

of the six (6) designated WYO Companies, pools, or other entities.

3. A WYO company must—

A. Have a biennial audit of the flood insurance financial statements conducted by a CPA firm at the Company's expense to ensure that the financial data reported to us accurately represents the flood insurance activities of the Company. The CPA firm must conduct its audits in accordance with generally accepted auditing standards (GAAS) and the Government Auditing Standards issued by the Comptroller General of the United States (commonly known as "yellow book" requirements). The Company must file with us a report of the CPA firm's detailed biennial audit, and, after our review of the audit report, we will convey our determination to the Standards Committee.

B. Participate in a WYO Company/FIA Operation review. We will conduct a review of the WYO Company's flood insurance claims, underwriting, customer service, marketing, and litigation activities at least once every three (3) years. As part of these reviews, we will reconcile specific files with a listing of transactions submitted by the Company under the Transaction Record Reporting and Processing Plan (Part 5). We will file a report of the Operation Review with the Standards Committee (Part 7).

C. Meet the recording and reporting requirements of the WYO Transaction Record Reporting and Processing (TRRP) Plan and the WYO Accounting Procedures Manual. The National Flood Insurance Program's (NFIP) Bureau and Statistical Agent will analyze the transactions reported under the TRRP Plan and submit a monthly report to the WYO company and to us. The analysis will cover the timeliness of the WYO submissions, the disposition of transactions that do not pass systems edits, and the reconciliation of the totals generated from transaction reports with those submitted on the WYO Company's reports. (Parts 2 and 6).

D. Cooperate with FEMA's Office of Financial Management on Letter of Credit matters.

E. Cooperate with us in the implementation of a claims reinspection program (Part 3).

F. Cooperate with us in the verification of risk rating information.

G. Cooperate with FEMA's Office of Inspector General on matters pertaining to fraud.

(d) This Plan references a separate document, "The Write Your Own Program Financial Control Plan Requirements and Procedures," that contains the following parts and is applicable to the Financial Control Plan:

1. Part 1—Financial Audits, Audits for Cause, and State Insurance Department Audits;

2. Part 2—Transaction Record Reporting and Processing Plan Reconciliation Procedures;

3. Part 3—Claims Reinspection Program;

4. Part 4—Report Certifications and Signature Authorization;

5. Part 5—Transaction Record Reporting and Processing Plan;

6. Part 6—Write Your Own (WYO) Accounting Procedures Manual; and

7. Part 7—Operation Review Procedures.
(e) We will distribute copies of the "The Write Your Own Program Financial Control Plan Requirements and Procedures" to companies participating in the Write Your Own Program by October 1st of the Arrangement year. Interested members of the public may obtain a copy by contacting the FEMA Distribution Center, P.O. Box 2012, Jessup, MD 20794.

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(Catalog of Federal Domestic Assistance No. 83.100, "Flood Insurance")

Dated: July 9, 1999.

Jo Ann Howard,

Administrator, Federal Insurance Administration.

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FEDERAL COMMUNICATIONS COMMISSION

47 CFR Chapter I

[CC Docket No. 99-249; FCC 99-168]

Low-Volume Long-Distance Users

AGENCY: Federal Communications Commission.

ACTION: Notice of inquiry.

SUMMARY: This document seeks comment on the impact of certain flat-rated charges on single-line residential and business customers who make few, or no, interstate long-distance calls. The inquiry focuses on flat-rated charges attributable to universal service and access charge reform, but recognizes that other pro-competitive reforms also have resulted directly or indirectly in charges on consumers' bills.

DATES: Interested parties may file comments no later than September 20, 1999, and reply comments no later than October 20, 1999.

ADDRESSES: Submit written comments or replies to the Commission's Secretary, Magalie Roman Salas, Office of the Secretary, Federal Communications Commission, 445 12th Street, SW, Counter TWA 325, Washington, DC 20554. For detailed filing instructions, including electronic filing, see **SUPPLEMENTARY INFORMATION**.

The entire file is available for inspection and copying weekdays from 9:00 a.m. to 4:30 p.m. in the Commission's Reference Center, 445 Twelfth Street SW, Washington, DC 20554. Copies may be purchased from the Commission's duplicating contractor, ITS Inc., 1231 Twentieth St., NW, Washington, DC 20036, (202) 857-3800.

FOR FURTHER INFORMATION CONTACT: Neil Fried, Common Carrier Bureau,

Competitive Pricing Division, (202) 418-1530; TTY: (202) 418-0484.

SUPPLEMENTARY INFORMATION:

Background

In May 1997 the Commission adopted for price cap local exchange carriers (price cap LECs) a new common line rate structure to align cost recovery with the manner in which costs are incurred. That structure, when fully implemented, will recover all interstate-allocated common line costs through flat subscriber line charges (SLCs) assessed on end users, and flat presubscribed interexchange carrier charges (PICCs) assessed on interexchange carriers (IXCs).

Discussion

The Commission recognized when it changed the common line rate structure in 1997 that it was reducing, and gradually eliminating, support flows that had previously run from high-volume to low-volume end users. For two reasons, however, the Commission did not anticipate that these changes would have immediate, significant effects on the telephone bills of those low-volume users. First, the Commission initially set the primary residential and single-line business PICCs at levels approximately equal to a universal service charge that the Commission eliminated when it adopted the PICC. Second, IXCs had not previously imposed flat charges on end users to recover that universal service charge. In any case, the Commission believed that, even if IXCs did pass on the modest initial PICCs as flat charges, most consumers would enjoy benefits in the form of lower long-distance rates, and that those benefits would outweigh the burden of a small, flat monthly charge. That belief has proven correct for some consumers, in that long-distance rates overall have continued to decline.

Some customers of long-distance service, however, are now paying additional flat charges that IXCs claim recover some of the costs that the customers were previously paying in per-minute charges under the old access charge regime. A number of factors the Commission did not anticipate have affected consumers who make few interstate long-distance calls.

First, AT&T, MCI, and Sprint each charge their residential customers with a single presubscribed line a flat, averaged, monthly PICC pass-through charge of \$1.51, \$1.07, and 85 cents, respectively. The Commission has not prohibited IXCs from using such charges to recover their PICC costs. The Commission did, however, take steps

intended to make it more likely that any such charges would be modest in size. Specifically, as discussed above, the Commission decided to phase the PICC in gradually, setting the initial price-cap LEC ceiling for the charge on primary residential lines at 53 cents.

Notwithstanding these prudent steps, the Commission recognizes that access reform requires the Commission to unravel and rationalize an entrenched, complex web of implicit subsidies, all at a time when competition and technological innovation are making unprecedented changes to the industry. Reforms of this magnitude and complexity will sometimes yield unanticipated effects, regardless of how careful the Commission is to avoid them. Second, AT&T and MCI have initiated monthly minimum usage charges for their basic-rate residential customers, which their customers must pay even if they make no long-distance calls in a month. AT&T residential customers are subject to a \$3.00 minimum. Residential customers who subscribed to an MCI calling plan before January 3, 1998, are subject to a \$5.00 minimum; thereafter, customers who subscribed to any MCI residential service are subject to a \$3.00 minimum. Third, AT&T also has chosen to recover some of its contribution to the Universal Service Fund through a flat charge of 99 cents per month on its residential customers, even though its contributions are not calculated as a flat charge. Thus, a residential customer with a single telephone line who selects AT&T as her presubscribed carrier, but who makes no interstate long-distance telephone calls in a particular month, may pay \$5.50 to AT&T that month. An MCI customer with the same calling pattern will pay \$6.07 or \$4.07, depending on how recently the customer signed up for service. Previously, such customers would have paid nothing to their presubscribed IXC in a month in which they made no long-distance calls.

In light of these significant developments, the Commission wishes to inquire whether the flat charges imposed on consumers who make few long-distance calls are appropriate. Commenters should address whether the introduction of flat rate charges or minimum usage requirements is the result of competitive market dynamics, and whether it is reasonable to assume that implicit subsidies could be eliminated and competition introduced into previously regulated markets without some customers (those previously subsidized) paying more.

The Commission also seeks comment on the extent to which the Commission

should rely on competition to provide services suitable to the needs of low-volume residential customers. The Commission notes that a telephone customer is not required to have a presubscribed interexchange carrier in order to place long-distance calls. A customer who chooses not to presubscribe will pay the PICC directly to the LEC, but may not have to pay marked up, minimum-usage, or universal-service charges. That customer will not be able to make a long-distance call simply by dialing "1+area code+number," but will be able to "dial around" by first dialing a seven digit code (typically "10-10-XXX"). Dial-around carriers advertise heavily, and some have plans that feature favorable per-minute rates without additional monthly or per-call charges. The Commission seeks comment on whether the availability of dial-around services means that the Commission does not need to take special measures to protect low-volume users. The Commission also seeks comment on what evidence of consumer choice would be sufficient to indicate that customers have adequate alternatives to calling plans that include these types of non-usage sensitive charges.

The Commission also observes that, as mentioned above, some of the costs presubscribed IXCs claim users impose on them even when they make no calls may be attributable to account and billing maintenance. The customers' LECs, on the other hand, already incur that kind of cost in providing local exchange service to the customers, and would presumably experience little incremental costs if they became the customers' presubscribed IXCs as well. The Commission seeks comment, therefore, on whether the entry of Bell Operating Companies (BOCs) into the long-distance market will mitigate the problems currently experienced by low-volume long-distance users.

In the event the Commission determines based on the record that regulatory intervention is warranted to protect consumers from some of the actions described above, the Commission seeks comment on the scope, method, and its jurisdiction for such intervention. Are there measures the Commission can take that do not require direct regulation of IXCs, but that would give this Commission greater control over the manner in which access charges and universal service assessments are passed on to consumers? The Commission also seeks comment on whether efforts by the Commission, states, and consumer groups to educate consumers regarding choices they can exercise in the

marketplace—choices which could minimize the impacts on consumers of these sorts of actions by carriers—could be used to reduce or eliminate the need for additional regulation to accomplish the same purpose. The Commission also seeks comment on the relationship between the impact of access reform and universal service charges on low volume consumers and its universal service obligations pursuant to section 254 of the Act. As the Commission has stated, in addition to seeking comment on the consumer impact of charges associated with access and universal service reform, the Commission also would like suggestions on how best to understand and manage the impact on consumers of charges attributable to pro-competitive actions other than access and universal service reform.

Filing Requirements

Interested parties may file comments no later than September 20, 1999, and reply comments no later than October 20, 1999. Interested parties may file using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies. See Electronic Filing of Documents in Rulemaking Proceedings, 63 FR 24,121 (1998). All filings should reference the CC Docket No. 99-249.

Parties submitting pleadings through the ECFS can send their comments and replies as electronic files via the Internet to <<http://www.fcc.gov/e-file/ecfs.html>>. Generally, interested parties need to file only one copy of an electronic submission. If multiple docket or rulemaking numbers appear in the caption of this proceeding, however, interested parties must transmit one electronic copy of the pleading to each docket or rulemaking number referenced in the caption. In completing the transmittal screen, interested parties should include their full name, postal service mailing address, and the applicable docket or rulemaking number. Interested parties may also file by Internet e-mail. To get filing instructions for e-mail submission, interested parties should send an e-mail message to ecfs@fcc.gov, and should include the following words in the body of the message: "get form <your e-mail address>." A sample form and directions will be sent in reply.

Interested parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appear in the caption of this proceeding, interested parties must submit two additional copies for each additional docket or rulemaking number. All filings must be sent to the Commission's

Secretary, Magalie Roman Salas, Office
of the Secretary, Federal
Communications Commission, 445 12th
Street, SW, Counter TWA 325,
Washington, DC 20554.
Federal Communications Commission.

William F. Caton,

Deputy Secretary.

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