

**PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA 17105-3265**

Public Meeting held April 11, 2002

Commissioners Present:

Glen R. Thomas, Chairman  
Robert K. Bloom, Vice Chairman  
Aaron Wilson, Jr., Statement attached  
Terrance J. Fitzpatrick  
Kim Pizzingrilli

Standard for Comparing Local Service  
Options for Use in a Consumer  
Education Program on Telephone  
Competition

Docket No. M-00011580

**ORDER**

BY THE COMMISSION:

On November 9, 2001, the Commission issued a Tentative Order requesting comments on the possible establishment of a universal standard for comparing local service options for use in a Consumer Education Program on Telephone Competition. The Commission envisioned that this “standard offer” would be similar to the “price to compare” for electric generation that was fundamental to the success of consumer education in the Electric Choice program. By establishing such a tool, the Commission viewed the standard offer as a way to reduce customer confusion and give customers the essential information that they need to do comparison shopping for local telephone service. It was intended that the standard offer would be used when consumers apply for residential telephone service by phone with a local exchange carrier (LEC) service

representative providing the customer with this information. However, the Commission was uncertain about what information/standard would assist consumers in shopping, but would, at the same time, foster competition in the local telephone service market. Therefore, the Commission also asked commentors to respond to six specific questions regarding the possible effects of establishing such a universal standard on competition.

The Tentative Order was published December 8, 2001 at 31 Pa. Bulletin 6763-64. The Tentative Order provided for a 10-day comment period. The deadline for filing comments was December 18, 2001. Eleven parties filed comments. They include the Office of Consumer Advocate (OCA), Office of Small Business Advocate (OSBA), the Office of Trial Staff (OTS), Pennsylvania Telephone Association (PTA), Verizon Pennsylvania Inc. and Verizon North Inc. (VZ), the Commission's Consumer Advisory Council (CAC), AT&T Communications of Pennsylvania, Inc. (AT&T), MCI Worldcom Network Services, Inc. (MWC.COM), RCN Telecom Services of Philadelphia Inc./RCN Telecom Services Inc. (RCN), National ALEC Association/Prepaid Communications Association (NALA/PCA) and Metro Teleconnect Companies, Inc. (Metro Teleconnect).

The Commission considered all the comments and expresses its appreciation to the commentors for their helpful information and thoughtful observations.

## **DISCUSSION**

Various commentators (AT&T, MWC.COM, Metro Teleconnect, PTA, VZ, RCN, NALA/PCA) are opposed to the implementation of a universal standard to compare the price of the local service options for a number of reasons. In its comments, MWC.COM expressed its concerns about the Commission setting a price to compare for basic local service.

AT&T expressed concerns about the Commission developing a price to compare chart that would set a universal price to compare. AT&T states that it is "difficult to

envision how the price to compare chart could be maintained accurately and reliably in light of the Commission's own recently enacted rules governing local exchange tariff filing requirements. 52 Pa. Code §§ 53.57, et seq. Those new rules, for example, permit carriers to implement certain price changes on as little as one day's notice. See, e.g. 52 Pa. Code § 53.59(a)."

PTA's comments address the impracticality of implementing a standard for local service. PTA states that local service can potentially involve a multitude of varying rate components that make a single simple comparison price virtually impossible to ascertain. One example is that local service can be priced as a fixed rate without usage, or based solely upon usage or some combination. PTA also states that to further complicate usage charges some Incumbent Local Exchange Companies (ILECs) have rate bands that provide for varying charges for usage based upon an individual customer's location or the exchange's aggregate calling patterns.

According to PTA, all LECs must assess mandated charges (e.g., subscriber line charge, emergency 911 surcharge, PA relay charge, federal universal service charge, taxes, etc.), but all do not have the same obligation to collect these charges. For example, some Competitive Local Exchange Carriers (CLECs) frequently forego application of the subscriber line charge by incorporating their costs directly into the end-user, consumer rates. PTA adds that ILECs may be bound by interstate tariffs that forestall transition from interstate cost recovery to intrastate local rates. NALA/PCA comments on the difficulties associated with determining the rate in extended calling areas.

VZ also comments about the impracticality of producing a standard for comparing prices for local service options. VZ explains that, for example, it has five different rate groups across the state and at least eight major classes of basic service, some with further variations and some available in some areas but not in others. VZ does concede that the residential flat monthly rate for unlimited calling is probably the most unobjectionable

price comparison. However, VZ points out that the LEC flat rate price differences in different geographic areas of Pennsylvania would need to be taken into account. For example, VZ flat rate service charges vary both by five usage rate groups and by four density cells -- resulting in numerous different discreet flat rate charges that are dependent upon where the consumer lives.

There were fewer commentors (OCA, OSBA, CAC, and OTS) that expressed general support for the Commission's efforts to construct a price to compare tool. OCA, although arguing in favor of implementing the rate comparison standard, recognizes that such a standard would be difficult to formulate. OCA submits that in order to accurately reflect the full range of local service pricing options available, the Commission should recognize that the standard or monthly local service charge will vary depending upon whether a customer is enrolled in a flat or measured usage plan. Also, OCA states that different types of "flat monthly fee" rate options may be selected corresponding to the various types of enlarged calling areas that customers may choose, including Local Area Unlimited calling (VZ's basic flat rate calling option). Additionally, OCA points out that flat monthly rate plans may vary in price upon location. For example, Sprint offers flat rate calling packages that vary based upon the rate groups or rate bands under which customers take service. Such rate bands usually vary by the exchange in which the consumer resides.

The OSBA states that it "...disagrees with the idea of obligating the industry to offer any random service elements as a package or plan represented for price comparisons. However, offering basic or baseline service packages or plans for price comparisons and distinct services or elements standing-alone for price comparison is reasonable." Nevertheless, the OSBA asserts that small business customers have different needs and that the price to compare data would have to be different. As such, "small businesses cannot depend upon the unlimited local calling area to be sufficient for its telecommunications needs."

For example, the OSBA states:

“The information for price to compare data should contain at a minimum: (1) the business flat monthly rate for unlimited local calling within the calling area equal to, or larger than the calling area provided by the ILEC,<sup>1</sup> (2) the rate for toll calls (intraLATA intrastate calls), (3) the rate for the stand-alone component for voicemail, (4) the rate for the stand-alone component of Caller ID, and (5) the rate for the stand-alone component of call forwarding. These components may be different from those experienced by residential customers.”

As a result of these comments, the Commission has determined that the implementation of a universal standard to compare the price of local service options is not practical given the nature of local service in this Commonwealth.<sup>2</sup> However, we believe that the price of a LEC’s least expensive local basic service option is fundamental information that the consumer should have so that he or she can make an intelligent decision in selecting among LECs and their various service packages. Moreover, the Commission firmly believes that all LECs must comply with those provisions of Chapter 64 that require LECs to make consumers aware of the least cost local service option when they apply for local telephone service. LECs are free to discuss the other service options including bundled service packages once they inform applicants of the least cost service option as required by existing regulations.<sup>3</sup>

The Commission’s position on offering bundled local service packages is explained in our North Pittsburgh order, Docket No. P-00011899. PTA and AT&T note in their comments that the Commission found North Pittsburgh Telephone Company 's (North

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<sup>1</sup> Typically this is the “B1” rate.

<sup>2</sup> As the Commission has decided against implementing a price to compare standard because of impracticality, it is unnecessary to discuss other issues raised by the commentors.

<sup>3</sup> According to §64.191(b)(1) if an applicant applies for service by telephone the LEC service representative shall explain and give the price of the least expensive single-party basic service.

Pittsburgh) single rate plan to be in the “consumer’s interest” when it granted the company a petition for waiver of certain sections of Chapter 64. While the Commission recognizes the benefits of companies selling bundled service packages, it also recognizes its obligation to enforce the consumer protection provisions of its regulations. The Commission’s decision to grant waivers to North Pittsburgh was based on the company’s assurance that it would “honor the underlying goal of the Chapter 64 requirements at issue, namely the preservation of the residential customer’s basic service.” North Pittsburgh’s implementation of single rate package plans would be “conducted in a manner which retains the protection afforded by Chapter 64.” The Commission did not waive any fundamental protection relating to the application process, information provided at the time of application, suspension/termination or dispute resolution<sup>4</sup>. The waivers granted to North Pittsburgh apply only if an applicant or customer elects to buy a bundled service. Specifically, the waivers apply only to monthly billing and the application of customer payments, as long as the account is not in collection for past due amounts. Therefore, the price of a LEC’s least expensive local basic service option must be provided to all customers during the application process.

Again, we believe that the price of a LEC’s least expensive local basic service option is fundamental information that the consumer should have so that he or she can make an intelligent decision in selecting among LECs and their various service packages. All LECs are obligated to comply with the provisions of 64.191(b)(1), which requires LECs to “explain and give the price of the least expensive type of single party service.” We further believe that all LECs should provide information on the least expensive type of single party service upon request of the customer of record for an existing account.

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<sup>4</sup> The North Pittsburgh Telephone Company also agreed to provide a disclosure statement (subject to the right of the Commission to review the disclosure statement) to customers who order a single price package plan which details the billing practice in the event a customer fails to pay under the agreed terms of the package plan. In addition, the Commission directed North Pittsburgh to “identify on bills those charges for which failure to pay will not result in disconnection of the customer’s basic service, pursuant to the FCC’s ruling concerning Truth-in-Billing and Billing-Format<sup>4</sup>.” See, CC Docket No. 98-170; FCC 00-111, released July 13, 2000. The Commission found that “the single rate package plan and proposed billing methodology are in the consumer’s interest provided that **all assertions with respect to notice to the consumer to be contained in the disclosure statement are satisfied.**”

Accordingly, we will direct the Office of Communications to include, in the Commission's Consumer Education Program, materials to educate consumers about their right to request and receive information about the least expensive local basic service option when making application to a LEC for service or upon request to the LEC by an existing customer. Also, because this regulatory requirement is already in place, we do not see that additional costs will be imposed on the LECs by having the Consumer Education Program develop and distribute materials that inform consumers that they have a right to request such information.

Various commentors who opposed the implementation of the local service option pricing standard commented on alternatives and volunteered to help in their formulation. PTA indicated that the Consumer Education Fund should be used to provide information to consumers about telecommunications choices, the various services available and the types of questions that consumers can ask to receive information that can be used in making decisions about their telecommunication service choices.

VZ suggests that the Commission's Bureau of Consumer Services with input from the LEC industry develop both a customer education brochure and Commission website features that provide information consumers should know when making decisions about selecting telecommunication services. Both the brochure, that would be distributed via the Commission's normal customer education channels, and the website should include a user-friendly checklist (printable from the website) with side by side service/price entries. The checklist would allow customers to do an easy cost comparison by deciding and checking off the specific LEC services the customer wants and then calling the LEC serving the customer's area to obtain, write down and compare rates for these services. To the extent that the services desired are included in LEC service packages, the checklist should contain space to note package contents and prices to facilitate price comparisons with other LECs' services and packages.

RCN suggests that given the overlap of the subject matter the Consumer Education Plan should be addressed in the Customer Information collaborative. Docket M-00011582.

Commission Staff is already formulating the Consumer Education Program in conjunction with the Council on Utility Choice<sup>5</sup> (CUC). Moreover, the CUC has representatives from the telecommunications industry and consumer organizations so the formulation of the Consumer Education Program has input from a range of interested parties. Therefore, it is unnecessary to assign to the Collaborative on Customer Information the task of designing a Consumer Education Program. However, we adopt Verizon's suggestion that the Commission's Bureau of Consumer Services be included as part of the Commission staff charged with formulating our Consumer Education Program in conjunction with the Council on Utility Choice. The other suggestions, including Verizon's proposal that industry and BCS develop an education brochure and that information be posted on the Commission's website, are more appropriate forwarded to the Office of Communications and the CUC for their consideration; **THEREFORE;**

**IT IS ORDERED:**

1. That the Tentative Order on Standard for Comparing Local Service Options for Use in a Consumer Education Program on Telephone Competition is not adopted as proposed.

2. That the Consumer Education Program include materials to educate consumers about their right to request and receive information about the least expensive local basic service options when contacting Local Exchange Carriers for service pursuant to Commission regulations at 52 Pa. Code § 64.191.

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<sup>5</sup> The Council on Utility Choice members include representatives from OCA, CAC, and PTA.

3. That a copy of this order and any accompanying statements of the Commissioners be served upon all jurisdictional local exchange carriers, the commentors at this docket, the Pennsylvania Telephone Association, the Pennsylvania Cable and Telecommunication Association, the Office of Consumer Advocate, the Office of Small Business Advocate, the Office of Trial Staff, posted on the Commission's website at [http:\puc.paonline.com](http://puc.paonline.com) and shall be made available to all other interested parties.

4. That this Order be published in the *Pennsylvania Bulletin*.

By the Commission,

James J. McNulty

Secretary

Order Adopted: April 11, 2002

Order Entered: April 23, 2002

(SEAL)