



Public Service Commission of Wisconsin

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Unbundled Network Elements – Frequently Asked Questions *September 30, 2004*

Today, the Public Service Commission discussed the record for the unbundled network elements (UNE) application proposed by SBC. Below are some frequently asked questions regarding UNEs.

What is an unbundled network element?

Federal law requires that an incumbent local telephone service provider, such as SBC, unbundle its network and lease various network functions to other local service companies. These unbundled components are called unbundled network elements (or UNEs) and include transport, switching and loops. Loops are the actual telephone lines that run from a telephone company central office (or switch) to the customer's home.

What did SBC propose?

SBC serves in 77 exchanges throughout Wisconsin and has invested in a network to serve those locations. Competitive local service providers can use elements of SBC's network (UNEs) for a fee instead of investing in their own separate infrastructure. SBC's application asked to raise the wholesale amount it charges its competitors for using specific parts of its network. In this case, SBC is arguing that current UNE rates for loops are too low inhibiting its ability to invest in new technologies.

What is Wisconsin Act 125 and what did it do?

SBC filed its application under Act 125 which was passed into law February 2004. It allows a telecommunications provider to request an increase in prices for unbundled network elements. If an application is filed under this statute, the Commission must issue a decision with 180 or 270 days, depending on how many rates are covered by the petition. The 180-day period applies to a petition that covers 100 rates or less.

What will the Commission be deciding in this case?

The Commission has to issue a decision on SBC's application to increase wholesale rates for UNE loops. It has the authority to approve SBC's application as submitted, modify the request, or deny the application. If the Commission allows an increase in the UNE loop wholesale rates, it must do so in compliance with federally mandated cost standards. The Commission's decision will promote a competitive environment while allowing SBC to maintain a healthy infrastructure.

SBC filed an application to increase 27 rates under the new Wisconsin Act 125 law. It proposed rate increases for nine different loops. SBC has three rate zones: urban, suburban and rural, which equals 27 wholesale loop rates. SBC requested significant increases over current prices, while intervenors in the case proposed that current rates be decreased. The Commission

reviewed all the testimony submitted in this case, including the cost studies submitted by SBC and the intervenors (who are SBC competitors who buy the UNEs). The Commission evaluated which proposals are compliant with federal requirements and will produce reasonable rates.

Will the Commission’s decision improve competition?

By leasing UNEs, more competitors can enter the market for retail telephone service without needing to duplicate the network that SBC already has in place. This allows for more competition for local service. In the exchanges served by SBC, competitive providers served 10.3 percent of the residential lines and 32.4 percent of the voice-grade business lines, or 18 percent of the total market.

Will the Commission’s decision impact my phone bill?

Competition is generally deemed to drive prices lower and customers often benefit from increased choices and competition. SBC currently charges its residential customers a basic service rate which *cannot* be changed without Commission’s approval. That service rate was not impacted by today’s decision. Competitive Local Exchange Carriers (CLECs) are unregulated and are able to set their own basic service rate without Commission approval.

Is the Commission’s decision final?

Today, the Commission discussed the record and issued a verbal decision. A final written order will include specifics from today’s discussion and will be issued before October 13, 2004, in compliance with the 180-day deadline. The Commission’s decision is final unless one of the parties files for reconsideration (and it is granted) or the matter is appealed to court.

Does the FCC have any authority in this decision?

The Federal Communications Commission is not involved directly in this specific case and the PSC decision does not need to be approved by the FCC. However, the FCC has previously issued decisions on how UNE costs are determined and the Commission must be consistent with the FCC mandates.

UNE rates are set using the TELRIC formula mandated by the FCC. TELRIC stands for Total Element Long Run Incremental Cost. TELRIC is intended to be forward-looking and reflect the cost of an efficient network in a competitive market.

How to I find more detailed information in this case?

The documents associated with this case can be viewed on our Electronic Repository System at <http://psc.wi.gov/>. Click on ERF System, select Search Electronic Repository System and enter docket #6720-TI-187.

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