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**BEFORE THE JOINT COMMITTEE ON
INFORMATION POLICY AND TECHNOLOGY**

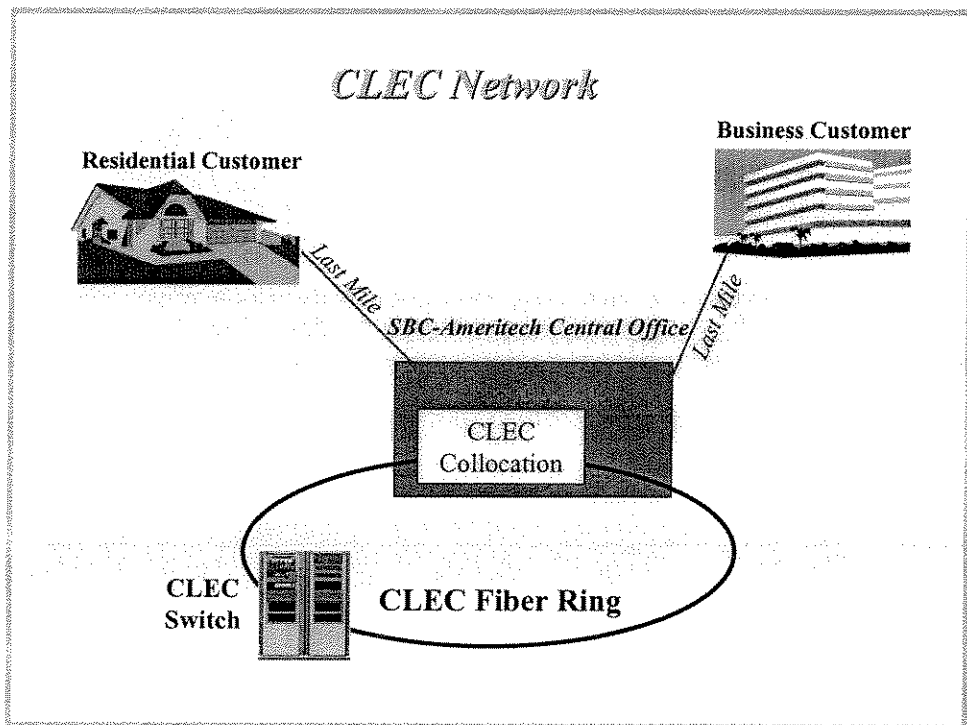
**TESTIMONY OF DAN LIPSCHULTZ
SENIOR REGIONAL COUNSEL
McLEODUSA**

**LOCAL PHONE COMPETITION:
IT'S ALL ABOUT THE LAST MILE!**

October 11, 2001

I. IT'S ALL ABOUT THE LAST MILE

- Competitors cannot enter local markets on a widespread basis without access to the incumbent carrier's last mile wire to every home and business.



II. THE LAST MILE PROBLEM

- The incumbent's power to thwart competitive entry has its roots in the incumbent's control over the last mile facilities competitors need to reach customers. It compares to a hypothetical world in which a single airline controls the local airport.

- In an effort to overcome the last mile access barrier to competition, the federal Telecommunications Act of 1996 requires incumbent local phone companies to open their local last mile networks on a nondiscriminatory basis.

- Why not require competitors to build their own last mile networks? Requiring competitive local exchange carriers ["CLECs"] to duplicate those local networks- which in effect represent more than 100 years of cumulative investment- would be redundant and too costly.

- To reach retail customers across "the last mile," CLECs interconnect their facilities to the local network and purchase "unbundled network elements" from the incumbent. As a result, CLECs become captive wholesale customers of the incumbent.

III. INCUMBENT HAS INCENTIVE TO DENY OR IMPEDE COMPETITIVE ACCESS TO CUSTOMERS

- The incumbent has no economic incentive to provide reliable last mile access to competitive carriers because competitors have no other source for the last mile facilities they need.

- Even worse, incumbents have a strong incentive to deny CLECs access to the network.

- Since the federal act's passage, incumbents have delayed competitive access to customers through regulatory and legal procedures.

- Incumbents have also stalled interconnection agreement negotiations, blocked the collocation of CLECs' equipment on the incumbent's premises, and refused to sell unbundled network elements on reasonable rates, terms and conditions.

IV. THE DEVELOPMENT OF LOCAL COMPETITION APPEARS TO HAVE STALLED

- A recent WI PSC data request examining the pace of local competition suggested there were 237,894 total access lines with competitive providers, of which 70,270, were residential, and 167,723, were business. (WI PSC Data Request 9/25/01)

- In terms of competitive penetration, this represented 6% of the total ILEC lines of 3.5 million.

- Residential competitive penetration was estimated to be 3%, and business competitive penetration was estimated to be 13%.

- These figures show no overall increase in competitive entry from the previous year.

**V. POSSIBLE REASONS FOR STALL IN DEVELOPMENT OF
COMPETITION**

- Overall unreliable wholesale service provided by incumbent to competitor has severely damaged credibility of competitor in market place.

- Inability of CLECs to sustain effective business plans in the face of delayed customer transfers to new competitive providers by incumbent.

- Uneconomically high prices charged by incumbent for competitive access to customers.

**VI. LEGISLATIVE RECOMMENDATIONS--INITIATIVES TO
INCREASE CUSTOMER CHOICE IN THE LOCAL PHONE
MARKET**

- Adopt strong Service quality standards.

- These standards would include:
 - Specific performance benchmarks to ensure consistent, reliable service for customers.
 - Self-executing penalties to ensure standards without lengthy, costly litigation.
 - Customer credits for poor service such as missed appointments/service delays.

- Oppose long distance entry by Incumbent until vibrant local competition exists in the market place.

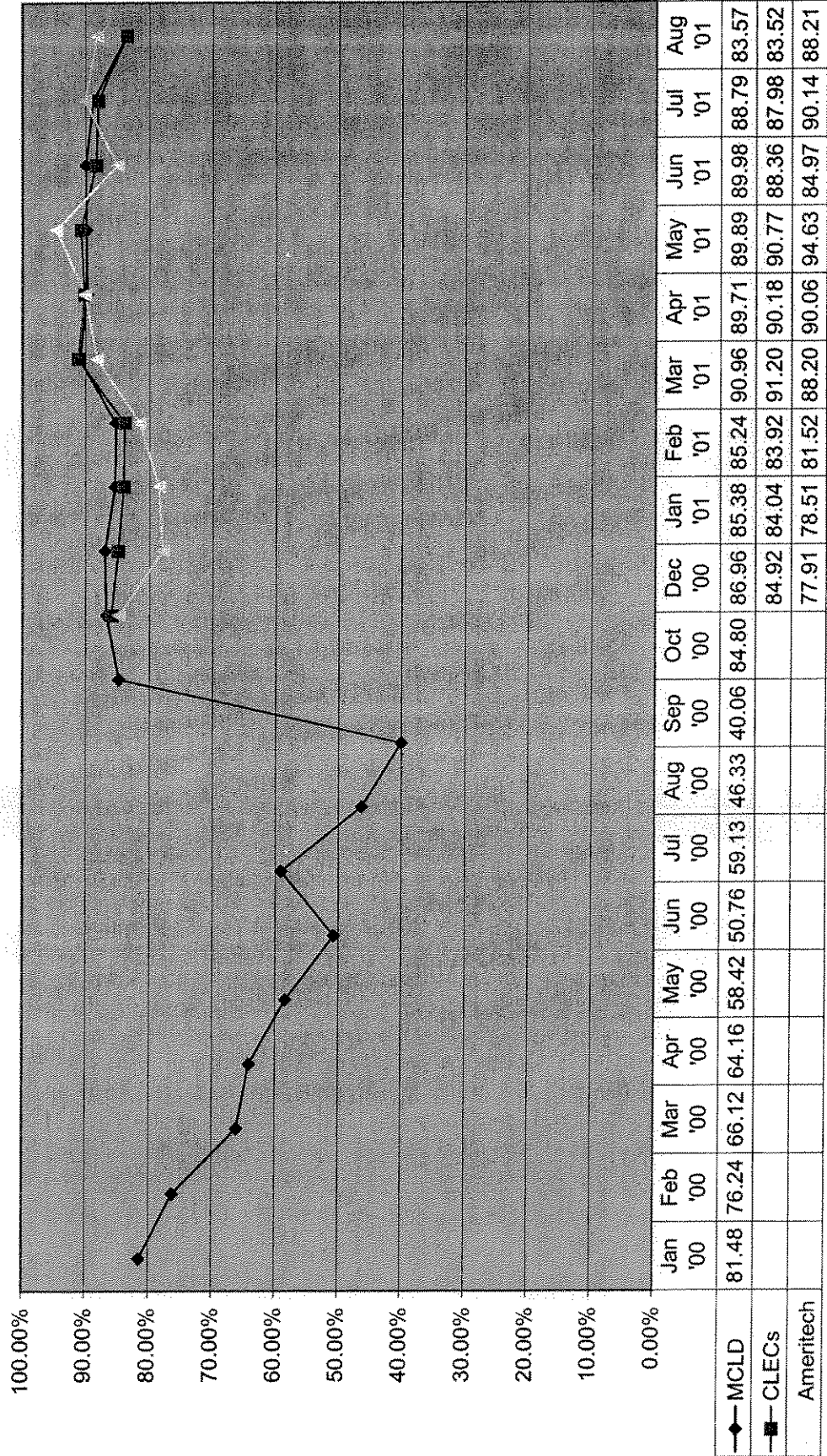
- Enhance commission enforcement authority.

- Enhance competitor enforcement rights.

- Adopt fresh-look provision
 - Many Incumbent customers are tied into long-term sales contracts. A fresh-look provision would permit telecom customers to have a fair shot at switching to a low cost, high quality alternative.

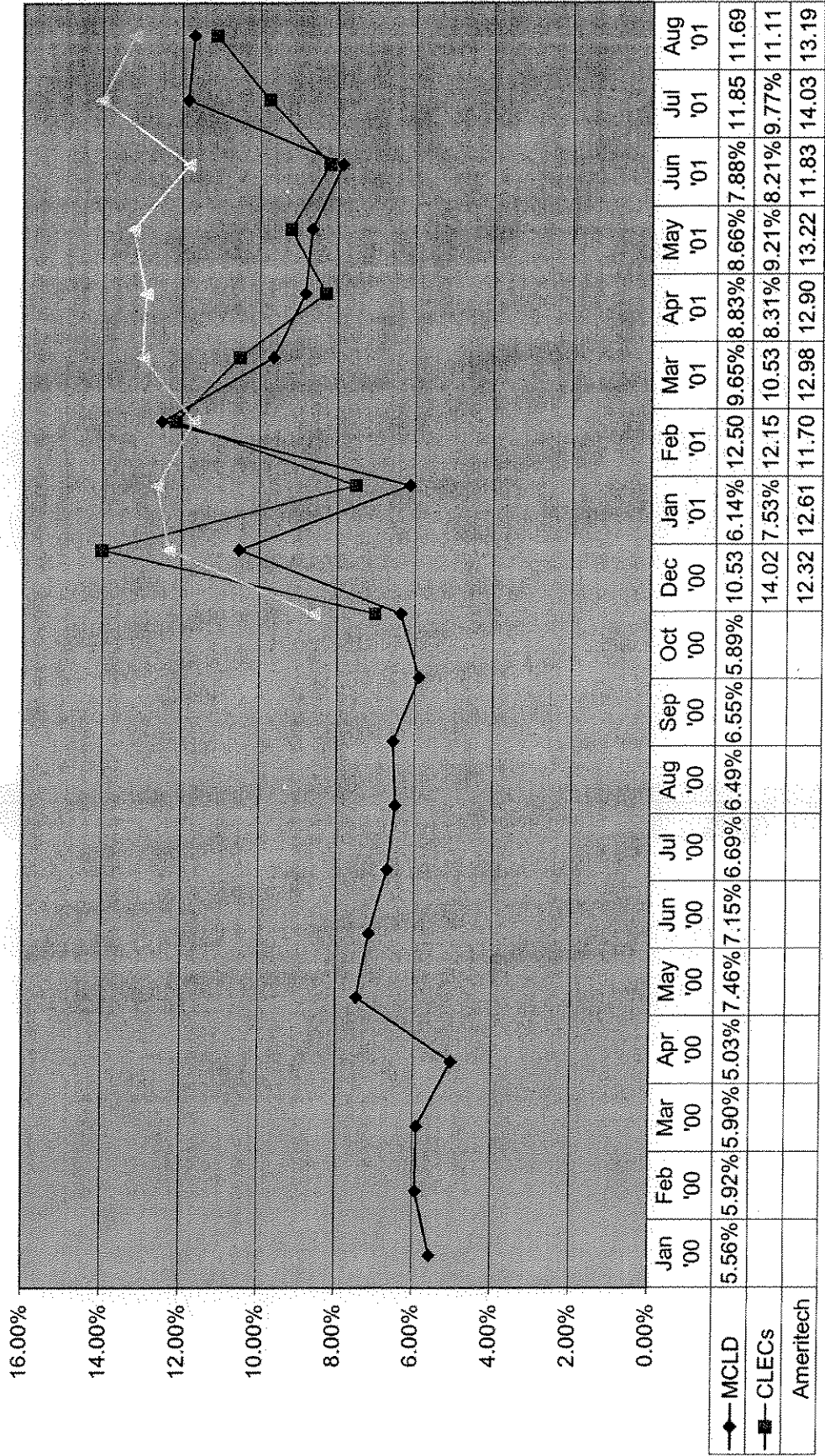
- Pursue structural separation
 - Split the Incumbent into separate wholesale/retail companies.

Percent of Out of Service Troubles Cleared < 24 hours - POTS - Bus
 (As self reported by SBC/Ameritech)



◆ MCLD ■ CLECs Ameritech

Repeat Trouble Report Rate - POTS - Bus
(As self-reported by SBC/Ameritech)



◆ MCLD ■ CLECs Ameritech

BEFORE THE
JOINT COMMITTEE ON INFORMATION POLICY AND TECHNOLOGY

TESTIMONY OF

Pamela H. Sherwood
Vice President of Regulatory Affairs
Midwest Division

TIME WARNER TELECOM INC.

Time Warner Telecom
3235 Intertech Drive
Brookfield, WI 53045
October 11, 2001

Mr. Chairman and Members of the Committee:

On behalf of Time Warner Telecom, I would like to thank the committee for the opportunity to talk to you today about the status of local phone competition. My name is Pamela Sherwood and I am the Vice President of Regulatory Affairs for the Midwest Division of Time Warner Telecom ("TWTC"), which has grown to be one of the largest new competitive providers in the telecommunications industry. We exist today because of the pro-competitive policies adopted in Wisconsin Act 496 and the Federal Telecommunications Act of 1996.

TWTC builds its own local and regional fiber optic networks and delivers broadband data, dedicated Internet access, and voice services to small, medium and large businesses. We provide service to a diverse customer base across the country. The Company currently serves business customers in 42 U.S. metropolitan areas. We plan to begin offering service in two more metropolitan areas by the end of the year 2001. We have invested approximately \$2.0 billion in building a network infrastructure, laying 500 route miles of fiber in Wisconsin, and have created nearly 2,500 high-tech jobs nationwide, 81 of which are in Wisconsin. Wisconsin is the headquarters for the Internet and Data Division of Time Warner Telecom. We have installed two switches and connected 181 buildings to our network to serve customers in the Milwaukee area, like Bank One, GE Medical, Midwest Express Center, Cobalt Insurance and Marquette Medical.

My response to the question "Is Act 496 promoting competition?" is no. It laid part of the foundation, but the foundation needs reconstruction. And where improvement is needed is in ensuring that measures are taken to prevent the incumbent provider from stamping out the competition that has developed in Wisconsin.

**TIME WARNER TELECOM INC. IS PROVIDING FACILITIES-BASED COMPETITION
JUST AS THE WISCONSIN ACT AND THE FEDERAL ACT ENVISIONED**

COMPANY HISTORY

Time Warner Telecom began in 1993 as part of the Time Warner Entertainment Limited Partnership, offering facilities to other telecom carriers.

In 1997, the Company added voice circuit switches and began operating as a business CLEC. In 1998, Time Warner Communications became a separate entity from Time Warner Entertainment and began to operate as Time Warner Telecom Inc. During 1999, TWTC became EBITDA positive, acquired an ISP, built a national IP backbone and went public, offering 18,000,000 shares on the NASDAQ exchange. We trade under the symbol: TWTC. In August 2000, TWTC successfully purchased the assets of GST Telecommunications. This allowed us to double the size of the company and extend our operating footprint throughout the Western United States. By the end of 2001, TWTC plans to offer telecommunications services over its own fiber optic networks in 44 markets in 21 different states.

OWNERSHIP STRUCTURE

We are very proud to carry the Time Warner name. While Time Warner Inc., now AOL Time Warner, owns 44% of Time Warner Telecom Inc. stock, Time Warner Telecom Inc. is an independently owned and operated company. We have no financial backing from AOL Time Warner. We obtain the capital we need to do business the same way the rest of the independent CLECs obtain theirs, through debt and equity offerings in the financial markets and from operating cash flow.

COMPANY GROWTH

Today we have approximately 2500 employees and by the end of 2001 will be providing service and employing people in 21 states. TWTC's growth plans focus on geographic expansion, extension into new market segments and development of new data and Internet-based products and services. Our success to date is the result of building and deploying our extensive local and regional fiber optic networks all the way to the end user's building and providing a diverse physical alternative to the incumbent LEC. Our expertise is in selling complex network services that customers want and need over these networks. We provide high quality broadband service to a diverse segment of the small, medium and large businesses in the country. We have already constructed approximately 9800 route miles of fiber. TWTC has constructed more route miles than any other local competitive carrier in the U.S. The fiber optic infrastructure we have built is important because it allows us to continue to layer more products

and services on our network. One of the distinguishing characteristics of our network is that we have been laying this fiber in metropolitan areas; and the networks are large, averaging 400 route miles per city – 500 route miles in Wisconsin.

However, it is important that the Wisconsin legislature recognize that the largest competitor in all of our markets, the local incumbent, has the ability to stymie our growth. Establishment of certain ground rules, standards of service for wholesale customers and vigorous enforcement is the only elixir to the problem of anti-competitive behavior and abuse of market power.

SERVICE PROVIDED

This is how we do business. In every city that Time Warner Telecom lays fiber, the sales staff is required to prove in advance that there is business to be secured. We don't build a network just to show growth, we build a network to provide a service that is desired. And I can assure you that there is demand for the service we provide. In many cases we supplement the services that the incumbent carrier provides. Often, companies will come to us for their new business or for a specific portion of their telecom needs. As we prove our ability to provide this service, they give us more and more of their business.

The fiber optic networks we have built allow us to offer our customers any technology, product or service solution. Our networks allow us to provide voice and data telecommunications services to a diverse customer base including public schools, private schools, universities, health care facilities, banks, the high-tech community, government agencies and military installations, law firms, public utilities, many small businesses, Internet Service Providers, insurance companies and most interestingly many of the telecommunications companies operating in the U.S.

FOSTERING COMPETITION IN WISCONSIN REQUIRES SERVICE STANDARDS AND EFFECTIVE ENFORCEMENT

TWTC has not just spent the last five years building networks. We have also been engaged in legal and regulatory battles across the nation for the right to do so. We are making

progress in breaking the monopoly stranglehold, but it has not been quick and it has not been easy.

The Wisconsin Act of 1994 and the Federal Telecom Act of 1996 provided a framework transitioning the local telephone market from a monopoly to a competitive marketplace. The simple fact is, no company wants to lose business. This creates strong incentives for the monopoly provider to act in anti-competitive ways. But, in order to have a competitive market, the monopoly must lose customers to new entrants. It is not in the incumbent's financial interest to cooperate and assist their competitors in taking their customers. But, without this very activity, competition will not exist. Competition requires cooperation.

Government intervention and regulation are necessary until a competitive marketplace exists to replace that regulation. In the long run, it is in everyone's best interest to see this occur. Until it exists, government must stand ready to supply the incentives that the market cannot, incentives such as minimum standards of service for wholesale customers, with the appropriate financial incentive to meet and exceed those standards.

SBC-AMERITECH'S STRATEGIC INCOMPETENCE

Let me provide you with a few examples of the day-to-day hurdles that engulf our employees' time and attention, diverting them from building our customer base and deploying new network.

New entrants like TWTC must rely on the incumbent to interconnect networks so that calls can pass seamlessly, to make changes to their systems to recognize calls from competitors customers and to provision services that only the incumbent can provide such as the last mile of the network. It is this reliance, and the lack of the incentive for the incumbent to get it right, that can cause a new entrant irreparable damage. It is clearly in Ameritech's best interest not to install trunks, open codes and provision circuits in a timely manner. If Ameritech fails to do this the quality of TWTC's service is severely diminished because customers cannot make calls and TWTC's overall business suffers because we cannot grow the business. We call this "Strategic Incompetence", because on the face of it, these daily problems could be written off as simple incompetence – but the consistent and strategic nature of the problems justifies the conclusion

that Ameritech is protecting its market share while not overtly appearing to be engaging in anti-competitive behavior.

For instance, Time Warner Telecom notified Ameritech in November of 2000 that Ameritech needed to change its equipment to accept new telephone numbers of Time Warner Telecom customers in Hartland. Ameritech was supposed to have the new telephone numbers coded no later than January 29, 2001 so they get routed to the right place. We received no notice from Ameritech that there was any problem, so Time Warner Telecom went about business as usual, selling services to customers. When our customers in Hartland were ready to begin making calls, TWTC found out that Ameritech had still not made the change in its system. Ameritech finally got the work done – two months after it was supposed to have it done, putting TWTC in the position of explaining to new customers that they could not make calls because Ameritech hadn't done the work it was supposed to do. Ameritech has been a telecom company for over 80 years and should know how to modify its systems when new telephone numbers are added.

In some cases, TWTC leases the "last mile" necessary to reach the customer directly from Ameritech instead of duplicating the facility and pays a premium price to do so. 23% of the time, Ameritech does not install the service when it said it would. This puts TWTC in the position of having to explain to the customer that TWTC cannot provide service because Ameritech reneged on its commitment or forcing TWTC to expend a lot of time and resources babysitting orders. For example, we placed an order with Ameritech for service for a customer who was moving their business, and Ameritech committed to having the work done on July 20, 2001. TWTC communicated that date to the customer, who scheduled movers based on the commitment that service would be installed on July 20. On July 18, Ameritech checked its system and notified TWTC that it did not have the facilities it needed on hand. TWTC had installed equipment on an expedited basis to meet the customer's moved date, and suddenly, Ameritech was putting this customer in the position of not having service at the last minute. TWTC escalated this issue to the top level of Ameritech and found that the "missing facilities" was a card that is typically kept on hand and easily found by Ameritech. Ameritech finally installed the service on July 19.

Other times, Ameritech delays making updates in its databases, which delays TWTC's ability to provide service to end-users. TWTC placed an order with Ameritech in April, and Ameritech told TWTC it would take six weeks for Ameritech to complete the work. Few customers are patient enough to wait six weeks for service! TWTC pushed Ameritech for a better date, and the circuit was ready within three weeks, but Ameritech would not allow TWTC to test the circuit until Ameritech had updated its records, which took another five days.

IS THE PROBLEM FIXED?

Ameritech 'claims' that the problems large numbers of retail customers experienced in 2000 have been fixed. These are the same 'claims' that Ameritech made when it had service problems in 1995 – problems that re-appeared five years later. The legislature and the Commission cannot be misled into believing that Ameritech's quality of service problem has been 'solved' never to reappear.

The bandage that Ameritech had put over its retail quality of service problem has failed to heal the gaping wounds in the quality of service that Ameritech provides to its wholesale quality of service providers. Ameritech does not have enough skilled and qualified employees devoted to wholesale customer's issues and Ameritech's own data provided to the FCC for July and August of this year paints a dismal picture for wholesale quality of service. For example:

- Dispatched Technician: when a problem required Ameritech to dispatch a technician, it took 45-48% longer to restore service for a CLEC customer than it did for Ameritech's own retail customer (161 hours vs. 109 hours);
- No Dispatch Required: it took Ameritech 47% longer to restore service to a CLEC customer when the problem didn't require a technician to be dispatched (28 hours vs. 19 hours);
- Installation of service: it took Ameritech 2.4 days to install a CLEC business customer compared to 1/2 day for an Ameritech business customer.

The most recent 7 months of data that Ameritech provided to TWTC illustrates that Ameritech quality of service has certainly not been 'fixed.' Ameritech manages to install services within the customer desired due date only 68-69% of the time. Even when it gets the service installed within the time frame committed, 9%-25% of the circuit's fail (depending on the type of service) – meaning that customers are still without service. This forces TWTC to place a 'trouble' ticket to

get the failed circuits fixed – raising a new set of problems – getting Ameritech's time and attention from qualified technicians to solve the problem. 22% of the time, once the circuits are fixed, TWTC experiences trouble on the circuit again. The new customer does not care whose problems it is – they simply want the problem fixed.

While TWTC continues to work for a 'fix' to the quality of service problems with Ameritech and has been discussing these problems with Ameritech for over 16 months, Ameritech has refused to agree to be contractually bound to provision service within certain intervals, standards for service or to provide meaningful compensation for the harm done to TWTC by Ameritech's poor quality of service. Our experience leads us to only one conclusion - there must be a legislative fix to the problem that would require Ameritech to compensate new entrants for missing installation intervals, not repairing service problems promptly and having a large number of repeat problems. If those standards are not met, there must be self-executing remedies that create the appropriate financial incentive to meet those standards. It cannot simply be a 'cost of doing business' that Ameritech pays in lieu of fixing the problem. States like Illinois have based this incentive on a percentage of Ameritech's gross revenues, passing legislation with a 0.00825% of revenue penalty – allowing it to impose fines up to \$250,000 a day, \$91.25 million a year. Other states and the FCC have imposed fines and in those states, Ameritech is paying attention - making improvements to its infrastructure and process. Wisconsin should follow the visionary lead of Illinois to ensure that Ameritech to provide quality service to its wholesale customers by providing the right legislative incentives.

**VIGOROUS COMPETITION MUST BE ESTABLISHED IN THE LOCAL MARKET
PRIOR TO ALLOWING AMERITECH INTO THE LONG DISTANCE MARKET**

The Federal Telecom Act of 96 attempted to create an incentive for the incumbents to open their networks to competition -- the "carrot" of in-region long distance entry for the incumbents if and when they open their local networks to competition. By requiring the incumbents to meet the 14-point checklist prior to entering the long distance market, Congress has given the incumbents a financial incentive to cooperate.

While TWTC appreciates Ameritech's desire to be able to offer a long distance product, that product is available to customers and carriers today on a competitive basis. In order for

consumers to truly enjoy the benefits of a broadband network and truly competitive pricing, we must have competition at the local level. The only true way to incent Ameritech to provide its customers with broadband telecommunications service is by ensuring that if it doesn't, there is another carrier in the marketplace that will. Herein lies the danger – if the incumbent is granted long distance relief before there is vibrant, sustainable competition, then customers and the state of Wisconsin will be the losers; they will lose competitive choices that drive technological development, high quality service and lower prices and Wisconsin will lose the very companies that are building the telecommunications infrastructure and drawing high tech businesses to the state. Customers will be left with one choice – to purchase from the monopoly – who will then have additional regulatory freedom and little, if any, oversight by the Commission. A way to ensure that Wisconsin isn't left with only a deregulated monopoly is to require that 20% of customers be served by a competitor before Ameritech is allowed into the long distance marketplace.

CONCLUSION

Time Warner Telecom is committed to building broadband networks in the local markets. Faced with this direct competition, the incumbents will have no choice but to meet us in the marketplace by deploying new facilities or finding more ways to expand the ability of their copper wires to provide broadband services.

Wisconsin began the process of laying the ground rules for competition in 1994. Seven years later, the incumbent providers have grown by mega mergers, Ameritech maintains over 90% of the market share with rising revenues, and new entrants are battling a war of attrition. The risk of remonopolization is real. Adjustments need to be made to Wisconsin's Telecom Act so the Commission and competitors can obtain a remedy when the rules aren't followed. The enforcement measures that Wisconsin's Commission has at its disposal must be meaningful and provide the right incentive. They must be something more than just the "price for doing business." It is naïve to expect the incumbent phone companies to develop policies and

procedures that will allow their competitors to steal their customers. But without competitors taking customers away from the local monopoly, you will not have competition.

Again, I very much appreciate the opportunity to appear before you today, and I welcome the opportunity to answer any questions that you may have. Thank you.

1993 WISCONSIN ACT 496 UPDATE

for
Verizon North

October 11, 2001

The Wisconsin Information Superhighway legislation was passed in June 1994 and Verizon (formerly GTE) elected to become price regulated effective on January 1, 1995 thus freezing our rates for basic local exchange service for residence and small business customers for three years. As of today Verizon has not had a general rate increase since 1991.

ACT 496 required that when Verizon elected price regulation, we file a plan with the Public Service Commission outlining our commitment to invest in telecommunications infrastructure improvements in Wisconsin over a period of not less than 6-years. While Verizon was not bound to a specific dollar commitment in ACT 496, the plan that we submitted on March 1, 1995 projected investments of between \$235 and \$290 million between 1995 and 2000 to fulfill our infrastructure commitment. The Public Service Commission accepted the Verizon Infrastructure Plan and has conducted annual progress reviews. Since passage of ACT 496, Verizon has made over \$481.4 million in telecommunications infrastructure investments, meaning that Verizon surpassed the "high" end of its' projected investment by \$191.4 million.

Verizon also reduced the access service rates paid by long distance companies by over \$21 million annually with the intent that these reductions would be passed on to Wisconsin consumers in the form of lower long distance rates by the interexchange (IXCs) carriers.

Status of Verizon's Infrastructure Plan Pledge

- 100% of Verizon central offices are digital technology.
- All Verizon exchanges are 100% single-party service.
- Interoffice fiber deployment to more than 90% of Verizon communities.
- Frame Relay service, a new high-speed packet switching technology is available throughout the state of Wisconsin. These switches are capable of providing highspeed transport service throughout the LATA in which they are located. In addition, Verizon provides ISDN services in the Wausau, Marshfield and Sun Prairie areas. High speed Digital Subscriber Line (DSL) Internet access is also available in 21 Verizon central offices.
- Verizon provides broadband services, such as video conferencing, distance learning, high-speed data services, imaging, etc. over fiber optic technology to all customers, including educational institutions, libraries, hospitals and clinics and federal, state and local government offices, within 120-180 days of receipt of a signed contract or letter of intent. Verizon has installed every system ordered on schedule and at competitive rates. In addition, Verizon completed installation of two fully redundant fiber optic SONET rings in Wisconsin.
- Verizon reduced the access line and trunk rates for K-12 schools and public libraries and as of year-end 2000 over 440 accounts were receiving reduced billing totaling \$180,000 on an annualized basis.
- Verizon also offered a \$1,500 credit to each library, within our serving area, to offset costs of video projects or enhanced services provided by Verizon.

- Verizon committed to paying its share of the Wisconsin Advanced Telecommunications Foundation and its Fast Start Fund. Verizon was billed \$2,491,188 and paid \$3,044,418 resulting in excess contributions in the amount of \$553,230 at the time the program was discontinued.

Worker Retraining Program

ACT 496 created a displaced telecommunications worker retraining program. Verizon contributed \$125,000 to this program which was completed on June 30, 1999. During the life of the program 71 former employees received grants of \$1,315.83 each.

Universal Service Fund Council

In accordance with the ACT 496, the Public Service Commission created a Universal Service Fund Council to advise the PSC on universal service issues. Verizon has provided subject matter experts to serve on the USF Council. Verizon currently contributes approximately \$808,000 annually to the Wisconsin Universal Service Fund, under the guidelines created by the Council.

Verizon is also contributing \$1,248,564 annually to the Wisconsin TEACH program which is used to subsidize monthly rates for high speed Internet access by schools and libraries. These funds are paid into the Universal Service Fund as assessed by the Public Service Commission each month.

Competition

Competition does exist in Verizon's Wisconsin serving areas because when we elected Price Regulation 100% of our exchange territory was opened for any competitor who desired to enter the market, even though Verizon is not permitted to enter most other companies serving areas.

There are currently 143 active competitive local exchange carriers (CLEC's) and 364 resellers certified by the Public Service Commission and authorized to compete in Verizon's Wisconsin exchange territories. In addition, there are another 8 CLECs and 10 resellers with applications pending. Verizon has entered into 58 agreements with either incumbent local exchange carriers (ILECs), CLECs or wireless companies. These agreements include 10 interconnection agreements, 16 resale agreements, 17 comprehensive agreements, 15 interconnection/unbundling agreements and we are currently negotiating about 39 additional agreements. Our markets are open. Local number portability has been deployed in all Verizon exchanges, this means that a customer may switch to a competitor and keep their former Verizon telephone number.

Municipalities have been certified to provide telecommunications services in 18 Wisconsin communities of which 7 are in areas served by Verizon.

Also some small company ILECs have formed a CLEC affiliate with a strategy to overbuild the incumbent network and provide local service competition. This is occurring in Barron, Rice Lake, Hayward, Dodgeville, Darien, Two Rivers and Glenwood City. Verizon serves the communities of Dodgeville, Darien and Two Rivers.

Verizon also faces competition in the large business customer market from Charter Cable, Ameritech, AT&T, Datawave Technologies and others. These companies provide competitive services such as, ATM networks, Diverse networks, SONET rings, DS-1 and DS-3 services and frame relay services. Also, a number of competitors, including Ameritech, now offer Public Telephone service in Verizon exchange areas.

Since passage of ACT 496 Verizon has also opened its intraLATA long distance market to competition to any interexchange carrier (IXC). As a result we have seen our intraLATA long distance market share erode drastically. Since 1996, long distance minutes have eroded about 74% with the biggest effect coming from the business and governmental sectors.

Customer Service Quality

Verizon is proud of its service quality results as measured by the Public Service Commission. In our recently completed Price Regulation Annual Review the Verizon 3-year average performance results show that we met or exceeded the industry standards in the seven measured categories. Those categories include: Average Time Interval for Installation (2.07 days); Trouble Reports per 100 Access Lines (17.07); Average Time Out-of-Service (11.87 hours); Percent Repeat Troubles (15.05%); Average Employee Answer Time for Repair Calls (9.92 seconds); Average Employee Answer Time for Business Office Calls (35.65 seconds) and Trunk Blockage, percent of trunk groups with at least 97% without an all-trunks busy (99.927%)

During the year 2000 the Public Service Commission reported that Verizon received only 0.87 complaints per 1000 customers which was the lowest among major Wisconsin telecommunications providers. As of the June 2001 PSC report Verizon has only .31 complaints per 1000 customers. And, Verizon has never been on the top 20 list of complaints compiled by the Department of Agriculture and Consumer Protection.

For further information please call Dick Bohling at 608-837-1480

Price Regulation

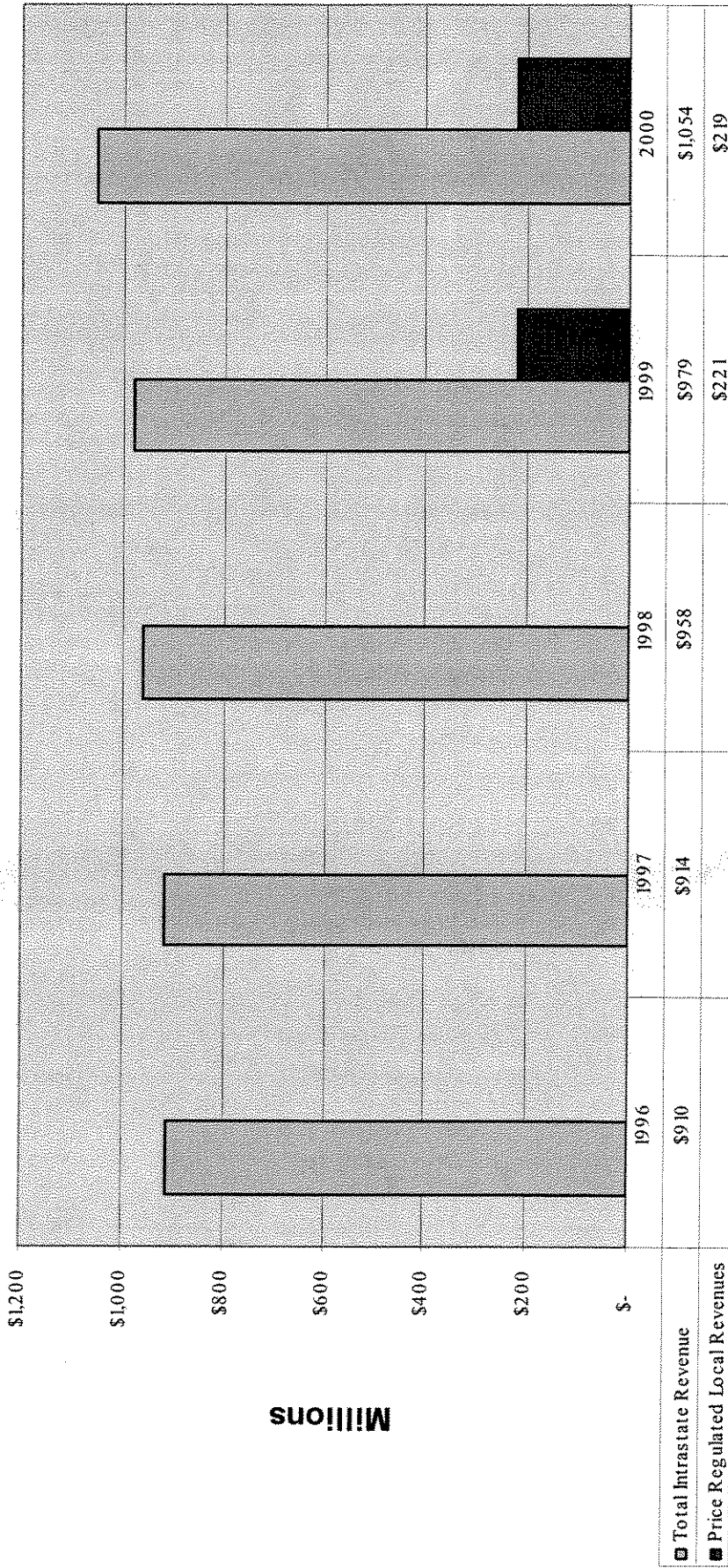
Basic Services

- $\text{GDPPI} = \text{PO} + \text{INC} - \text{PEN}$
 - GDPPI = Annual change in the Gross Domestic Product Price Index
 - PO = Productivity offset of 3% for Ameritech, 2% for Verizon
 - INC = Up to 2% incentive for Ameritech infrastructure investment (1% for Verizon)
 - PEN = Up to 2% penalty for Ameritech infrastructure or service quality (1% for Verizon)

Penalty and Incentive Mechanism Values

	500,000 or Fewer Access Lines		More than 500,000 Access Lines	
	Penalty	Incentive	Penalty	Incentive
Quality of service	.4%	N/A	.8%	N/A
Infrastructure Investment	.4%	.8%	.8%	1.6%
Wisconsin Advanced Telecommunications Foundation	.1%	.1%	.2%	.2%
Commission Discretion	.1%	.1%	.2%	.2%
Total Maximum Value	1.0%	1.0%	2.0%	2.0%

Ameritech Wisconsin Revenues



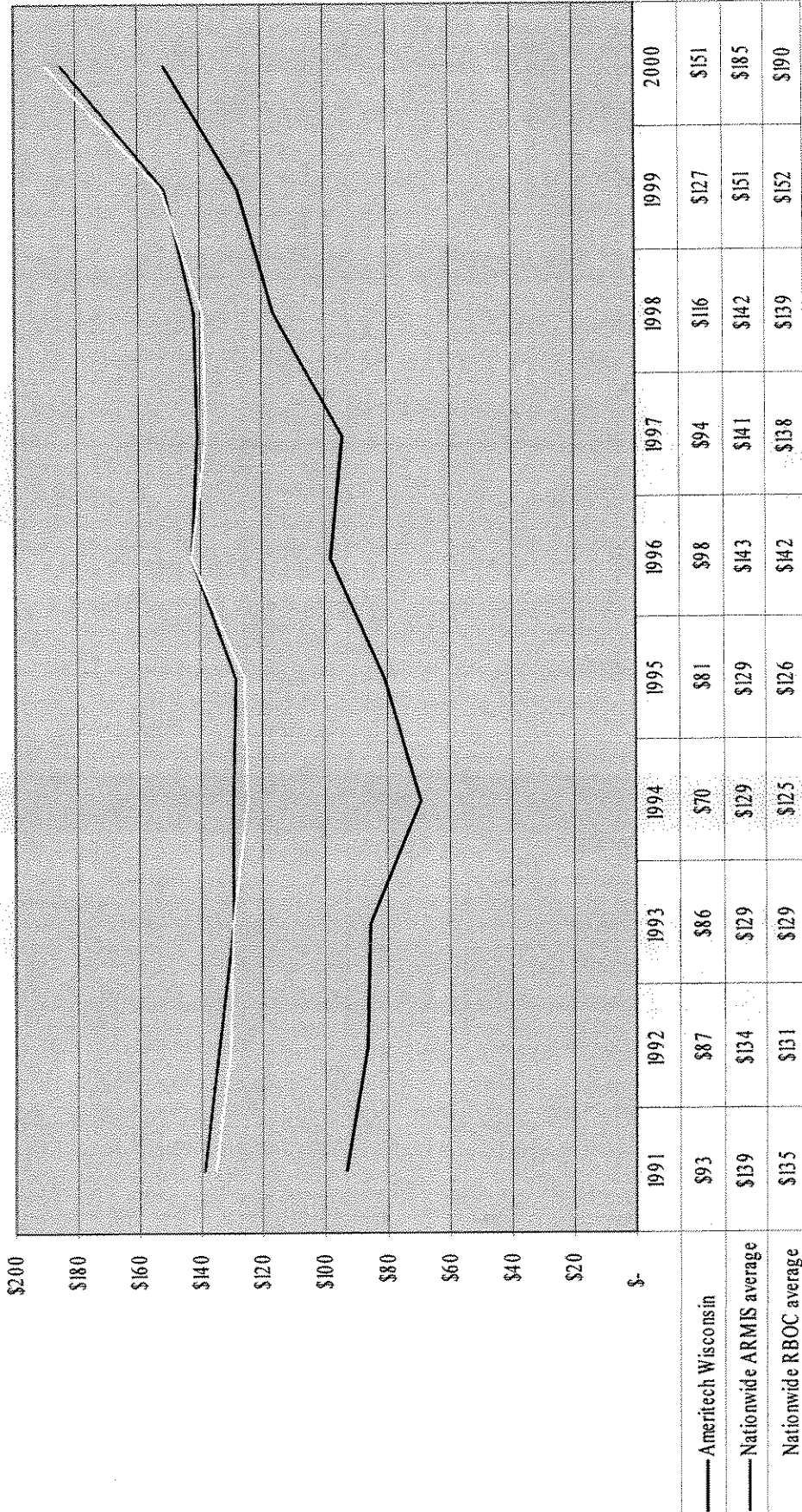
Ameritech Order 9/27/01

Annual Change in Gross Domestic Product Price Index		2.29%
Productivity Factor Offset		(3.00%)
Quality of Service		(0.51%)
Infrastructure Investment		1.07%
WATF		0.20%
Commission Discretion		(0.10%)
Total		(0.05%)

Ameritech Order 9/27/01

Component	Infrastructure Incentive/Disincentive Benchmarks				Infrastructure Investment Incentive
	Actual 2000	Disincentive	50% Incentive	Full Incentive	
New ISDN Prime Exchanges	8	<2	25% of total decrease for each two exchanges		0.19%
New Technologies	2		1-2 technologies used and 2 applications in operation in total.	2-4 technologies used and 4 applications in operation in total	0.18%
Fiber in the Loop	19.70%	17.50%	20.00%		0.00%
Interoffice - New Routes	4		2		0.35%
Titan X- Connects	4	<2 sites	3		0.35%
Total Infrastructure Investment Incentive					1.07%

Plant Additions per Access Line

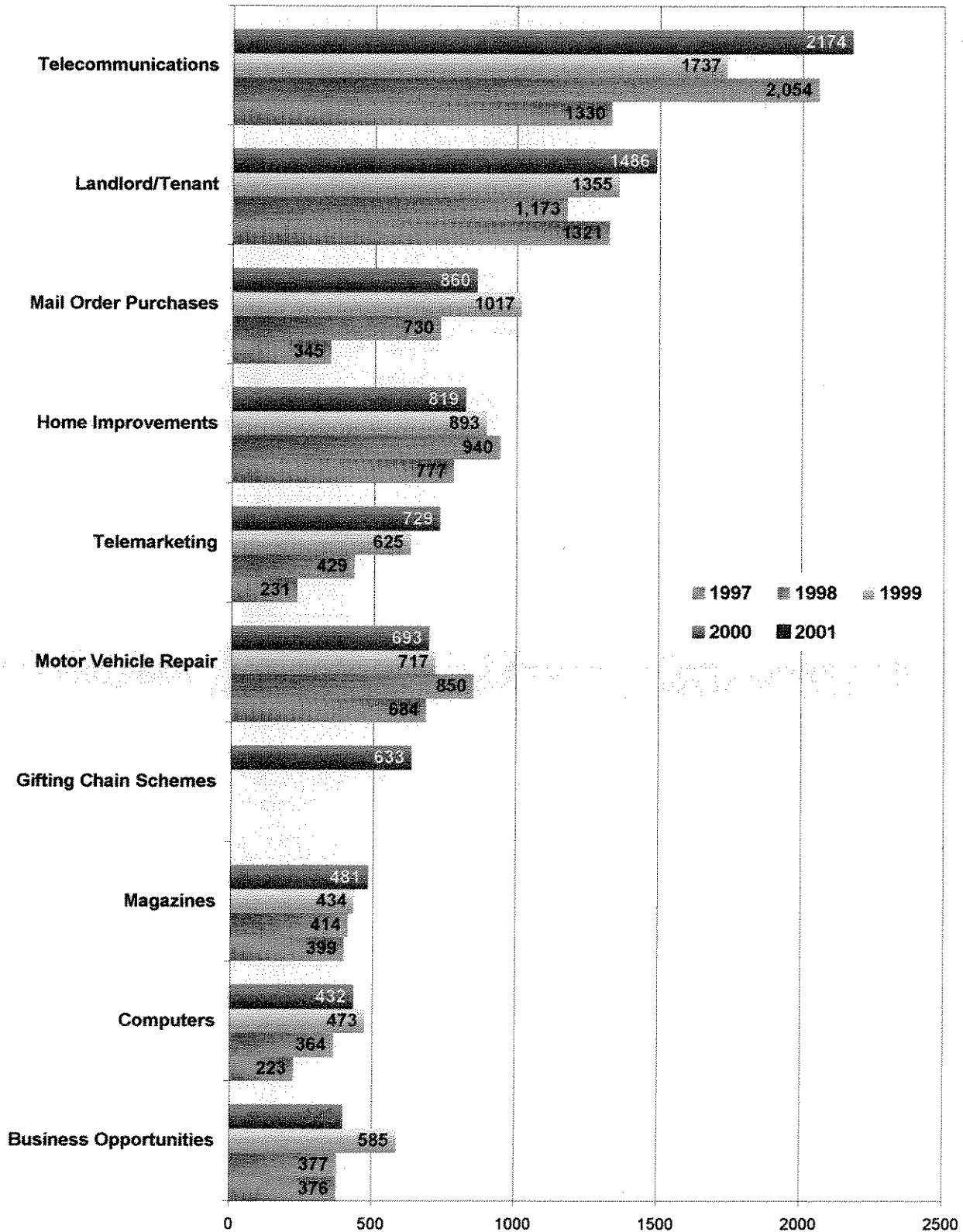


Changes to Price Regulation

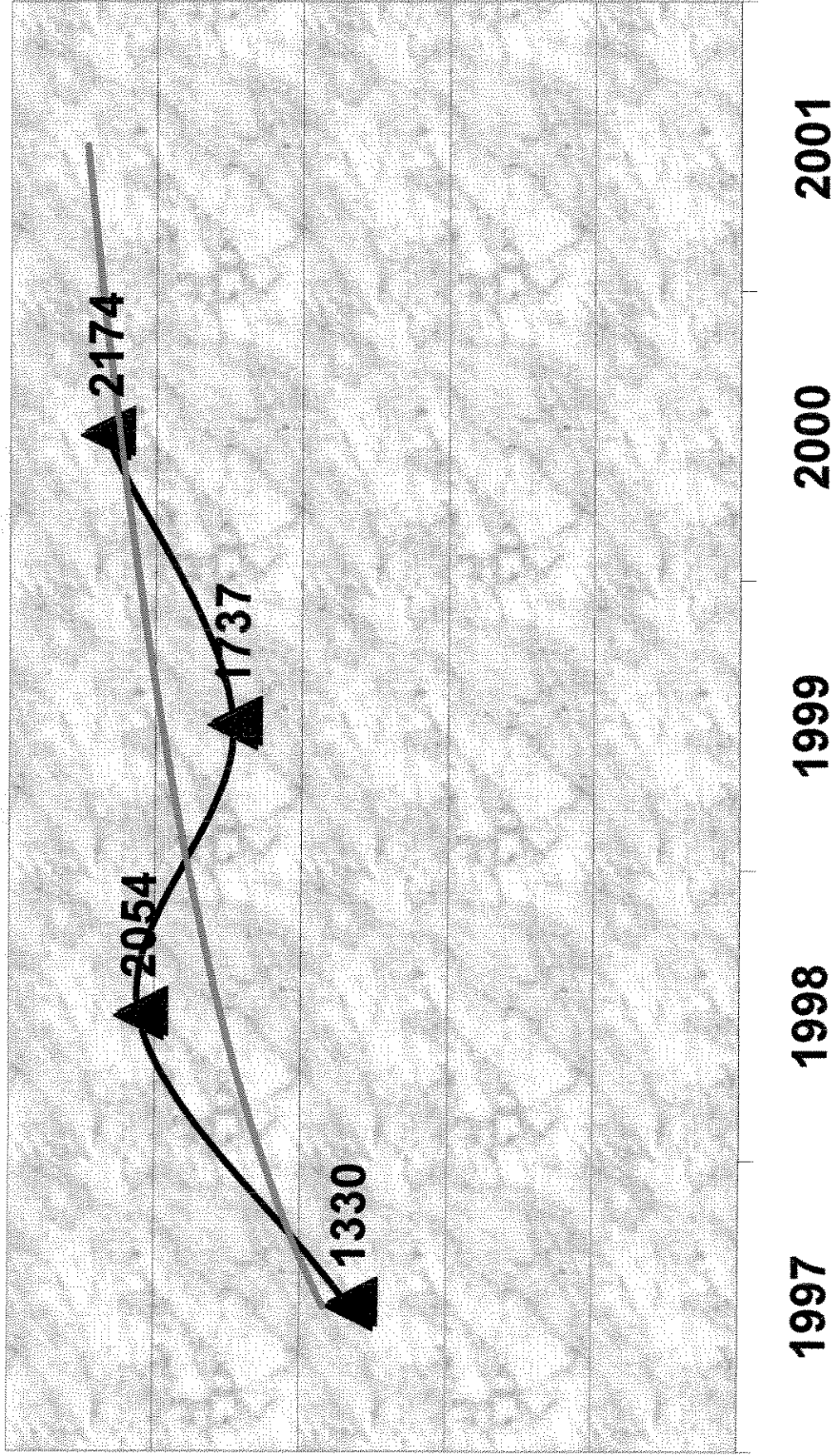
- Productivity Review
 - Pending rulemaking (1-AC-193) proposes increase to 4.3% for all companies
 - Based on staff's statewide productivity study
- 5 Year Review
 - Order in 05-TI-174 (June '99) directed rulemaking be opened to make minor changes
 - Rulemaking (1-AC-189) still pending



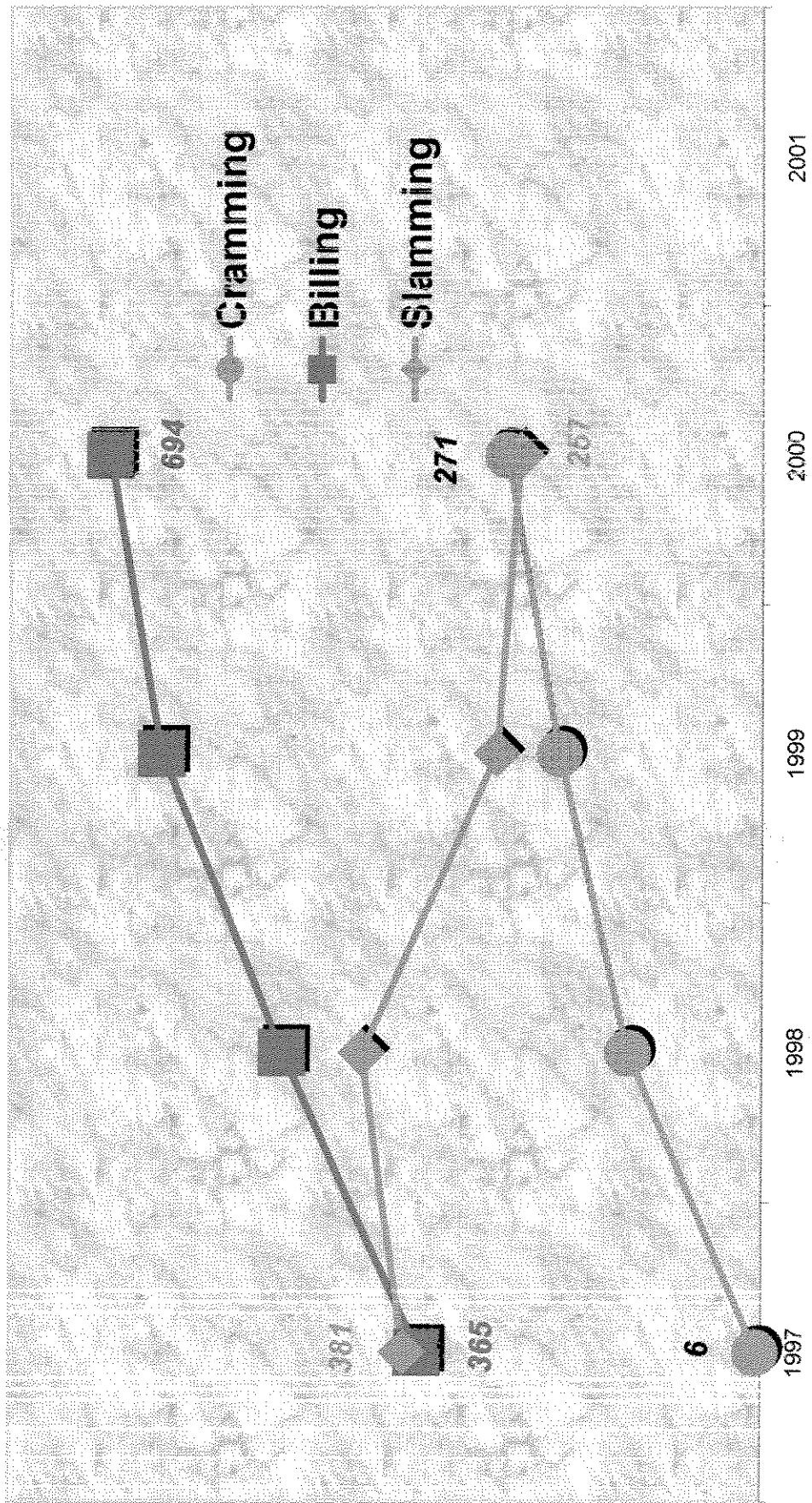
Top Ten Consumer Issues - 2000



Telecommunications Complaints



Telecommunication Trends





Dear AT&T Customer,

Enclosed is your copy of the new AT&T Consumer Services Agreement containing terms and conditions for our state-to-state and international consumer long distance services. This Agreement will begin to apply to these AT&T services on August 1, 2001.

In the past, AT&T filed this information with the Federal Communications Commission (FCC). In keeping with recent FCC rulings, we will instead be providing this information directly to our customers and to consumers who have used our services in the last three months.

The Agreement covers AT&T state-to-state and international consumer calling services and explains the relationship between you and AT&T, as well as each of our rights and responsibilities, including billing and payment.

The Agreement also describes our new binding arbitration process, which uses an objective third party rather than a jury for resolving any disputes that may arise.

You accept the terms of the Agreement simply by continuing to use or pay for any AT&T state-to-state or international consumer calling service.

Please be assured that your AT&T service or billing will not change under the AT&T Consumer Services Agreement; there's nothing you need to do.

AT&T Service Guides are an additional part of the Services Agreement. They contain additional terms and conditions, including the prices, for the services we currently offer. AT&T Service Guides will be available for your review at www.att.com/serviceguide/home, or you can call us at 1 888 288-4099* to request a copy of the Service Guides that apply to your current AT&T state-to-state and international consumer calling services. The AT&T Service Guides will be available no later than July 9, 2001.

For additional information, please see the questions and answers included in this package, or visit our Web site at www.att.com/serviceguide/home or call us at 1 888 288-4099.*

Thank you for using AT&T.

Sincerely,

Leonard A. Mariani
Vice President, AT&T Consumer Services

P.S. As a special opportunity, you can receive a credit of \$1 on your AT&T Long Distance bill every month!¹

You'll also receive a \$25 Amazon.com certificate from AT&T.¹ Simply sign up for our convenient AT&T online billing option. For offer details and to sign up, visit www.att.com/econsumer.

*Customers outside the U.S. call: 1 877 288-4725.

TTY for customers with hearing/speech disabilities: 1 800 833-3232.

¹Certain conditions apply. See www.att.com/econsumer for details.

²This offer applies to most plans and is subject to billing availability.

Frequently Asked Questions

Q: Why is AT&T sending me this Services Agreement?

A: AT&T and other long distance companies currently file "tariffs"—the legal word for the terms and conditions under which we provide services to our customers—with the FCC. As a result of recent FCC rulings, AT&T will no longer file tariffs for our services. These terms and conditions will now be provided in this AT&T Consumer Services Agreement. The Agreement will apply to state-to-state and international long distance services beginning August 1, 2001.

Q: Will this Services Agreement affect my AT&T service, and do I need to take any action?

A: No. The AT&T Consumer Services Agreement will have no impact on the service you receive, the price you pay for it, or your ability to change your service. You accept the terms and conditions simply by continuing to use or pay for any AT&T state-to-state or international consumer long distance service. Please retain this Agreement for future reference.

Q: Will the AT&T Consumer Services Agreement apply to other AT&T services, such as AT&T WorldNet® Service?

A: No. AT&T Internet services, AT&T Wireless Services, and AT&T video services are covered by different agreements. In addition, the Agreement does not cover AT&T local services or AT&T in-state long distance services.

Q: What are AT&T Service Guides and where can I find them?

A: AT&T Service Guides describe each of the many available AT&T services, as well as any special terms and conditions that apply. There is a separate AT&T Service Guide for each of our calling plans, detailing the plan's rates, monthly fees, and other terms. You can find the AT&T Service Guides online at www.att.com/serviceguide/home no later than July 9, 2001, or write to us at AT&T, P.O. Box 944050, Maitland, FL 32794-4050, to request specific Service Guides. You must include your telephone number, the name of your local phone company, and the name and billing address (including ZIP code) that appears on your bill. You can also request a written copy of the Service Guides that apply to the products and services that you are enrolled in by calling 1 888 288-4099.*

Q: What are your most popular long distance plans?

A: Customers choose a basic rate plan or one of our calling plans for their state-to-state and international calls from home. Basic plan calls generally have higher per-minute rates but have no monthly plan charges. Most calling plans have a lower per-minute rate but charge a monthly fee or minimum. As examples, the following rates were in effect as of April 1, 2001: AT&T **One Rate® 7¢ Plan** offers a rate of 7¢ per minute for state-to-state calling from home with a monthly fee of \$5.95. For state-to-state calls away from home, customers can obtain the AT&T Calling Card and pay only 25¢ per minute with a \$1 monthly fee if they select the AT&T **One Rate® Calling Card Plan**. If they choose not to sign up for this card plan, rates will range up to 89¢ per minute plus applicable service charges. Generally, consumers can save with our calling plans if they make a lot of long distance calls. You can check a recent phone bill to determine if you're on one of our calling plans and the rates you are paying.

Q: Does the FCC ruling cover in-state services?

A: No. Each state's laws and public utility or public service commission rules govern in-state telecommunications services. They are not affected by the FCC proceedings. In-state services will continue to be provided pursuant to state tariffs, where applicable.

Q: What types of state-to-state and international long distance calls does the AT&T Consumer Services Agreement cover?

A: The Agreement will apply to nearly all types of state-to-state and international long distance calls. These include AT&T Consumer Long Distance, AT&T Calling Card, AT&T **Easy Reach 800®** calls; AT&T collect, person-to-person, billed-to-third-party, and other operator-assisted calls; commercial credit card calls, and your local exchange company calling card calls placed over the AT&T Network. Calls made by dialing 10-10-345 will not be covered by this Agreement.

Q: Is there anything in this Agreement that is different from the terms and conditions filed with the FCC?

A: Yes. There are two notable changes in particular:

(1) **Binding arbitration.** Any disputes that may arise between AT&T and customers that cannot be resolved informally must now be resolved through binding arbitration (or through small claims court, if you choose). In arbitration, disputes must be decided by an objective third party rather than a jury. Arbitration is a quicker and more convenient way to settle disputes without the hassle and cost of a court case. It's in addition to the remedies consumers have through federal and state agencies. --

(2) **Notification of price increases.** Effective August 1, 2001, AT&T will notify you of price increases for direct-dialed long distance calls from home that are covered under your AT&T calling plans. We will also notify you of price increases for state-to-state calls made under the basic schedule calling plans. This information will also be available in a recorded announcement on our toll-free number, 1 888 288-4099.* Announcements will be updated with future price increase information on the first and the fifteenth day of each month. In addition, all price increases for AT&T state-to-state and international consumer calling services will be posted on our Web site, www.att.com/serviceguide/home, before the increases go into effect.

*Customers outside the U.S. call: 1 877 288-4725.
TTY for customers with hearing/speech disabilities: 1 800 833-3232.

we must first attempt to resolve it by contacting you. If the dispute cannot be satisfactorily resolved within sixty days from the date you or AT&T is notified by the other of a dispute, then either party may then contact the AAA in writing at AAA Service Center, 134555 Noel Road, Suite 1750, Dallas, Texas 75240-6620 and request arbitration of the dispute. Information about the arbitration process and the AAA's Arbitration Rules and its fees are available from the AAA on the Internet at www.adr.org, or by contacting us at www.att.com/serviceguide/home or AT&T, P.O. Box 944078, Maitland, Florida 32794-4078. The arbitration will be based only on the written submissions of the parties and the documents submitted to the AAA relating to the dispute, unless either party requests that the arbitration be conducted using the AAA's telephonic, online, or in-person procedures. Additional charges may apply for these procedures. Any in-person arbitration will be conducted at a location that the AAA selects in the state of your primary residence. Any arbitration shall remain confidential. Neither you nor AT&T may disclose the existence, content, or results of any arbitration or award, except as may be required by law, or to confirm and enforce an award.

ANY CLAIM OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT MUST BE BROUGHT WITHIN TWO YEARS AFTER THE DATE THE BASIS FOR THE CLAIM OR DISPUTE FIRST ARISES.

c. Fees and Expenses of Arbitration. You must pay the applicable AAA filing fee when you submit your written request for arbitration to the AAA. The AAA's filing fee and administrative expenses for a document arbitration will be allocated according to the AAA's Rules, except that for claims of less than \$1,000, you will only be obligated to pay a filing fee of \$20 and we will pay all of the AAA's other costs and fees. If you elect an arbitration process other than a document (or "desk") arbitration, you must pay your allocated share of any higher administrative fees and costs for the process you select. Unless applicable substantive law provides otherwise, each party will pay its own expenses to participate in the arbitration, including attorneys' fees and expenses for witnesses, document production, and presentation of evidence. The prevailing party may however seek to recover the AAA's fees and the expenses of the arbitrator from the other party.

8. MISCELLANEOUS.

a. No Third Party Rights. This Agreement does not provide any third party with a remedy, claim, or right of reimbursement.

b. Acts Beyond Our Control. Neither you nor we will be responsible to the other for any delay failure in performance, loss or damage due to fire, explosion, power blackout, earthquake, volcanic action, flood, the weather, elements, strike, embargo, labor disputes, civil or military authority, war, acts of God, acts or omissions of carriers or suppliers, acts of regulatory or governmental agencies, or other causes beyond our reasonable control, except that you must pay for any Services used.

c. Assignment. We can assign all or part of our rights or duties under this Agreement without notifying you. If we do that, we have no further obligations to you. You may not assign this Agreement or the Services without our prior written consent.

d. Notices. Notices from you to AT&T must be provided as specified in this Agreement. Notice from you to AT&T made by calling AT&T is effective as of the date that our records show that we received your call. AT&T's notice to you under this Agreement will be provided by one or more of the following: posting on our Web site, recorded announcement, bill message, bill insert, newspaper ad, postcard, letter, call to your billed telephone number, or e-mail to an address provided by you.

e. Separability. If any part of this Agreement is found invalid, the rest of the Agreement will remain valid and enforceable.

f. Governing Law. This Agreement will be governed by the law of the State of New York, without regard to its choice of law rules, except that the arbitration provisions in Section 7 will be governed by the Federal Arbitration Act. This governing law provision applies no matter where you reside, or where you use or pay for the Services.

g. Entire Agreement. This Agreement (which incorporates by reference the AT&T Service Guides) constitutes the entire agreement between us and supersedes all prior agreements, understandings, statements or proposals, and representations, whether written or oral. This Agreement can be amended only as provided in Section 9 below. No written or oral statement, advertisement, or service description not expressly contained in the Agreement will be allowed to contradict, explain, or supplement it. Neither you nor AT&T is relying on any representations or statements by the other party or any other person that are not included in this Agreement.

9. CHANGES TO THIS AGREEMENT.

This Agreement may only be changed in the manner provided for in this Section 9.

We may change this Agreement, including the incorporated AT&T Service Guides, from time to time. If we make any changes to the prices or charges, we will comply with our notice commitments described in Section 1 of this Agreement. With respect to all other changes to this Agreement, we will notify you of the changes, and they will be effective no sooner than fifteen days after we post them at www.att.com/serviceguide/home. You may also request a copy of the revised Agreement, including revised AT&T Service Guides for the Services you are enrolled in, by calling AT&T toll free at 1-888-288-4099.

IF YOU CONTINUE TO BE ENROLLED IN, USE, OR PAY FOR THE SERVICES AFTER ANY CHANGES IN THE PRICES, CHARGES, TERMS OR CONDITIONS YOU AGREE TO THE CHANGES.

10. ENROLLMENT IN ANOTHER AT&T SERVICE.

To enroll in an additional Service, or to switch from your existing Service to a different Service, you must notify us by: (1) returning an enrollment form provided in AT&T marketing materials; (2) calling the AT&T customer service number on your AT&T bill; (3) calling the AT&T customer service number provided in AT&T marketing materials; or (4) going to our Web site at www.att.com and following any further instructions provided for enrollment. The terms and conditions of this Agreement, including those in the incorporated AT&T Service Guides, will apply to the new or additional AT&T Service.

BY ENROLLING IN, USING, OR PAYING FOR THESE NEW, OR ADDITIONAL SERVICES YOU AGREE TO THE PRICES, CHARGES, TERMS AND CONDITIONS IN THIS AGREEMENT.

*Customers outside the U.S. call: 1-877-288-4725.

TTY for customers with hearing/speech disabilities: 1-800-833-3323.



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AT&T Consumer Services Agreement

THANK YOU FOR USING AT&T SERVICES. In this Agreement ("Agreement"), "you" and "your" mean the customer of the AT&T services defined below, and "AT&T," "we," "our," and "us" mean AT&T Corp., Alson Inc., and any AT&T affiliates authorized to provide you with AT&T services.

BY ENROLLING IN, USING, OR PAYING FOR THE SERVICES, YOU AGREE TO THE PRICES, CHARGES, TERMS AND CONDITIONS IN THIS AGREEMENT. IF YOU DO NOT AGREE TO THESE PRICES, CHARGES, TERMS AND CONDITIONS, DO NOT USE THE SERVICES, AND CANCEL THE SERVICES IMMEDIATELY BY CALLING AT&T AT 1-888-288-4099* FOR FURTHER DIRECTIONS.

"Service" or "Services" means: (1) the AT&T state-to-state and international consumer telecommunications services you are enrolled in, use, or pay for that AT&T provided to you under tariffs filed with the Federal Communications Commission as of July 31, 2001; and (2) any new or additional AT&T state-to-state and international consumer telecommunications services that you enroll in, use, or pay for after July 31, 2001.

This Agreement does not cover AT&T local services, AT&T in-state long distance services, calls made by dialing 10-10-345, AT&T Wireless Services, AT&T Internet services, and AT&T video services. The Services covered in this Agreement are subject to billing availability and may not be available at all locations.

"AT&T Service Guides" contain the specific prices and charges, service descriptions, and other terms and conditions not set forth here that apply to each of your Services. You can review the AT&T Service Guides on our Web site at www.att.com/serviceguide/home, or request a copy of the AT&T Service Guides for the Services you are enrolled in by calling AT&T toll free at 1-888-288-4099* THIS AGREEMENT INCORPORATES BY REFERENCE THE PRICE CHARGES, TERMS AND CONDITIONS INCLUDED IN THE AT&T SERVICE GUIDES.

1. CHARGES AND PAYMENT.

a. General. You agree to pay us for the Services at the prices and charges listed in the AT&T Service Guides. The prices and charges for any particular call may depend on a number of factors listed in the AT&T Service Guides, which include, for example, the duration of a call, the time of day and day of week, the distance called, and the type of service. Service types include, for example, direct-dialed from home, operator-assisted, or calling card calls. The prices and charges for the Services may also include, for example, monthly fees, monthly minimums, or connection charges.

b. Price Changes. We may change the prices and charges for the Services from time to time. We may decrease prices without providing advance notice. Increases to the prices or charges for the Services are effective no sooner than fifteen days after we post them on our Web site at www.att.com/serviceguide/home. Increases to charges that recover our costs associated with government programs are effective no sooner than three days after we post the increases on our Web site (excluding taxes and surcharges under Section 1.e.). We will provide further notices of increases to the prices and charges as follows: For the Services covering direct-dialed calls from home under the state-to-state basic schedule and the state-to-state and international calling plans, we will (1) notify you of these increases by bill message or other notice; and (2) make available in advance recorded announcements of these price increases. These recordings can be obtained by calling AT&T toll free at 1-888-288-4099, 24 hours a day, seven days a week, and will be updated on the first and fifteenth day of each month.

For the following types of calls, we will provide you the prices and charges you request this information at the time you make a call (or at the time you receive a collect call): AT&T Calling Card calls; AT&T collect calls; AT&T person-to-person calls; calls made with a commercial credit card or local

phone company calling card; calls billed to a third party; and other types of operator-assisted calls.

c. Payments. You must pay all bills or invoices on time (on or before the due date) and in U.S. money. We do not waive our right to collect the full amount due if you pay late or you pay part of the bill, even if you write the words "Paid in Full" (or similar words) on any correspondence to us.

If you make any late payments, and we bill you for the Services, we will charge you a late fee of 1.5%, which we apply to that period's charges and any outstanding charges and late payment charges that remain unpaid at the time of the next bill. If the state law where you receive the Services requires a different rate, we will apply that rate. If a local telephone company or other entity bills you for the Services on our behalf, that company's late payment charges and policies will apply.

If your check, bank draft, or electronic funds transfer is returned for insufficient funds, and we bill you for the Services, we will charge you an additional \$15. If the state law where you receive the Services requires a different fee, we will charge you that amount. If a local telephone company or other entity bills you for the Services on our behalf, that company's returned check charge and policy will apply. When payment is made by credit card, payment will also be subject to terms and conditions required by the credit card issuer.

d. Charges and Billing. Charges accrue through a full billing period. We may prorate or adjust a bill if the billing period covers less than or more than a full month (for this purpose, each month is considered to have 30 days). To determine the charge for each call, we round up to the next full minute for any fraction of minutes used. We will determine the format of the bill and the billing period, and we may change both the bill format and the billing period from time to time.

You are responsible for preventing the unauthorized use of the Services, and you are responsible for payment for any such unauthorized use.

e. Taxes and Other Charges. You must pay all taxes, fees, surcharges, and other charges that we bill you for the Services, unless you can show documentation satisfactory to us that you are exempt. Taxes and surcharges will be in the amounts that federal, state, and local authorities require us to bill you. We will not provide advance notice of changes to taxes and surcharges, except as required by applicable law.

f. Credit Check and Deposits. You give us permission to obtain your credit information from consumer credit reporting agencies at any time. If we bill you for the Services and we determine that you may be a credit risk for (1) unsatisfactory credit rating; (2) insufficient credit history; (3) fraudulent or abusive use of any AT&T services within the last five years; or (4) late payments for current or prior bills, we may require a deposit (or an advance payment as permitted by state law) to ensure payment for the Services. The amount of the deposit will be no more than any estimated onetime charges required for the Services, plus three months of the estimated average per-minute charges and/or monthly fees for the Services. We will pay simple interest at the annual rate of 4% on the deposit, subject to the state law where you receive the Services. If you fail to pay for the Services when due, we may use the deposit without giving notice to you. If you pay undisputed bills by the due date for twelve consecutive billing months, we will credit the deposit to your account. If a credit balance remains on your account, we will refund or credit that amount.

g. Credit Limits. If we bill you for the Services, we may set a credit limit based on your payment history or your credit score from consumer credit reporting agencies. If we do this, we will notify you of your initial credit limit and all changes to your credit limit. If you exceed your credit limit, we will restrict your access to the Services, including direct-dialed, operator-assisted, and calls requiring a 900 or 976 prefix. Access to emergency services (9-1-1) will not be affected by this restriction. If you fail to make timely payments, we may also lower your credit limit.

2. SUSPENDING AND CANCELING THE SERVICES.

a. Your Cancellation of the Services. If you use more than one Service, you may change or cancel individual Services by calling the AT&T customer service number on your AT&T bill, subject to the applicable terms and conditions in the AT&T Service Guides. This Agreement remains in effect for any Services that you continue to be enrolled in, use, or pay for. If you want to cancel all of the Services, discontinue your use of all the Services, and call us toll free at 1 888 288-4099 for further instructions.

b. Fraudulent Use. You will not use the Services for any unlawful, abusive, or fraudulent purpose, including, for example, using the Services in a way that (1) interferes with our ability to provide Services to you or other customers; or (2) avoids your obligation to pay for the Services. If AT&T has reason to believe that you or someone else is abusing the Services or using them fraudulently or unlawfully, we can immediately suspend, restrict, or cancel the Services without advance notice.

c. Failure to Pay. Upon advance notice, we may suspend, restrict, or cancel the Services and this Agreement, if you do not make payments for current or prior bills by the required due date, including payments for late fees or any other required additional charges.

d. Other. AT&T may from time to time discontinue certain Services, subject to applicable law and regulation.

e. Outstanding Charges. If Services are suspended, restricted, or cancelled, any charges will accrue through the date that AT&T fully processes the suspension, restriction or cancellation. You must pay all outstanding charges for these Services, including payment of any bills that remain due after the date of cancellation. Subject to Section 7, you must reimburse us for any reasonable costs we incur, including attorneys' fees, to collect charges owed to us. If you want us to renew the Services, we may require that you pay a deposit.

3. INDEMNIFICATION.

YOU AGREE THAT WE SHOULD NOT BE RESPONSIBLE FOR ANY THIRD-PARTY CLAIMS AGAINST US THAT ARISE FROM YOUR USE OF THE SERVICES. FURTHER, YOU AGREE TO REIMBURSE US FOR ALL COSTS AND EXPENSES RELATED TO THE DEFENSE OF ANY SUCH CLAIMS, INCLUDING ATTORNEYS' FEES, UNLESS SUCH CLAIMS ARE BASED ON OUR WILLFUL MISCONDUCT OR GROSS NEGLIGENCE. THIS PROVISION WILL CONTINUE TO APPLY AFTER THE AGREEMENT ENDS.

4. LIMITATIONS OF LIABILITY.

THIS SECTION DESCRIBES THE FULL EXTENT OF OUR RESPONSIBILITY FOR ANY CLAIMS YOU MAKE FOR DAMAGES CAUSED BY THE FAILURE OF THE SERVICES, OR ANY OTHER CLAIMS IN CONNECTION WITH THE SERVICES OR THIS AGREEMENT.

IF OUR NEGLIGENCE CAUSES DAMAGE TO PERSON OR PROPERTY, WE WILL BE LIABLE FOR NO MORE THAN THE AMOUNT OF DIRECT DAMAGES TO THE PERSON OR PROPERTY. FOR ANY OTHER CLAIM, WE WILL NOT BE LIABLE FOR MORE THAN THE AMOUNT OF OUR CHARGES FOR THE SERVICES DURING THE AFFECTED PERIOD. FOR ALL CLAIMS, WE WILL NOT BE LIABLE FOR INDIRECT OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOST PROFITS OR REVENUE OR INCREASED COSTS OF OPERATION. WE ALSO WILL NOT BE LIABLE FOR PUNITIVE, RELIANCE OR SPECIAL DAMAGES. THESE LIMITATIONS APPLY EVEN IF THE DAMAGES WERE FORESEEABLE OR WE WERE TOLD THEY WERE POSSIBLE, AND THEY APPLY WHETHER THE CLAIM IS BASED ON CONTRACT, TORT, STATUTE, FRAUD, MISREPRESENTATION, OR ANY OTHER LEGAL OR EQUITABLE THEORY.

WE WILL NOT BE LIABLE FOR ANY DAMAGES IF SERVICES ARE INTERRUPTED, OR THERE IS A PROBLEM WITH THE INTERCONNECTION OF OUR SERVICES WITH THE SERVICES OR EQUIPMENT OF SOME OTHER PARTY. THIS SECTION WILL CONTINUE TO APPLY AFTER THE AGREEMENT ENDS.

5. WARRANTIES.

EXCEPT AS THIS AGREEMENT EXPRESSLY STATES, WE MAKE NO EXPRESS WARRANTY REGARDING THE SERVICES AND DISCLAIM ANY IMPLIED WARRANTY, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. WE ALSO MAKE NO WARRANTY THAT THE SERVICES WILL BE UNINTERRUPTED OR ERROR FREE. WE DO NOT AUTHORIZE ANYONE, INCLUDING, BUT NOT LIMITED TO, AT&T EMPLOYEES, AGENTS, OR REPRESENTATIVES, TO MAKE A WARRANTY OF ANY KIND ON OUR BEHALF AND YOU SHOULD NOT RELY ON ANY SUCH STATEMENT.

6. CREDIT ALLOWANCES FOR INTERRUPTIONS.

If an interruption or failure of Services is caused solely by AT&T and not by you or a third party or other causes beyond our reasonable control, you may be entitled to a credit allowance as specified in the applicable AT&T Service Guide.

7. DISPUTE RESOLUTION.

IT IS IMPORTANT THAT YOU READ THIS ENTIRE SECTION CAREFULLY. THIS SECTION PROVIDES FOR RESOLUTION OF DISPUTES THROUGH FINAL AND BINDING ARBITRATION BEFORE A NEUTRAL ARBITRATOR INSTEAD OF IN A COURT BY A JUDGE OR JURY OR THROUGH A CLASS ACTION. YOU CONTINUE TO HAVE CERTAIN RIGHTS TO OBTAIN RELIEF FROM A FEDERAL OR STATE REGULATORY AGENCY.

a. Binding Arbitration. The arbitration process established by this section is governed by the Federal Arbitration Act ("FAA"), 9 U.S.C. §§ 1-16. You have the right to take any dispute that qualifies to small claims court rather than arbitration. All other disputes arising out of or related to this Agreement (whether based in contract, tort, statute, fraud, misrepresentation or any other legal or equitable theory) must be resolved by final and binding arbitration. This includes any dispute based on any product, service, or advertising having a connection with this Agreement and any dispute not finally resolved by a small claims court. The arbitration will be conducted by one arbitrator using the procedures described by this Section 7. If any portion of this Dispute Resolution Section is determined to be unenforceable, then the remainder shall be given full force and effect.

The arbitration of any dispute involving \$10,000 or less shall be conducted in accordance with the Consumer Arbitration Rules of the American Arbitration Association ("AAA"), as modified by this Agreement, which are in effect on the date a dispute is submitted to the AAA. The AAA's Commercial Arbitration Rules and fee schedules will apply to any disputes in excess of \$10,000. You have the right to be represented by counsel in an arbitration. In conducting the arbitration and making any award, the arbitrator shall be bound by and strictly enforce the terms of this Agreement and may not limit, expand, or otherwise modify its terms.

NO DISPUTE MAY BE JOINED WITH ANOTHER LAWSUIT, OR IN AN ARBITRATION WITH A DISPUTE OF ANY OTHER PERSON, OR RESOLVED ON A CLASS-WIDE BASIS. THE ARBITRATOR MAY NOT AWARD DAMAGES THAT ARE NOT EXPRESSLY AUTHORIZED BY THIS AGREEMENT AND MAY NOT AWARD PUNITIVE DAMAGES OR ATTORNEYS' FEES UNLESS SUCH DAMAGES ARE EXPRESSLY AUTHORIZED BY A STATUTE. YOU AND AT&T BOTH WAIVE ANY CLAIMS FOR AN AWARD OF DAMAGES THAT ARE EXCLUDED UNDER THIS AGREEMENT.

b. Arbitration Information and Filing Procedures. Before you take a dispute to arbitration or to small claims court, you must first contact our customer account representatives at the customer service number on your AT&T bill for the Services, or write to us at AT&T, P.O. Box 944078, Maitland, Florida 32794-4078, and give us an opportunity to resolve the dispute. Similarly, before AT&T takes a dispute to arbitration,



State of Wisconsin
Scott McCallum, Governor

Department of Agriculture, Trade and Consumer Protection
James E. Harsdorf, Secretary

August 10, 2001

**Re: Telecommunication Service Provider's Consumer Services Agreements
and Compliance with Wisconsin Law**

Dear

As you know, as of August 1, 2001, domestic long-distance communication providers no longer file rates with the FCC. We have reviewed several consumer services agreements being sent by telecommunications service providers to Wisconsin consumers, and noticed a number of potential violations of Wisconsin telecommunications law. We would like to take this opportunity to review some aspects of Wisconsin law with which you and all other telecommunications service providers will need to comply when providing service to Wisconsin consumers.

First, Wisconsin law governs all agreements between individual Wisconsin consumers and telecommunications providers. This includes private remedies available to consumers under Wisconsin law.

Second, telecommunication providers must give consumers 25 to 90 days notice prior to any rate changes or other material changes to the subscription agreement. The provider may give the notice as part of the regular billing statement, but the disclosure must be made in writing and delivered to the individual consumer in a format that can readily be stored by the consumer. Broadcast listing of rate changes on the Internet or in newspapers does not constitute delivery to the consumer.

Unfortunately, we are concerned that agreements being sent to Wisconsin consumers do not comply with Wisconsin law. For example, in many of the agreements:

- The telecommunication service provider does not meet notice requirements for changes in the subscription agreement.
- The provider is giving notice solely through posting on a web site – in Wisconsin, notice must be directly delivered to the consumer.

Detariffing Letter
August 10, 2001
Page Two

- The provider is only giving 15 days prior notice of rate changes – in Wisconsin, the notice must be delivered within 25 to 90 days prior to the change.
- The provider is stating that the laws of New York apply to the agreement – in Wisconsin, the law of Wisconsin applies to agreements with Wisconsin consumers.
- The provider is limiting the consumer's complaint rights – In Wisconsin the consumer has the right to file a claim in circuit court, individually or as a class, with a claim for double damages and reasonable attorneys' fees and this right cannot be abrogated by the arbitration requirement in an agreement.

Please understand this letter does not constitute review of any specific consumer service agreement. Instead, we strongly encourage you to review your entire agreement in light of Wisconsin law, specifically §§ 100.18, 100.20, and 100.207, and ch. ATCP 123, Wis. Adm. Code, to ensure you are complying with all applicable provisions prior to August 1, 2001.

If you are sending out non-complying agreements to Wisconsin consumers, we request that you provide us with the corrective actions you are taking at the earliest possible opportunity.

Finally, I want to make you aware of a July 11, 2001 decision of the Wisconsin Supreme Court in Baierl v. McTaggart, 238 Wis. 2d 555, 618 N.W. 2d 754, in which the Supreme Court held that a landlord's lease agreement with a tenant could not be enforced by the landlord because the lease agreement included prohibited terms under Wisconsin law. We believe the Supreme Court's holding is directly applicable to potential disputes between a telecommunications service provider and its Wisconsin telecommunications customers.

Sincerely,



William L. Oemichen, Administrator
Division of Trade and Consumer Protection

JOINT COMMITTEE ON INFORMATION POLICY

COMMITTEE ROLL

Date:

	Pres.	Abs.	Exc.
Senator Jauch	✓	—	—
Senator Erpenbach	✓	—	—
Senator Shibilski	—	—	—
Senator Lazich	✓	—	—
Senator Harsdorf	—	—	—
Representative Pettis	✓	—	—
Representative Hoven	—	—	—
Representative Montgomery	✓	—	—
Representative Schneider	✓	—	—
Representative Plouff	✓	—	—

SUMMARY OF 1993 WISCONSIN ACT 496

1993 Wisconsin Act 496 partially deregulated telecommunications utilities in Wisconsin. Former Governor Tommy G. Thompson signed this Act into law on July 5, 1994. Act 496 was intended to implement five recommendations of the Governor's Blue Ribbon Telecommunications Infrastructure Task Force, which met in 1993. These recommendations include establishing a new regulatory model for telecommunications utilities to manage the transition to a competitive telecommunications marketplace while assuring that all Wisconsin residents continue to have access to affordable, high quality telecommunications services. The recommendations also include the funding of projects that demonstrate or use advanced telecommunications technologies and for related training.

The Act supports increased competition among telecommunications providers, including traditional utilities and, as a balance, sets the stage for the further relaxation of the PSC regulation of telecommunications utilities. Wis. Stat. s. 196.03(6) determines that reasonably adequate service and reasonable and just rates include:

1. Promotion and reservation of competition consistent with consumer protection laws
2. Promotion of consumer choice
3. Positive impact on the quality of life including privacy considerations
4. Promotion of universal service
5. Promotion of economic development including telecommunications infrastructure deployment
6. Promotion of efficiency and productivity
7. Promotion of telecommunications services in geographical areas with diverse income or racial populations

In many cases these goals reflect competing interests that must be balanced by the commission

The Act contained specific strategies or initiatives to address issues related to the public interest goals:

1. Price Regulation
2. Universal Service
3. Consumer Protection
4. Privacy
5. Long Distance Competition
6. Nonexclusive Franchise
7. Interconnection and Unbundling
8. Access Service Rates
9. Incentive Regulation
10. New Services

Specific Strategies to meet the Public Interest

1. **Price Regulation.** Local exchange telecommunications utilities, (LECs) were allowed to elect price-regulation. Regulation would shift from earnings and rate setting to price caps or limits on prices for basic service. Medium and small companies could also elect alternative regulation.
 - a. Basic local residential and small business rates must be reduced and frozen for 3 years
 - b. Increases in long distance and basic rates are subject to a price cap formula limiting the average increase to the rate of inflation less a 2-3% productivity offset.
 - c. Adjustments to the productivity offset will be made to penalize a company for poor service and to reward a company for infrastructure investment.
 - d. Price regulated companies must submit an infrastructure plan for deployment of fiber-optic facilities or broad-band capabilities to schools, libraries, technical colleges, hospitals, colleges and universities.

2. **Universal Service.** The Act created a Universal Service Fund that providers contribute to in proportion to gross revenues from intrastate telecommunications services. The Fund is distributed at the direction of the PSC, with advice from the Universal Service Fund Council. Beneficiaries of the fund include:
 - a. High-cost providers of telecommunications services;
 - b. Low-income customers;
 - c. Disabled customers.
 - d. Educational, library, and health care information services.

3. **Consumer Protection.** The Act addressed new consumer protections, including:
 - a. Prohibiting deceptive advertising of telecommunications services and limiting sales and bill collection practices;
 - b. Establishing that it is an unfair trade practice for a person to provide any telecommunications service which the person has the ability to withhold;
 - c. Until June 30, 1996, the DOJ was authorized a project attorney position to provide "telecommunications specialist services"
 - d. Until June 30, 1999 the DOJ was authorized to appear before the PSC on telecommunications matters on consumer protection and antitrust.
 - e. Until June 30, 1999 the DOJ was authorized a project attorney position for "telecommunications advocate services" to support PSC intervention.
 - f. The PSC was required to compensate consumer representatives under the utility intervener financing law for reasonable costs of participating in PSC hearings on suspension of basic service price regulations, or prohibition on local measured service.

4. **Privacy.** The Act required a provider of a new telecommunications service to address privacy considerations before introducing that service, created a Telecommunications Privacy Council to advise the PSC, and directed the PSC to consider privacy as part of the "public interest." The Act also:
 - a. Prohibited the disclosure of unlisted numbers obtained via caller ID;
 - b. Directed DOA to set rules governing surveillance by a state agency of its employees;
 - c. Prohibited fraudulent manipulation of computer data;

- d. Increased penalties for stalking and harassment aided by access to an electronic record containing a victim's personally identifiable information;
 - e. Established that pharmacists' records are subject to the state's patient health care records law.
5. **Long Distance Competition.** The Act authorized Ameritech and GTE to provide interlata intrastate long distance services subject to PSC approval.
 6. **Nonexclusive Franchise.** The Act removed the monopoly status of Ameritech and GTE, allowing other providers, such as cable companies, to provide basic local services. The franchise for a small or medium telecommunications utility may not be taken away unless the utility consents or special conditions are met.
 7. **Interconnection and Unbundling.** The Act required LECs to interconnect with other competitors, and to unbundle access and residential and business services.
 8. **Access Service Rates.** The Act reduced LEC's intrastate access rates for utilities subject to price regulation and large utilities subject to incentive regulations.
 9. **Incentive Regulation.** The Act directed the PSC to develop alternative regulations that provided incentives to utilities to promote competition, infrastructure deployment, economic development, consumer choice, and universal service.
 10. **New Services.** The Act limited PSC review of new telecommunications services to: cross-subsidies; privacy guidelines; consumer protection issues enforced by the PSC, including interconnection and unbundling; and quality of basic local services.



**NEW LAW PARTIALLY DEREGULATING TELECOMMUNICATIONS UTILITIES
(1993 WISCONSIN ACT 496)**

Information Memorandum 94-27

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July 11, 1994

Information Memorandum 94-27*

**NEW LAW PARTIALLY DEREGULATING TELECOMMUNICATIONS UTILITIES
(1993 WISCONSIN ACT 496)**

INTRODUCTION

This Information Memorandum summarizes the major provisions in 1993 Wisconsin Act 496, an Act relating to telecommunications and the regulation of telecommunications utilities. This Act was signed into law on July 5, 1994 by Governor Tommy G. Thompson and is scheduled to be published on July 19, 1994. In general, the provisions in the Act take effect on September 1, 1994.

Copies of Act 496 may be obtained by written request or in person from the Documents Room, Lower Level, One East Main Street, Madison, Wisconsin 53702; or by telephone: (608) 266-2400.

A detailed description of all the provisions in the Act is provided in a Legislative Fiscal Bureau memorandum to Members, Wisconsin Legislature, from Bob Lang, Director, *1993 Wisconsin Act 496: Regulatory Changes Affecting Telecommunications*, dated July 8, 1994.

This Information Memorandum summarizes the major provisions in the Act relating to the following subjects:

	<u>Page</u>
1. Price Regulation.....	3
2. Universal Service	4
3. Retraining Program.....	5
4. Wisconsin Advanced Telecommunications Foundation	5
5. Consumer Protection.....	5

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	<u>Page</u>
6. Cross-Subsidies	6
7. Privacy	6
8. Local Measured Service	6
9. Telecommunications Carriers	7
10. Long Distance Competition	7
11. Nonexclusive Franchise	7
12. Interconnection and Unbundling	7
13. Access Service Rates	7
14. Incentive Regulation	7
15. New Services	7
16. Reports on Investments and Public Interest Goals	7

HIGHLIGHTS

Act 496 is designed to implement five recommendations of the recent Governor's Blue Ribbon Telecommunications Infrastructure Task Force. These recommendations relate to establishing a new regulatory model for telecommunications utilities to manage the transition from telecommunications services being provided only by utilities to a competitive telecommunications marketplace while assuring that all Wisconsin residents continue to have access to affordable, high quality telecommunications services. The recommendations also call for the funding of projects that demonstrate or use advanced telecommunications technologies and for related user training.

The Public Service Commission (PSC) presently regulates various types of telecommunications utilities differently, depending upon the competition to which the utilities are subject. The Act facilitates increased competition among telecommunications providers (utilities and other persons who provide telecommunications services) and provides for the further relaxation of the regulation of telecommunications utilities, especially for those utilities that provide local services; i.e., local exchange telecommunications utilities such as Ameritech Wisconsin and GTE North (hereafter, "Ameritech" and "GTE").

The major provisions of Act 496 do the following:

1. **Price Regulation.** Local exchange telecommunications utilities are authorized to elect to become price-regulated utilities, under which the focus of regulation shifts from the allowable earnings of the utility and the setting of rates designed to allow those earnings to a cap on prices for basic services offered by the utility and no regulation of the earnings. [A small- or medium-sized telecommunications utility, i.e., any utility other than Ameritech or GTE making the election may also file a company-specific price regulation and investment plan subject to PSC approval in lieu of electing to be subject to the statutory requirements described below.] The Act's regulations, applicable to basic local and long distance services other than access services (i.e., services that provide access to a utility's local exchange network to enable another utility or provider to originate or complete a long distance call or other service) include:

a. **Base rates.** Limiting, in general, the rates specified under the initial election to the rates in effect on the December 31 immediately preceding the utility's election to be price-regulated. If Ameritech elects to become price-regulated, it must also reduce its fixed, base rates for basic local residential and single business line service by 10%. [According to Ameritech, these 10% reductions result in an annual reduction of \$9,000,000 in residential rates and \$5,000,000 in single business line rates.]

b. **Rate freeze.** Freezing increases in the rates of basic local residential service and basic local small business service (for small businesses with no more than three access lines) for three years after the utility elects to become price-regulated.

c. **Cap on rate increases.** Capping increases in basic long distance rates and, after the three-year freeze, basic local residential and small business rates, identified above, in general, according to the following formula (for Ameritech, the productivity offset is 3%):

Change in Revenue Weighted Price Indices for Price Regulated Services	Must Be Less Than	Most Recent Annual Change in Gross Domestic Product Price Index	Minus	2%
[A measure of combined increases and decreases in affected rates]		[A measure of inflation]		[An offset for gains in productivity]

In general, the PSC's jurisdiction over the prices or terms and conditions of other services, including new telecommunications services, offered by a price-regulated telecommunications utility is limited to administering requirements relating to cross-subsidies, contracts, discontinuation of services, consumer protection enforced by the PSC and privacy.

d. **Productivity offset adjustments.** Directing the PSC to create by rule both a penalty mechanism, up to 1% increase in the productivity offset, for inadequate service and an incentive mechanism, up to 1% decrease in the productivity offset, to encourage infrastructure investment. For

Ameritech, the penalty and incentive mechanisms are both up to 2%. After July 1, 2000, the PSC may, by rule, adjust the productivity offset by a maximum of 1% every three years to reflect any statewide changes in the productivity experience of the telecommunications industry.

e. ***Investment commitments.*** Requiring a price-regulated utility to file with the PSC within 60 days of its election a plan outlining its commitment, including target dates, to invest in telecommunications infrastructure improvements in Wisconsin over a period of not less than six years. This plan must include a description of the planned deployment of fiber-optic facilities or broad-band capabilities to schools, libraries, technical colleges, hospitals and colleges and universities in this state. If the utility is Ameritech, the plan must specify a level of planned investment of at least \$700,000,000 within the first five years of the plan. The PSC may rescind a utility's price regulation election if the utility fails to file its investment commitment plan or the plan fails to include the required information. A price-regulated utility must file with the PSC an annual investment progress report on its filed plan. The PSC must consider the utility's progress in meeting its investment commitments when adjusting the productivity offset in the price cap formula for penalties and rewards described above. Also, within the first two years after a utility elects price regulation, the PSC may reduce the rates charged by the utility for price-regulated basic services by a maximum of 2% if the utility does not file the required progress reports, files an incomplete progress report, or specifies actual or planned investments that do not adequately provide for the deployment of advanced telecommunications technologies or meet other specified conditions.

f. ***Alternative rate increases and rate structures.*** In lieu of the above requirements on rates, authorizing a price-regulated utility to alter its rate structure or increase rates for basic local or long distance services anytime three years or later after electing price regulation. The PSC may review and approve, modify or reject these alternatives based on specified considerations.

g. ***Price regulation review.*** If Ameritech or GTE elect to become price regulated by December 31, 1997, directing the PSC to hold a hearing, started between February 1 and 15, 1999, to determine by June 30, 1999 whether the PSC should suspend one or more of the above basic service price regulations or approve an alternative regulatory method for the utility. The PSC may also suspend all of the price regulation provisions described above under the partial deregulation or incentive regulation provisions in the Act.

2. **Universal Service.** The Act creates a Universal Service Fund that, in general, all telecommunications providers are required to contribute to in proportion to their gross revenues from intrastate telecommunications services. Moneys in the Fund shall be used at the direction of the PSC, with the advice of the new Universal Service Fund Council, to: (a) assist in the statewide provision at affordable prices of specified essential telecommunications services for areas with relatively high costs of telecommunications services, low-income customers and disabled customers and of advanced service capabilities; and (b) promote statewide affordable access to high-quality education, library and health care information services. Essential services must include single-party service with "touch-tone" capability, line quality capable of carrying facsimile and data transmissions, "equal access," emergency service number capability, a statewide telecommunications relay service and blocking of long distance service.

3. **Retraining Program.** The Act creates a telecommunications retraining program,

administered by the Technical College System Board at the direction of the new Telecommunications Retraining Board, that provides up to \$2,500 per worker for specified displaced telecommunications industry workers employed by companies contributing to the program. This program is initially funded by a consortium of Ameritech, AT&T Communications of Wisconsin ("AT&T") and GTE that will contribute \$3,000,000 over three years and up to an additional \$1,000,000, if needed. The program sunsets June 30, 1999.

4. *Wisconsin Advanced Telecommunications Foundation.* The Act authorizes state participation at the direction of the Governor in the Wisconsin Advanced Telecommunications Foundation, a nonprofit corporation that is to be organized and operated jointly by the state and telecommunications providers, subject to the Governor being authorized to appoint, with the advice and consent of the Senate, the majority of the Foundation's directors. The Foundation must create an endowment fund and establish a business plan that anticipates capitalizing the fund with \$25,500,000 from the state and telecommunications providers within seven years after the Foundation is organized. The Act appropriates to the endowment fund \$500,000 general purpose revenue (GPR) in fiscal year 1994-95, subject to the endowment fund receiving a direct match of at least \$1,000,000 from telecommunications providers. This one-time appropriation sunsets on June 30, 1995. The Foundation must also establish a second fund, the "fast start fund," to which telecommunications providers must contribute at least \$5,000,000 by January 1, 1997 (of which at least \$1,500,000 must be direct contributions). The Foundation must also attempt to raise before January 1, 2002 at least \$10,000,000 in direct or in-kind contributions to its endowment or fast start funds from persons other than telecommunications providers. Earnings from the Foundation's endowment fund and resources in the fast start fund may be used to fund specified advanced telecommunications application projects and consumer education on advanced telecommunications services. The Foundation must give priority to funding applications from local units of government, educational institutions and libraries with additional priority for school districts with below average allowable revenues or revenue increases under applicable state revenue caps.

5. *Consumer Protection.* The Act creates new consumer protections, including:

a. *Prohibitions.* Prohibiting deceptive advertising of telecommunications services and limiting telecommunications services sales and bill collection practices;

b. *Unfair trade practice.* Establishing that it is an unfair trade practice for a person to provide any service (including a telecommunications service) which the person has the ability to withhold, that facilitates an unfair trade practice or method of competition;

c. *Telecommunications specialist.* Between August 1, 1994 and June 30, 1996, authorizing a 1.0 program revenue (PR) project attorney position in the Department of Justice (DOJ) to provide "telecommunications specialist services," funded by an assessment paid by telecommunications utilities and carriers;

d. *Attorney General's power and telecommunications advocate.* Between October 1, 1996 and June 30, 1999:

(1) Authorizing the Attorney General, on his or her own initiative, to appear before the PSC on telecommunications matters relating to consumer protection and antitrust. [This authority is in addition to the authority of any person, including the Attorney General, to participate in PSC rule-making proceedings.] If acting under this authority, the Attorney General has the rights accorded a party before the PSC in its proceedings but may not appeal as a party a decision of the PSC to the circuit court.

(2) Authorizing a 1.0 PR project attorney position in the DOJ to provide "telecommunications advocate services" under the power cited in the preceding point, funded by an assessment paid by telecommunications utilities and carriers.

e. ***Intervenor compensation.*** Directing the PSC to compensate any consumer group or representative under the public utility intervenor financing law for all reasonable costs of participating in a PSC hearing on suspending: (1) one or more of the basic service price regulations, as discussed above in item 1. g.; or (2) the prohibition on local measured services, described below in item 8.

6. ***Cross-Subsidies.*** The Act expands current protections against cross-subsidies between a telecommunications utility's regulated and nonregulated services, including requiring: (a) utility information services that compete with newspapers or radio or television stations to be provided through an electronic publishing subsidiary or affiliate; and (b) all telecommunications services priced to exceed their total service long-run incremental cost.

7. ***Privacy.*** The Act expands the applicability of the PSC's forthcoming privacy guidelines to apply to telecommunications services offered by all telecommunications providers, rather than to telecommunications utilities only, requires a telecommunications provider introducing a new telecommunications service to address privacy considerations before introducing that service, creates a Telecommunications Privacy Council to advise the PSC, and directs the PSC to consider privacy as part of its determination of the "public interest." The Act also: (a) prohibits the redisclosure for commercial gain and other specified uses of unlisted telephone numbers obtained via caller ID; (b) directs the Department of Administration to establish standards by rule governing the presently authorized surveillance by a state agency of the agency's employees; (c) prohibits fraudulent manipulation of computer data; (d) increases the penalties for stalking and specified harassment that is facilitated by the intentional access to an electronic record containing personally identifiable information about the victim; and (e) establishes that pharmacists' records are subject to the state's patient health care records law.

8. ***Local Measured Service.*** The Act prohibits Ameritech and GTE, in general, from charging exclusively for basic local residential service, other than extended community calling, based on the duration of the call or on the time of day a call is made. Following a contested case hearing, the PSC may suspend this prohibition for a particular geographic area if necessary to make competition practical and beneficial to residential customers in general and disabled and elderly customers in particular.

9. ***Telecommunications Carriers.*** The Act creates a new category of telecommunications provider, "telecommunications carrier," for facilities-based long distance companies (presently, AT&T, MCI and Sprint) and, in general, exempts these carriers from regulation by the PSC.

10. Long Distance Competition. The Act authorizes Ameritech and GTE to provide interlata intrastate long distance services in competition with telecommunications carriers, subject to PSC approval under specified conditions and federal court approval or congressional authorization.

11. Nonexclusive Franchise. The Act removes the exclusive franchise, or monopoly status, of Ameritech and GTE, thus allowing other telecommunications providers, such as cable television companies, to provide competing basic local services. In general, the exclusive franchise for a small or medium telecommunications utility (i.e., any utility other than Ameritech or GTE) may not be revoked unless the utility consents or specified conditions are met.

12. Interconnection and Unbundling. The Act requires local exchange telecommunications utilities to interconnect with other persons, including competitors, and to provide access and basic local residential and business services on an "unbundled" basis (i.e., to separate these services into their components so that a customer, including a competitor, may purchase from a utility only the desired components) to the same extent required by the Federal Communications Commission; and authorizes the PSC to require additional interconnection or unbundling.

13. Access Service Rates. The Act reduces local exchange telecommunications utilities' intrastate access service rates for utilities subject to price regulations or large utilities (Ameritech or GTE) subject to incentive regulations.

14. Incentive Regulation. The Act directs the PSC to regulate all telecommunications utilities with the goal of developing alternative forms of regulation that provide incentives to the utility to achieve goals specified by the PSC, which may include the promotion of competition, infrastructure deployment, economic development, consumer choice and universal service.

15. New Services. The Act limits PSC review of new or expanded telecommunications services offered by a telecommunications utility after December 31, 1993 to limitations on utility cross-subsidies; privacy guidelines applicable to telecommunications services; requirements relating to consumer protection enforced by the PSC, including requirements related to service offerings to other telecommunications providers, such as interconnection and unbundling; and to consideration of adverse effects on the quality of basic local services.

16. Reports on Investments and Public Interest Goals. The Act directs the PSC before January 1, 1996, and biennially thereafter, to report to the Legislature's Joint Committee on Information Policy on the status of investments in advanced telecommunications infrastructure in Wisconsin, including progress made on distant learning; interconnection of libraries; access to health care; education, health care and employment opportunities for the disabled and other persons in the home; and "integrated services digital network" deployment. The PSC must also include in its annual report on the Universal Service Fund to the Joint Committee on Information Policy an assessment of how successful advanced telecommunications infrastructure investments identified in the above report, Universal Service Fund and Wisconsin Advanced Telecommunications Foundation assistance and price and other incentive regulations promoting competition have been in advancing specified public interest goals. These goals include the impact on quality of life and promotion of competition, consumer choice, universal service, economic development, efficiency and productivity and telecommunications

services in geographical areas with diverse income or racial populations.

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