COMMISSION ORDER GIVES GO-AHEAD TO VIGOROUS COMPETITION AND INVESTMENT IN OKLAHOMA’S TELECOMMUNICATIONS SYSTEM

(OKLAHOMA CITY)—Oklahoma’s Corporation Commissioners, in a unanimous 3-0 vote, have issued a final order providing the best regional incentives to bring robust competition for local telephone service to Oklahoma. The order adopts a stipulation negotiated between Southwestern Bell, Commission staff, Attorney General Drew Edmondson, 16 competing phone companies and the Oklahoma Education Coalition.

The order speeds infrastructure development needed to modernize the state’s education and economic base by providing digital, high-speed service to more of rural Oklahoma as well as the metro areas. The rules protect consumers with a five year cap on basic local rates and restrict increases in other charges during the transition to competition. The order contains a $9 million savings for Southwestern Bell customers over the next five years because Bell will continue to pay into the Oklahoma Universal Service Fund without passing those charges through to customers.

Chairman Bob Anthony said the development of the state’s telecom infrastructure is important because "it is good for the citizens of Oklahoma providing extended healthcare benefits through Telemedicine, increased learning opportunities by accessing databases on a more real time connection, and bringing increased economic development through participation in e-commerce via the Internet."

Commissioner Denise Bode said "This is a balanced package of economic development incentives and consumer protections. Today’s order creates a five-year window of opportunity for Oklahoma, both through incentives to attract new or expanded telecommunications companies and by enlarging the infrastructure so needed to allow our citizens full participation in the rapidly growing world of e-commerce. Meanwhile, the rules adopted in October provide rate caps to protect consumers during the transition."

"A major step toward complete and comprehensive telephone competition both at the national and state levels," said Commissioner Ed Apple, who also expressed pleasure with the plan to move the state to a high-speed phone system.

In his concurring opinion, Anthony debunks what he describes as five myths about the agreement with Bell. Anthony said "for all the good this program can do, it has become equally important to explain what it does not do."

Myth Number 1—This rulemaking will deregulate Southwestern Bell.

FACT—The Oklahoma Corporation Commission surrenders no regulatory oversight. What does change is that the OCC moves from overall earnings regulation of the company, which by state law we have been unable to do since 1997, to price regulation.

Myth Number 2—The Commission decision freezes Bell rates which are already too high.

FACT—The Commission has not frozen rates. Basic local service rates have been capped for five years but they may decrease as competitors bring market forces to bear.
Myth Number 3—The Commission’s decision will lead to automatic rate increases.

FACT—The rules cap rates for basic local service for a period of five years. If, at the end of that five-year cap, competitors have not been established, rates may only increase once per year by a formula of inflation less one percent. This would be the first basic service rate increase since 1989.

Myth Number 4—This order is a settlement for past excessive revenues collected by Bell.

FACT—The Oklahoma Corporation Commission is prohibited by law from engaging in retroactive rate making. Southwestern Bell is charging rates authorized by the Commission. Those rates were reviewed and left in place by the Legislature in 1997. By law the Commission was ordered not to begin a rate review prior to February 5, 2001.

Myth Number 5—The Commission should require Bell to contribute more money for public schools.

FACT—Simply put the Oklahoma Corporation Commission lacks any jurisdiction to raise revenue for public education through placing a surcharge on phone bills, or any other means. Requiring Bell to invest in public education could make the company eligible to recapture that investment through the Oklahoma Universal Service Fund. If so, the money would be passed through not just to Bell customers, but proportionately to all state telecommunications ratepayers.

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