

Commerce

Senate File 367

COMMERCE: Kinley, Chair; Palmer and Holden

SENATE FILE 367

BY WELSH and GRONSTAL

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Passed Senate, Date _____ Passed House, Date _____
 Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
 Approved _____

A BILL FOR

1 An Act relating to the regulation of telecommunication
 2 services and providing a penalty.
 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S. F. 367

1 Section 1. NEW SECTION. 476.61 TELEPHONE FLAT RATE
2 SERVICE -- LOCAL MEASURED SERVICE -- COST ALLOCATION -- BYPASS
3 SURCHARGES.

4 1. DEFINITIONS. As used in this section:

5 a. "Access (dial tone) service" means the plant or
6 facilities connecting a telephone customer to a local exchange
7 switch and includes the service wire, subscriber loop, and
8 local nontraffic sensitive central office equipment.

9 b. "Bypass" means any local or long distance telephone
10 service which originates or terminates at the premises of a
11 local telephone subscriber and does not reach the premises
12 through the use of a subscriber loop.

13 2. PLAIN OLD TELEPHONE SERVICE. The commission shall
14 establish rates and rate structures for telephone companies
15 which will preserve reasonably affordable flat rate service
16 allowing for unlimited local exchange calling for a single
17 monthly fee as the standard phone service in Iowa for both
18 business and residential customers. Flat rate service with
19 unlimited local calling shall be described by the telephone
20 company as the "plain old telephone service (POTS)" in all its
21 communications with the public and the commerce commission.
22 Any other local calling service shall be described as an
23 "optional" service.

24 3. ALLOCATION OF COST OF SERVICE.

25 a. In determining rates for telephone utilities, the costs
26 of providing access (dial tone) service shall be allocated
27 among all other services making use of the access (dial tone)
28 service including, but not limited to, toll and local exchange
29 calling.

30 b. Nontraffic-sensitive costs shall be considered common
31 costs.

32 c. The common costs shall be allocated on the basis of a
33 reasonable assessment of each class's responsibility for the
34 incurrence of those costs.

35 d. There is a rebuttable presumption that local services,

1 including local calling, account for not more than fifty
2 percent of the cost of the access (dial tone) service unless
3 the commission determines by clear and convincing evidence
4 that such an allocation of costs is unreasonable.

5 4. LOCAL MEASURED SERVICE AND LIFELINE SERVICE. The
6 commission in its discretion may approve a telephone rate
7 structure which allows for a limited local measured service
8 option provided that the rate structure for a local measured
9 service option does not jeopardize reasonably affordable flat
10 rate service allowing for unlimited calling. A local measured
11 service rate structure which is universally available within a
12 given geographic area shall be designed so that local measured
13 service customers cover the costs of the service in the same
14 manner as flat rate customers and are not subsidized by rates
15 charged to flat rate customers. The commission, in
16 furtherance of the goal of universal service, may establish a
17 means-tested lifeline service option which would only be
18 available to those who qualify under income guidelines
19 established by the commission.

20 5. REPORTING OF SERVICE OPTION SELECTION. Each telephone
21 company which has in effect a limited local measured service
22 option or a means-tested lifeline service option shall report
23 to the commission in each request for a rate increase the
24 number of customers, both business and residential, who have
25 plain old telephone service and local measured service and
26 shall state the number of customers who have switched or
27 initiated a local measured service option in the last calendar
28 year or from the time the data was last presented to the
29 commission in a preceding rate case, whichever is longer.

30 6. PRESUMPTION. In any action brought to review the
31 reasonableness and lawfulness of a telephone rate structure
32 approved by the commission, it shall be presumed that a rate
33 or rate structure which results in less than two thirds of
34 either the business or residential customers maintaining plain
35 old telephone service is in violation of subsection 2 which

1 requires the commission to establish a rate structure which
2 will preserve reasonably affordable flat rate service. This
3 presumption may be overcome by clear and convincing evidence
4 that no reasonable alternative rate or rate structure could be
5 implemented which would maintain two thirds of both business
6 and residential customers as plain old telephone service
7 customers.

8 7. ADDITIONAL ALLOCATION OF COSTS. A local exchange
9 carrier shall not include in its rates any charge to telephone
10 subscribers to recover costs of the access (dial tone)
11 service, unless such costs have been allocated to local
12 services under subsection 3. Costs of access (dial tone)
13 service in excess of those allocated to local services shall
14 be recovered by local exchange carriers through access charges
15 to be paid by long distance carriers. Access charges paid by
16 long distance carriers shall be at a level sufficient to
17 preserve reasonably affordable plain old telephone service.

18 If a single utility provides both local exchange and long
19 distance service, the utility may include in its rates a
20 charge to telephone customers to recover the costs of access
21 (dial tone) service not allocated to local service, provided
22 that such a charge is not included in the rate for any local
23 service.

24 8. SURCHARGE FOR BYPASS. If the commission determines
25 that use of bypass by businesses constitutes a threat to the
26 continued availability of reasonably affordable plain old
27 telephone service, the commission may order that a surcharge,
28 payable to the local exchange utility, be levied on those
29 business customers engaging in bypass. The surcharge shall be
30 in an amount sufficient to preserve reasonably affordable
31 plain old telephone service. Failure of the bypassing party
32 to pay the surcharge shall be considered grounds for dis-
33 connection of local exchange telephone service. Any business
34 which engages in bypass shall report the bypass to the local
35 exchange utility, including the origin and destination of the

1 bypassing communications and the minutes of use involved.

2 9. JURISDICTION. The commission under this section has
3 jurisdiction over any call which originates and terminates in
4 Iowa even if the call is transmitted through an interstate
5 network, and the commission also has jurisdiction over any
6 carrier which originates and terminates calls in Iowa.

7 10. PENALTY. A person who fails to report that a business
8 is engaged in bypass as required under subsection 8 is guilty
9 of a simple misdemeanor.

10

EXPLANATION

11 This bill requires the Iowa state commerce commission to
12 establish rates and rate structures for telephone companies
13 which include a flat rate service with unlimited local calling
14 as its plain old telephone service. The bill allows the
15 commerce commission to approve a rate structure which includes
16 local measured service as an option, but the rate of the
17 optional service is to be set so that the costs of the service
18 are not subsidized by rates charged to flat rate customers.
19 The commission is also allowed to approve a rate which
20 provides a lifeline service option for those who qualify under
21 income guidelines established by the commission.

22 The bill provides that in any court action to review the
23 reasonableness and lawfulness of a telephone rate structure
24 approved by the commission, there is a rebuttable presumption
25 that if a rate or rate structure results in having less than
26 two thirds of either the business or residential customers
27 maintain plain old telephone service that the rate is in
28 violation of the standard which is to preserve a reasonably
29 affordable flat rate service. The presumption can be overcome
30 through clear and convincing evidence that no reasonable
31 alternative rate or rate structure could be implemented which
32 would maintain two thirds of the customers as plain old
33 telephone service customers.

34 The bill also allows the commerce commission to establish a
35 surcharge to be levied on businesses which are engaged in

1 bypass if the commission finds that bypass has become a
2 significant threat to the maintenance of reasonably affordable
3 plain old telephone service. Businesses who engage in bypass
4 of telecommunication services are required to report to the
5 commerce commission and persons who fail to report are guilty
6 of a simple misdemeanor.

7 The bill creates new section 476.61.

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