97.65	97.58	98.00	97.00	97.00	97.00	98.00	98.00	98.00	98.00	97.00
Percent Regular within 5 Work Days	90%	100	100	100	100	99.00	99.00	99.00	100	100	100	100	100
Percent All Orders within 30 Days	99%	99.87	99.90	99.94	99.95	99.94	99.86	99.85	99.83	99.85	99.86	99.85	99.83
Percent All Orders within 90 Days	100%	<b>99.99</b>	<b>99.99</b>	100	100	100	100	100	100	100	100	100	100
Percent Installation Commitments Met	90%	91.00	92.00	91.00	93.00	92.00	91.00	92.00	95.00	96.00	96.00	96.00	96.00
Percent Out of Service Repaired within 8 Working Days	90%	92.78	93.82	95.38	98.02	96.44	94.17	96.34	97.02	97.07	97.87	97.16	98.20
Number of Trouble Reports per 100 lines	3	2.45	2.67	2.65	2.62	2.92	3.00	2.34	2.24	2.36	2.15	1.13	1.74
Percent of Repeat Trouble Reports	22%	18.41	17.31	18.40	13.22	11.65	15.06	16.01	14.91	15.15	13.68	9.55	13.57

NOTE: **Bold** numbers indicate a missed measurement.

## Appendix K – PUC Data on Verizon’s Service Quality Measures, 2000 – 2003

Performance Measurement	PUC Standard	2000											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Percent Primary within 5 Work Days	95%							96.00	96.00	96.00	96.00	96.00	97.00
Percent Regular within 5 Work Days	90%							99.00	99.00	99.00	99.00	98.00	98.00
Percent All Orders within 30 Days	99%							99.00	99.00	99.00	99.00	99.00	99.00
Percent All Orders within 90 Days	100%							100	100	100	100	100	100
Percent Installation Commitments Met	90%							98.00	98.00	98.00	98.00	98.00	98.00
Percent Out of Service Repaired within 8 Working Days	90%							96.00	95.00	94.00	92.00	<b>88.00</b>	92.00
Number of Trouble Reports per 100 lines	3							1.40	1.50	1.30	1.50	1.60	1.30
Percent of Repeat Trouble Reports	22%							13.60	12.60	12.20	12.40	13.90	12.20

Performance Measurement	PUC Standard	2003											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Percent Primary within 5 Work Days	95%	98.00	98.00	97.00	98.00	98.00	98.00	99.00	99.00	99.00	99.00	98.00	98.00
Percent Regular within 5 Work Days	90%	97.00	97.00	98.00	98.00	98.00	98.00	98.00	99.00	99.00	99.00	99.00	97.00
Percent All Orders within 30 Days	99%	100	100	100	100	100	100	100	100	100	100	100	100
Percent All Orders within 90 Days	100%	100	100	100	100	100	100	100	100	100	100	100	100
Percent Installation Commitments Met	90%	98.00	98.00	99.00	99.00	99.00	99.00	99.00	99.00	98.00	99.00	98.00	98.00
Percent Out of Service Repaired within 8 Working Days	90%	94.00	95.00	95.00	97.00	96.00	97.00	97.00	96.00	91.00	97.00	94.00	91.00
Number of Trouble Reports per 100 lines	3	1.30	1.30	1.30	1.20	1.30	1.30	1.10	1.40	1.30	1.10	1.00	1.10
Percent of Repeat Trouble Reports	22%	13.30	11.80	12.20	11.50	11.10	11.70	11.60	10.80	13.20	12.40	10.90	13.00

NOTE: **Bold** numbers indicate a missed measurement.



## Appendix K – PUC Data on Verizon’s Service Quality Measures, 2000 – 2003 (cont’d)

Performance Measurement	PUC Standard	2002											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Percent Primary within 5 Work Days	95%	99.00	99.00	99.00	99.00	99.00	99.00	98.00	99.00	98.00	97.00	97.00	98.00
Percent Regular within 5 Work Days	90%	99.00	99.00	99.00	99.00	99.00	99.00	98.00	99.00	99.00	99.00	99.00	99.00
Percent All Orders within 30 Days	99%	100	100	100	100	100	100	100	99.00	100	100	100	100
Percent All Orders within 90 Days	100%	100	100	100	100	100	100	100	100	100	100	100	100
Percent Installation Commitments Met	90%	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00
Percent Out of Service Repaired within 8 Working Days	90%	97.00	98.00	97.00	95.00	96.00	95.00	<b>88.00</b>	94.00	92.00	<b>86.00</b>	<b>86.00</b>	<b>87.00</b>
Number of Trouble Reports per 100 lines	3	1.00	0.80	1.00	1.10	1.00	0.80	1.10	1.00	0.90	1.10	0.80	0.80
Percent of Repeat Trouble Reports	22%	11.00	10.40	10.10	10.80	10.70	11.20	11.70	11.00	11.20	10.80	12.50	10.90

Performance Measurement	PUC Standard	2003											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Percent Primary within 5 Work Days	95%	98.00	99.00	98.00	99.00	99.00	99.00	98.00	98.00	98.00	98.00	97.00	97.00
Percent Regular within 5 Work Days	90%	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00
Percent All Orders within 30 Days	99%	100	100	100	100	100	100	100	100	100	100	100	100
Percent All Orders within 90 Days	100%	100	100	100	100	100	100	100	100	100	100	100	100
Percent Installation Commitments Met	90%	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	98.00	99.00
Percent Out of Service Repaired within 8 Working Days	90%	93.00	96.00	98.00	98.00	96.00	92.00	93.00	94.00	91.00	93.00	94.00	96.00
Number of Trouble Reports per 100 lines	3	0.70	0.70	0.70	0.80	0.80	1.00	1.00	0.90	1.00	0.80	0.70	0.70
Percent of Repeat Trouble Reports	22%	10.30	9.70	10.80	9.60	9.70	10.70	10.40	10.50	11.20	10.80	10.00	10.50

NOTE: **Bold** numbers indicate a missed measurement.