

FILED MAR 19 1997

SENATE FILE 527
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 160)

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

A BILL FOR

1 An Act relating to an alternative price regulation plan for
2 certain local exchange carriers, providing for related
3 matters, and providing an effective date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 527

1 Section 1. Section 476.97, subsection 3, paragraph a, Code
2 1997, is amended by adding the following new subparagraph:

3 NEW SUBPARAGRAPH. (1A) (a) Notwithstanding subparagraph
4 (1), a local exchange carrier which enters into a plan on or
5 after July 1, 1997, shall immediately reduce its average
6 intrastate access service rates by at least fifty percent of
7 the difference between average intrastate access service rates
8 and average interstate access service rates as of the date the
9 plan is filed, and further reduce such rates by the remaining
10 amount of the difference in equal annual reductions on the
11 anniversary of the filing of the plan during the first two
12 years that its plan is in effect.

13 (b) Notwithstanding subparagraph subdivision (a), any
14 further reduction of the local exchange carrier's average
15 intrastate rates after the initial reduction at the time of
16 filing of the plan is mandatory only if the utilities board
17 finds that long distance carriers whose access charges are
18 reduced have reduced the rates charged to its customers,
19 including both residential and business in proportion to the
20 percentage of business each class of customer represents to
21 the long distance carrier, by a total amount at least equal to
22 the total amount of the reduction in such access charges.

23 Sec. 2. Section 476.97, subsection 3, paragraph a,
24 subparagraph (3), Code 1997, is amended to read as follows:

25 (3) The plan shall also provide that the initial prices
26 for basic communications services shall be ~~six~~ three percent
27 less than the rates approved and in effect at the time the
28 local exchange carrier files its plan. A local exchange
29 carrier which elects to reduce its rates by ~~six~~ three percent
30 shall not, at a later time, increase its rates for basic
31 communications services as a result of the carrier's
32 compliance with the board's rules relating to unbundling. In
33 lieu of the ~~six~~ three percent reduction, and prior to the
34 adoption of rules relating to unbundling pursuant to section
35 476.101, subsection 4, paragraph "a", subparagraph (1), the

1 local exchange carrier may request and the board may establish
2 a regulated revenue requirement in a rate proceeding under
3 section 476.3 or 476.6 commenced after July 1, 1995. After
4 the determination of the local exchange carrier's regulated
5 revenue requirement pursuant to the rate proceeding, the local
6 exchange carrier shall not immediately implement rates
7 designed to recover that regulated revenue requirement.
8 Following the adoption of rules relating to unbundling
9 pursuant to section 476.101, subsection 4, paragraph "a",
10 subparagraph (1), the local exchange carrier shall commence a
11 tariff proceeding for the approval of tariffs implementing
12 such unbundling. The board has six months to complete this
13 tariff proceeding and determine the local exchange carrier's
14 final unbundled rates. The local exchange carrier shall carry
15 forward the regulated revenue requirement determined by the
16 board pursuant to the rate proceeding and design rates that
17 comply with the board's rules relating to unbundling that
18 recover the regulated revenue requirement, and that implement
19 the board's approved rate design established in the tariff
20 proceeding.

21 In lieu of taking the ~~six~~ three percent reduction, a local
22 exchange carrier that submits a plan for price regulation
23 after the board adopts rules relating to unbundling may file a
24 rate proceeding under section 476.3 or 476.6 and the board may
25 approve rates designed to comply with those rules which allow
26 the carrier to recover the established regulated revenue
27 requirement and that implement the board's approved rate
28 design established in the tariff proceeding.

29 Sec. 3. EFFECTIVE DATE. This Act, being deemed of
30 immediate importance, takes effect upon enactment.

31 EXPLANATION

32 This bill provides that a local exchange carrier with
33 500,000 or more access lines which enters into a plan for
34 price regulation on or after July 1, 1997, must immediately
35 reduce its average intrastate access service rates by at least

1 50 percent of the difference between average intrastate access
2 service rates and average interstate access service rates as
3 of the date the plan is filed, and further reduce such rates
4 by equal annual reductions on the anniversary of the filing of
5 the plan during the first two years of the plan. The
6 subsequent reductions are not mandated only if the utilities
7 board finds that long distance carriers are reducing their
8 rates to their customers by an amount at least equal to the
9 amount of the reduction in the access charges charged to such
10 long distance carriers.

11 The bill also provides that the initial prices for basic
12 communications services provided by the local exchange carrier
13 entering into the plan must be 3 percent less than the rates
14 approved and in effect at the time the local exchange carrier
15 files a plan. Currently, a local exchange carrier with
16 500,000 or more access lines which enters into a plan must
17 reduce such prices by 6 percent.

18 The bill would take effect upon enactment.

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SENATE FILE 527

S-3343

1 Amend Senate File 527 as follows:
2 1. Page 2, by inserting after line 28 the
3 following:
4 "Sec. ____ . Section 476.97, Code 1997, is amended
5 by adding the following new subsection:
6 NEW SUBSECTION. 12. A plan for price regulation,
7 or the operation of a local exchange carrier under a
8 price regulation plan, does not diminish or restrict
9 the authority of the board with regard to complaints
10 filed under section 476.3 or 476.11, or section
11 476.101, subsection 8."
12 2. By renumbering as necessary.

By STEVEN D. HANSEN

S-3343 FILED APRIL 2, 1997

SENATE FILE 527

S-3344

1 Amend Senate File 527 as follows:
2 1. Page 1, by inserting after line 22 the
3 following:
4 "(c) This subparagraph does not apply if the board
5 finds that the local exchange carrier, within the
6 twenty-four months immediately preceding the date the
7 local exchange carrier enters into a plan under this
8 section, has committed an act prohibited under section
9 476.100."

By STEVEN D. HANSEN

S-3344 FILED APRIL 2, 1997

SENATE FILE 527

S-3342

1 Amend Senate File 527 as follows:
2 1. Page 2, by inserting after line 28 the
3 following:
4 "Sec. ____ . Section 476.97, Code 1997, is amended
5 by adding the following new subsection:
6 NEW SUBSECTION. 12. Notwithstanding the
7 provisions of this section, the board, after notice
8 and opportunity for hearing, may at any time order a
9 local exchange carrier with more than five hundred
10 thousand access lines in this state to be subject to
11 rate-based rate-of-return regulation, if the board
12 finds that such action is in the public interest."
13 2. By renumbering as necessary.

By STEVEN D. HANSEN

S-3342 FILED APRIL 2, 1997

SENATE FILE 527

S-3348

1 Amend Senate File 527 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "Section 1. Section 476.97, subsection 11,
5 paragraph a, Code 1997, is amended to read as follows:

6 a. Notwithstanding subsections 1 through 10, a
7 local exchange carrier ~~with fewer than five hundred~~
8 ~~thousand access lines in this state~~ shall have the
9 option to be regulated pursuant to subsections 1
10 through 10 or pursuant to this subsection. A local
11 exchange carrier which elects to become price
12 regulated under this subsection shall also be subject
13 to subsections 5 through 8 and subsection 10 in the
14 same manner as a local exchange carrier which operates
15 under an approved plan of price regulation submitted
16 pursuant to subsection 1.

17 Sec. 2. Section 476.97, subsection 11, paragraph
18 c, Code 1997, is amended to read as follows:

19 c. (1) Upon election of a local exchange carrier
20 to become price-regulated under this subsection, the
21 carrier shall reduce its rates for basic local
22 telephone service an average of three percent. In
23 lieu of the three percent reduction, the local
24 exchange carrier may establish its rates for basic
25 local telephone service in a rate proceeding under
26 section 476.3 or 476.6 commenced after July 1, 1995.

27 (2) Notwithstanding subparagraph (1), upon the
28 election of a local exchange carrier with five hundred
29 thousand or more access lines to become price-
30 regulated under this subsection, the carrier shall
31 reduce its rates for basic local telephone service an
32 average of four and one-half percent. In lieu of the
33 four and one-half percent reduction, the local
34 exchange carrier may establish its rates for basic
35 local telephone service in a rate proceeding under
36 section 476.3 or 476.6 commenced after the effective
37 date of this Act.

38 Sec. 3. Section 476.97, subsection 11, paragraph
39 e, Code 1997, is amended by adding the following new
40 subparagraph:

41 NEW SUBPARAGRAPH. (7) Notwithstanding
42 subparagraph (6), a local exchange carrier with five
43 hundred thousand or more access lines which enters
44 into a plan on or after the effective date of this
45 Act, shall immediately reduce its average intrastate
46 access service rates by at least fifty percent of the
47 difference between average intrastate access service
48 rates and average interstate access service rates as
49 of the date the plan is filed, and further reduce such
50 rates by the remaining amount of the difference in

S-3348

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Page 2

1 equal annual reductions on the anniversary of the
2 filing of the plan during the first two years that its
3 plan is in effect.

4 Sec. 4. Section 476.97, Code 1997, is amended by
5 adding the following new subsection:

6 NEW SUBSECTION. 12. A plan for price regulation,
7 or the operation of a local exchange carrier under a
8 plan for price regulation, does not restrict or
9 diminish the authority of the board with regard to
10 complaints filed pursuant to section 476.3 or 476.11,
11 476.100, or pursuant to section 476.101, subsection
12 8."

By MICHAEL E. GRONSTAL

S-3348 FILED APRIL 2, 1997

Maddox, Chair
McCoy
King

SSB 160
Commerce
Succeeded By
SF/HF 527

SENATE FILE
BY (PROPOSED COMMITTEE ON
COMMERCE BILL BY
CHAIRPERSON JENSEN)

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

A BILL FOR

1 An Act relating to an alternative price regulation plan for
2 certain local exchange carriers, providing for related
3 matters, and providing an effective date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 476.97, subsection 11, paragraph a,
2 Code 1997, is amended to read as follows:

3 a. Notwithstanding subsections 1 through 10, a local
4 exchange carrier ~~with fewer than five hundred thousand access~~
5 ~~lines in this state~~ shall have the option to be regulated
6 pursuant to subsections 1 through 10 or pursuant to this
7 subsection. A local exchange carrier which elects to become
8 price regulated under this subsection shall also be subject to
9 subsections 5 through 8 and subsection 10 in the same manner
10 as a local exchange carrier which operates under an approved
11 plan of price regulation submitted pursuant to subsection 1.

12 Sec. 2. Section 476.98, Code 1997, is amended to read as
13 follows:

14 476.98 EARNINGS CALCULATION AND REPORT.

15 The consumer advocate shall calculate an estimate of the
16 return of a local exchange carrier operating under price
17 regulation pursuant to section 476.97 as if the carrier were
18 subject to rate-of-return regulation. The calculation shall
19 be based upon the annual report of such carrier and other
20 information provided to the consumer advocate by the carrier.
21 The calculation shall be made every two years beginning
22 following the end of the second calendar year after the year
23 in which the plan becomes effective. Notwithstanding section
24 476.1D, subsection 4, in making a calculation pursuant to this
25 section, the consumer advocate shall not take into account the
26 investment, revenues, and expenses associated with the sale of
27 classified directory advertising. The consumer advocate shall
28 provide a written report to the general assembly including the
29 results of this calculation on or before July 1 of the year
30 immediately following the two-year period for which a
31 calculation is made. If, after a review of the information
32 used to make the calculation required in this section, the
33 consumer advocate determines that the public interest would be
34 better served by a different form of rate regulation, the
35 consumer advocate shall provide a recommendation that the

1 general assembly direct the utilities board to implement a
2 different form of rate regulation.

3 Sec. 3. EFFECTIVE DATE. This Act, being deemed of
4 immediate importance, takes effect upon enactment.

5 EXPLANATION

6 This bill amends Code section 476.97 to permit a local
7 exchange carrier with 500,000 access lines or more a second
8 option regarding price regulation. Currently, only local
9 exchange carriers with fewer than 500,000 access lines are
10 given the choice of the alternative option.

11 Pursuant to the first option, a rate-regulated local
12 exchange carrier may submit a plan for price regulation to the
13 board. The board, after notice and opportunity for hearing,
14 may approve, modify, or reject the plan. The carrier has 10
15 days to accept or reject any modifications to the plan. A
16 plan under this option, at a minimum, must include provisions
17 for establishing and changing prices, terms, and conditions
18 for basic communications services; establishing and changing
19 prices, terms, and conditions for nonbasic communications
20 services; reporting new service offerings to the board;
21 reflecting any changes in revenues, expenses, and investment
22 due to exogenous factors beyond the control of the local
23 exchange carrier in the rates to be charged by the carrier;
24 and providing notice to customers, the board, and the consumer
25 advocate of any changes in prices, terms, or conditions.
26 Additionally, the board is to determine the duration of any
27 plan under this option.

28 Pursuant to the second option, which is currently only
29 available to a rate-regulated local exchange carrier with
30 fewer than 500,000 access lines, such carrier is to provide
31 written notice to the board of such election no less than 30
32 days prior to the date price regulation is to commence. The
33 rate-regulated local exchange carrier is not required to file
34 a plan with the board in the manner provided under the first
35 option. The rate-regulated local exchange carrier is not

1 subject to rate-of-return regulation while operating under
2 price regulation, all regulated services are to be provided
3 pursuant to board-approved tariffs, all new regulated service
4 offerings are to be reported to the board, and rates may be
5 adjusted by the board to reflect any changes in revenues,
6 expenses, and investment due to exogenous factors beyond the
7 control of the local exchange carrier. Current law provides
8 the manner in which prices may be changed and requires that
9 the rate-regulated local exchange carrier notify customers of
10 a rate change under this subsection at least 30 days prior to
11 the effective date of the rate change. The board is
12 authorized to review a local exchange carrier's operation
13 under this option four years after the carrier's election to
14 be price-regulated. The local exchange carrier, consumer
15 advocate, or any other person may propose for the board's
16 approval, a reasonable modification to the price regulation
17 requirements in the option.

18 The bill also provides that the consumer advocate, in
19 calculating an estimate of the return of a local exchange
20 carrier operating under price regulation as if the carrier
21 were subject to rate-of-return regulation, is not to consider
22 the investment, revenues, and expenses associated with the
23 sale of classified directory advertising.

24 The bill would take effect upon enactment.

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