

REPRINTED

FILED MAR 2 1998

SENATE FILE 2380
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SF 2302)

(p.136)
Passed Senate, Date 3-17-98
Vote: Ayes 42 Nays 4

(p.1313)
Passed House, Date 4-6-98
Vote: Ayes 73 Nays 26

Approved April 23, 1998

A BILL FOR

1 An Act relating to the election of a local exchange carrier to be
2 price-regulated.

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

S.F. 2380

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24

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

3 2. The board, after notice and opportunity for hearing,
4 may approve, modify, or reject the plan. The board shall
5 approve, modify, or reject the plan by no later than ninety
6 days after the date the plan is filed. The local exchange
7 carrier shall have ten days to accept or reject any board
8 modifications to its plan. If the local exchange carrier
9 rejects a modification to its plan, the board shall reject the
10 plan without prejudice to the local exchange carrier to submit
11 another plan.

12 Sec. 2. Section 476.97, subsection 3, paragraph a,
13 subparagraphs (1), (3), and (4), Code 1997, are amended to
14 read as follows:

15 (1) Establishing and changing prices, terms, and
16 conditions for basic communications services. The initial
17 plan for price regulation must include a proposal, which the
18 board shall approve, for reducing the local exchange carrier's
19 average intrastate access service rates to the local exchange
20 carrier's average interstate access service rates in effect as
21 of the last day of the calendar year immediately preceding the
22 date of filing of the plan, as follows:

23 (a) A local exchange carrier with five hundred thousand or
24 more access lines in this state shall reduce its average
25 intrastate access service rates by at least fifty one hundred
26 percent of the difference between average intrastate access
27 service rates and average interstate access service rates as
28 of the date that the plan is-filed-and-further-reduce-such
29 rates-to-the-average-interstate-access-service-rates-within
30 ninety-days-of-the-date-that-the-plan becomes effective.

31 (b) A local exchange carrier with fewer than five hundred
32 thousand but seventy-five thousand or more access lines in
33 this state shall reduce its average intrastate access service
34 rates to its average interstate access service rates in
35 increments of at least twenty-five percent, with the initial

1 reduction to take effect on approval of the plan and equal
2 annual reductions on each anniversary of the approval during
3 the first three years that its plan is in effect.

4 (c) A local exchange carrier with fewer than seventy-five
5 thousand access lines in this state shall reduce its average
6 intrastate access service rates to its average interstate
7 access service rates with equal annual reductions during a
8 period beginning no more than two years and ending no more
9 than five years from the plan's inception.

10 (3) The plan shall also provide that the initial prices
11 for basic communications services shall be ~~six~~ three percent
12 less than the rates approved and in effect at the time the
13 local exchange carrier files its plan. A local exchange
14 carrier which elects to reduce its rates by ~~six~~ three percent
15 shall not, at a later time, increase its rates for basic
16 communications services as a result of the carrier's
17 compliance with the board's rules relating to unbundling. In
18 lieu of the ~~six~~ three percent reduction, and prior to the
19 adoption of rules relating to unbundling pursuant to section
20 476.101, subsection 4, paragraph "a", subparagraph (1), the
21 local exchange carrier may request and the board may establish
22 a regulated revenue requirement in a rate proceeding under
23 section 476.3 or 476.6 commenced after July 1, 1995. After
24 the determination of the local exchange carrier's regulated
25 revenue requirement pursuant to the rate proceeding, the local
26 exchange carrier shall not immediately implement rates
27 designed to recover that regulated revenue requirement.
28 Following the adoption of rules relating to unbundling
29 pursuant to section 476.101, subsection 4, paragraph "a",
30 subparagraph (1), the local exchange carrier shall commence a
31 tariff proceeding for the approval of tariffs implementing
32 such unbundling. The board has six months to complete this
33 tariff proceeding and determine the local exchange carrier's
34 final unbundled rates. The local exchange carrier shall carry
35 forward the regulated revenue requirement determined by the

1 board pursuant to the rate proceeding and design rates that
2 comply with the board's rules relating to unbundling that
3 recover the regulated revenue requirement, and that implement
4 the board's approved rate design established in the tariff
5 proceeding.

6 In lieu of taking the ~~six~~ three percent reduction, a local
7 exchange carrier that submits a plan for price regulation
8 after the board adopts rules relating to unbundling may file a
9 rate proceeding under section 476.3 or 476.6 and the board may
10 approve rates designed to comply with those rules which allow
11 the carrier to recover the established regulated revenue
12 requirement and that implement the board's approved rate
13 design established in the tariff proceeding.

14 (4) The plan shall provide for both increases and
15 decreases in the prices for basic communications services
16 reflecting annual changes in inflation and productivity.
17 Prior to January 1, ~~1998~~ 2000, the board shall use the gross
18 domestic product price index, as published by the federal
19 government, for an inflation measure, and two and six-tenths
20 percentage points for a productivity measure. ~~After~~ On or
21 after January 1, ~~1998~~ 2000, the board by rule may adopt
22 current measures of inflation and productivity.

23 Sec. 3. Section 476.98, Code 1997, is amended to read as
24 follows:

25 476.98 EARNINGS CALCULATION AND REPORT.

26 The consumer advocate shall calculate an estimate of the
27 return of a local exchange carrier operating under price
28 regulation pursuant to section 476.97 as if the carrier were
29 subject to rate-of-return regulation. The calculation shall
30 be based upon the annual report of such carrier and other
31 information provided to the consumer advocate by the carrier.
32 The calculation shall be made every two years beginning
33 following the end of the second calendar year after the year
34 in which the plan becomes effective. Notwithstanding section
35 476.1D, subsection 4, the consumer advocate shall make two

1 calculations pursuant to this section with one calculation
2 taking into account the investment, revenues, and expenses
3 associated with the sale of classified directory advertising,
4 and one calculation not taking into account such investment,
5 revenues, and expenses. The consumer advocate shall provide a
6 written report to the general assembly including the results
7 of this calculation on or before July 1 of the year
8 immediately following the two-year period for which a
9 calculation is made. If, after a review of the information
10 used to make the calculation required in this section, the
11 consumer advocate determines that the public interest would be
12 better served by a different form of rate regulation, the
13 consumer advocate shall provide a recommendation that the
14 general assembly direct the utilities board to implement a
15 different form of rate regulation.

16 EXPLANATION

17 This bill amends portions of Code section 476.97 applicable
18 to a local exchange carrier with 500,000 or more access lines
19 electing to operate under price regulation. The bill provides
20 that the utility board must approve, modify, or reject the
21 plan of any local exchange carrier to elect price regulation
22 by no later than 90 days after such plan is filed with the
23 board. The bill provides that a price regulation plan for a
24 local exchange carrier with 500,000 or more access lines must
25 provide for the reduction of its average intrastate access
26 service rates by at least 100 percent of the difference
27 between average intrastate access service rates and average
28 interstate access service rates as of the date the plan
29 becomes effective. Currently, such rates must be reduced by
30 50 percent of such difference between intrastate and
31 interstate access service rates with a further reduction to
32 the average interstate access service rates within 90 days of
33 the date the plan becomes effective.

34 The bill also provides that initial prices for basic
35 communications services shall be three percent less than rates

1 in effect at the time a local exchange carrier with 500,000 or
2 more access lines files its plan. Currently, such reduction
3 in prices is to be six percent less than such rates.

4 The bill provides that the board, for purposes of
5 determining increases and decreases in prices for basic
6 communications services under the plan reflecting annual
7 changes in inflation and productivity, is to use the gross
8 domestic product price index until January 1, 2000, after
9 which the board is to adopt current measures of inflation and
10 productivity. Currently, the board is to use the gross
11 domestic product price index for such determinations until
12 January 1, 1998.

13 The bill also provides that the consumer advocate, in
14 calculating an estimate of the return of a local exchange
15 carrier operating under price regulation as if the carrier
16 were subject to rate-of-return regulation, is to make two
17 calculations with one calculation considering the investment,
18 revenues, and expenses associated with the sale of classified
19 directory advertising, and one calculation not considering
20 such investment, revenues, and expenses.

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

SENATE FILE 2380

S-5260

- 1 Amend Senate File 2380 as follows:
2 1. Page 2, line 11, by striking the word "three"
3 and inserting the following: "four".
4 2. Page 2, line 14, by striking the word "three"
5 and inserting the following: "four".
6 3. Page 2, line 18, by striking the word "three"
7 and inserting the following: "four".
8 4. Page 3, line 6, by striking the word "three"
9 and inserting the following: "four".

By ROBERT E. DVORSKY

S-5260 FILED MARCH 17, 1998

LOST

(p. 136)

SENATE FILE 2380

S-5250

1 Amend Senate File 2380 as follows:
 2 1. Page 3, by inserting after line 22 the
 3 following:
 4 "Sec. _____. Section 476.97, subsection 3, paragraph
 5 a, Code 1997, is amended by adding the following new
 6 subparagraph:
 7 NEW SUBPARAGRAPH. (1A) The board, during the term
 8 of the plan for a local exchange carrier with five
 9 hundred thousand or more access lines in this state,
 10 may consider further reductions toward economic costs
 11 in the local exchange carrier's average intrastate
 12 access service rates. The board may consider
 13 offsetting such reductions by an explicit subsidy
 14 replacement to the extent that such offsets are
 15 competitively neutral. In determining economic costs
 16 of access service the board shall consider all
 17 relevant costs of the service including shared and
 18 common costs of the local exchange carrier."
 19 2. Page 4, by inserting after line 15 the
 20 following:
 21 "Sec. _____. Section 476.101, Code 1997, is amended
 22 by adding the following new subsection:
 23 NEW SUBSECTION. 9. A telecommunications carrier,
 24 as defined in the federal Telecommunications Act of
 25 1996, shall not do any of the following:
 26 a. Use customer information in a manner which is
 27 not in compliance with 47 U.S.C. § 222.
 28 b. Disparage the services offered by another
 29 telecommunications carrier through false or misleading
 30 statements.
 31 c. Take any action that disadvantages a customer
 32 who has chosen to receive services from another
 33 telecommunications carrier."
 34 3. By renumbering as necessary.
 By JOANN DOUGLAS MICHAEL E. GRONSTAL
 STEWART IVERSON, Jr. STEVEN D. HANSEN

S-5250 FILED MARCH 16, 1998
 DEFERRED - *adopted 3/17/98 (P.731)*

SENATE FILE 2380

S-5257

1 Amend the amendment, S-5250, to Senate File 2380,
 2 as follows:
 3 1. Page 1, line 12, by striking the word "may"
 4 and inserting the following: "shall".
 By ROBERT E. DVORSKY

S-5257 FILED MARCH 16, 1998

WITHDRAWN *3/17/98 (P.731)*

H-3/18/98 Commerce
& Regulation
H-3/19/98 Do *John*

H 3/23/98 UNFINISHED BUSINESS CALENDAR

SENATE FILE 2380
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SF 2302)

(AS AMENDED AND PASSED BY THE SENATE MARCH 17, 1998)

~~_____~~ - New Language by the Senate

(P.1313)

Passed Senate, Date _____ Passed House, Date 4-6-98
Vote: Ayes _____ Nays _____ Vote: Ayes 73 Nays 26
Approved April 23, 1998

A BILL FOR

1 An Act relating to the election of a local exchange carrier to be
2 price-regulated.

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

4
5

SENATE FILE 2380

H-8618

1 Amend Senate File 2380, as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 3, line 32, by inserting after the word
4 "neutral" the following: "and do not adversely affect
5 customers of the local exchange carrier".

By WISE of Lee

H-8618 FILED MARCH 24, 1998

W/D 4-6-98
(P.1309)

S.F. 2380

74

SENATE FILE 2380

H-8774

1 Amend Senate File 2380, as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 3, line 29, by striking the words "The
4 board".
5 2. Page 3, by striking lines 30 and 31.
6 3. Page 3, line 32, by striking the word
7 "neutral."

By WISE of Lee

H-8774 FILED MARCH 30, 1998

Lost 4-6-98 (P.1313)

SF 2380

mj/cc/26

PROPOSED LEGISLATION

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

3 2. The board, after notice and opportunity for hearing,
4 may approve, modify, or reject the plan. The board shall
5 approve, modify, or reject the plan by no later than ninety
6 days after the date the plan is filed. The local exchange
7 carrier shall have ten days to accept or reject any board
8 modifications to its plan. If the local exchange carrier
9 rejects a modification to its plan, the board shall reject the
10 plan without prejudice to the local exchange carrier to submit
11 another plan.

12 Sec. 2. Section 476.97, subsection 3, paragraph a,
13 subparagraphs (1), (3), and (4), Code 1997, are amended to
14 read as follows:

15 (1) Establishing and changing prices, terms, and
16 conditions for basic communications services. The initial
17 plan for price regulation must include a proposal, which the
18 board shall approve, for reducing the local exchange carrier's
19 average intrastate access service rates to the local exchange
20 carrier's average interstate access service rates in effect as
21 of the last day of the calendar year immediately preceding the
22 date of filing of the plan, as follows:

23 (a) A local exchange carrier with five hundred thousand or
24 more access lines in this state shall reduce its average
25 intrastate access service rates by at least fifty one hundred
26 percent of the difference between average intrastate access
27 service rates and average interstate access service rates as
28 of the date that the plan is filed and further reduce such
29 rates to the average interstate access service rates within
30 ninety days of the date that the plan becomes effective.

31 (b) A local exchange carrier with fewer than five hundred
32 thousand but seventy-five thousand or more access lines in
33 this state shall reduce its average intrastate access service
34 rates to its average interstate access service rates in
35 increments of at least twenty-five percent, with the initial

1 reduction to take effect on approval of the plan and equal
2 annual reductions on each anniversary of the approval during
3 the first three years that its plan is in effect.

4 (c) A local exchange carrier with fewer than seventy-five
5 thousand access lines in this state shall reduce its average
6 intrastate access service rates to its average interstate
7 access service rates with equal annual reductions during a
8 period beginning no more than two years and ending no more
9 than five years from the plan's inception.

10 (3) The plan shall also provide that the initial prices
11 for basic communications services shall be ~~six~~ three percent
12 less than the rates approved and in effect at the time the
13 local exchange carrier files its plan. A local exchange
14 carrier which elects to reduce its rates by ~~six~~ three percent
15 shall not, at a later time, increase its rates for basic
16 communications services as a result of the carrier's
17 compliance with the board's rules relating to unbundling. In
18 lieu of the ~~six~~ three percent reduction, and prior to the
19 adoption of rules relating to unbundling pursuant to section
20 476.101, subsection 4, paragraph "a", subparagraph (1), the
21 local exchange carrier may request and the board may establish
22 a regulated revenue requirement in a rate proceeding under
23 section 476.3 or 476.6 commenced after July 1, 1995. After
24 the determination of the local exchange carrier's regulated
25 revenue requirement pursuant to the rate proceeding, the local
26 exchange carrier shall not immediately implement rates
27 designed to recover that regulated revenue requirement.
28 Following the adoption of rules relating to unbundling
29 pursuant to section 476.101, subsection 4, paragraph "a",
30 subparagraph (1), the local exchange carrier shall commence a
31 tariff proceeding for the approval of tariffs implementing
32 such unbundling. The board has six months to complete this
33 tariff proceeding and determine the local exchange carrier's
34 final unbundled rates. The local exchange carrier shall carry
35 forward the regulated revenue requirement determined by the

1 board pursuant to the rate proceeding and design rates that
2 comply with the board's rules relating to unbundling that
3 recover the regulated revenue requirement, and that implement
4 the board's approved rate design established in the tariff
5 proceeding.

6 In lieu of taking the ~~six~~ three percent reduction, a local
7 exchange carrier that submits a plan for price regulation
8 after the board adopts rules relating to unbundling may file a
9 rate proceeding under section 476.3 or 476.6 and the board may
10 approve rates designed to comply with those rules which allow
11 the carrier to recover the established regulated revenue
12 requirement and that implement the board's approved rate
13 design established in the tariff proceeding.

14 (4) The plan shall provide for both increases and
15 decreases in the prices for basic communications services
16 reflecting annual changes in inflation and productivity.
17 Prior to January 1, 1998 2000, the board shall use the gross
18 domestic product price index, as published by the federal
19 government, for an inflation measure, and two and six-tenths
20 percentage points for a productivity measure. ~~After~~ On or
21 after January 1, 1998 2000, the board by rule may adopt
22 current measures of inflation and productivity.

23 Sec. 3. Section 476.97, subsection 3, paragraph a, Code
24 1997, is amended by adding the following new subparagraph:

25 NEW SUBPARAGRAPH. (1A) The board, during the term of the
26 plan for a local exchange carrier with five hundred thousand
27 or more access lines in this state, may consider further
28 reductions toward economic costs in the local exchange
29 carrier's average intrastate access service rates. The board
30 may consider offsetting such reductions by an explicit subsidy
31 replacement to the extent that such offsets are competitively
32 neutral. In determining economic costs of access service the
33 board shall consider all relevant costs of the service
34 including shared and common costs of the local exchange
35 carrier.

1 Sec. 4. Section 476.98, Code 1997, is amended to read as
2 follows:

3 476.98 EARNINGS CALCULATION AND REPORT.

4 The consumer advocate shall calculate an estimate of the
5 return of a local exchange carrier operating under price
6 regulation pursuant to section 476.97 as if the carrier were
7 subject to rate-of-return regulation. The calculation shall
8 be based upon the annual report of such carrier and other
9 information provided to the consumer advocate by the carrier.
10 The calculation shall be made every two years beginning
11 following the end of the second calendar year after the year
12 in which the plan becomes effective. Notwithstanding section
13 476.1D, subsection 4, the consumer advocate shall make two
14 calculations pursuant to this section with one calculation
15 taking into account the investment, revenues, and expenses
16 associated with the sale of classified directory advertising,
17 and one calculation not taking into account such investment,
18 revenues, and expenses. The consumer advocate shall provide a
19 written report to the general assembly including the results
20 of this calculation on or before July 1 of the year
21 immediately following the two-year period for which a
22 calculation is made. If, after a review of the information
23 used to make the calculation required in this section, the
24 consumer advocate determines that the public interest would be
25 better served by a different form of rate regulation, the
26 consumer advocate shall provide a recommendation that the
27 general assembly direct the utilities board to implement a
28 different form of rate regulation.

29 Sec. 5. Section 476.101, Code 1997, is amended by adding
30 the following new subsection:

31 NEW SUBSECTION. 9. A telecommunications carrier, as
32 defined in the federal Telecommunications Act of 1996, shall
33 not do any of the following:

34 a. Use customer information in a manner which is not in
35 compliance with 47 U.S.C. § 222.

1 b. Disparage the services offered by another
2 telecommunications carrier through false or misleading
3 statements.

4 c. Take any action that disadvantages a customer who has
5 chosen to receive services from another telecommunications
6 carrier.

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

SENATE FILE 2380

H-8767

- 1 Amend Senate File 2380, as amended, passed, and
 2 reprinted by the Senate, as follows:
 3 1. Page 3, by striking lines 29 through 32 and
 4 inserting the following: "carrier's average
 5 intrastate access service rates. In determining
 6 economic costs of access service the".

By WEIGEL of Chickasaw

H-8767 FILED MARCH 30, 1998

W/D 4-6-98 (P.1313)

SENATE FILE 2380

H-8768

- 1 Amend Senate File 2380, as amended, passed, and
 2 reprinted by the Senate, as follows:
 3 1. Page 1, line 13, by striking the figure "
 4 (3),".
 5 2. By striking page 2, line 10, through page 3,
 6 line 13.
 7 3. Page 3, by striking lines 23 through 35.
 8 4. By striking page 4, line 29, through page 5,
 9 line 6.
 10 5. By renumbering as necessary.

By WEIGEL of Chickasaw

H-8768 FILED MARCH 30, 1998

W/D 4-6-98 (P.1312)

SENATE FILE 2380

H-8769

- 1 Amend Senate File 2380, as amended, passed, and
 2 reprinted by the Senate, as follows:
 3 1. Page 1, line 5, by striking the word "ninety"
 4 and inserting the following: "one hundred twenty".

By KOENIGS of Mitchell

H-8769 FILED MARCH 30, 1998

Lost 4-6-98 (P.1312)

SENATE FILE 2380

H-8770

- 1 Amend Senate File 2380, as amended, passed, and
 2 reprinted by the Senate, as follows:
 3 1. Page 1, line 5, by striking the word "ninety"
 4 and inserting the following: "one hundred eighty".

By KOENIGS of Mitchell

H-8770 FILED MARCH 30, 1998

Lost 4-6-98 (P.1304)

SENATE FILE 2380

H-8771

- 1 Amend Senate File 2380, as amended, passed, and
 2 reprinted by the Senate, as follows:
 3 1. Page 1, line 5, by striking the word "ninety"
 4 and inserting the following: "one hundred fifty".

By KOENIGS of Mitchell

H-8771 FILED MARCH 30, 1998

W/D 4-6-98 (P.1312)

SENATE FILE 2380

H-8749

- 1 Amend Senate File 2380, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 4, by striking lines 1 through 28.
- 4 2. By renumbering as necessary.

By WEIGEL of Chickasaw

H-8749 FILED MARCH 26, 1998

Lost 4-6-98 (p. 1312)

SENATE FILE 2380

H-8750

- 1 Amend Senate File 2380, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 3, line 32, by inserting after the word
- 4 "neutral" the following: "and do not adversely affect
- 5 customers of the local exchange carrier by increasing
- 6 the rates for basic communications services".

By WEIGEL of Chickasaw

H-8750 FILED MARCH 26, 1998

Lost 4-6-98 (p. 1310)

SENATE FILE 2380

H-8751

- 1 Amend Senate File 2380, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 1, line 13, by striking the figure "
- 4 (3),".
- 5 2. By striking page 2, line 10, through page 3,
- 6 line 13.
- 7 3. By renumbering as necessary.

By WEIGEL of Chickasaw

H-8751 FILED MARCH 26, 1998

Lost 4-6-98 (p. 1305)

SENATE FILE 2380

H-8754

- 1 Amend Senate File 2380, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 3, line 27, by inserting after the word
- 4 "may" the following: "consider whether to conduct a
- 5 proceeding to determine whether it will".

By BRAND of Tama

H-8754 FILED MARCH 26, 1998

Lost 4-6-98 (p. 1308)

SENATE FILE 2380

H-8757

- 1 Amend Senate File 2380, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 3, line 17, by striking the figure "2000"
- 4 and inserting the following: "1999".
- 5 2. Page 3, line 21, by striking the figure "2000"
- 6 and inserting the following: "1999".

By HOLVECK of Polk

H-8757 FILED MARCH 26, 1998

Lost 4-6-98 (p. 1307)

SENATE FILE 2380

H-8856

1 Amend Senate File 2380, as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 3, line 28, by striking the words
4 "economic costs in".
5 2. Page 3, by striking lines 30 through 35 and
6 inserting the following: "may consider offsetting
7 such reductions by increases in other prices provided
8 that price increases for basic communications services
9 do not exceed those permitted by subparagraphs (4) and
10 (5)."

By BRAND of Tama

H-8856 FILED APRIL 1, 1998

W/D 4/6/98 (P.1308)

SENATE FILE 2380

H-8857

1 Amend Senate File 2380, as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 3, line 28, by striking the words
4 "economic costs in".
5 2. Page 3, line 29, by striking the words "The
6 board".
7 3. Page 3, by striking lines 30 through 35.

By BRAND of Tama

H-8857 FILED APRIL 1, 1998

W/D 4-6-98

SENATE FILE 2380

H-8858

1 Amend Senate File 2380, as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 3, line 28, by striking the words
4 "economic costs in".
5 2. Page 3, by striking lines 30 through 35 and
6 inserting the following: "may consider offsetting
7 such reductions by increases in other prices provided
8 that price increases for basic communications services
9 do not exceed those permitted by subparagraph (5)."

By BRAND of Tama

H-8858 FILED APRIL 1, 1998

W/D 4-6-98

SENATE FILE 2380

H-8853

1 Amend Senate File 2380, as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 3, line 35, by inserting after the word
4 "carrier." the following: "Any access service rate
5 reductions approved by the board under this
6 subparagraph shall be made by crediting each
7 customer's monthly bill for interexchange services for
8 the amount of the access service rate reduction
9 applicable to the billed interexchange services for
10 the month, and by crediting the same amount to the
11 corresponding bill of the interexchange carrier which
12 provided the interexchange services."

By OSTERHAUS of Jackson

H-8853 FILED APRIL 1, 1998

Lot 4-6-98 (p.1311)

SENATE FILE 2380

H-8889

- 1 Amend Senate File 2380, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 3, line 28, by striking the words "toward
- 4 economic costs".
- 5 2. Page 3, line 29, by striking the words "The
- 6 board".
- 7 3. Page 3, by striking lines 30 through 35.
- 8

By BERNAU of Story

H-8889 FILED APRIL 2, 1998

Lost 4-6-98 (P. 1308)

SENATE FILE 2380

H-8890

- 1 Amend Senate File 2380, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 3, line 28, by striking the words "toward
- 4 economic costs".
- 5 2. Page 3, by striking lines 30 through 35 and
- 6 inserting the following: "may consider offsetting
- 7 such reductions by increases in other prices provided
- 8 that price increases for basic communications services
- 9 do not exceed those permitted by subparagraph (5)."

By BRAND of Tama

H-8890 FILED APRIL 2, 1998

Lost 4-6-98 (P. 1308)

SENATE FILE 2380

H-8937

- 1 Amend Senate File 2380, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 3, by striking lines 23 through 35.
- 4 2. By renumbering as necessary.

By WEIGEL of Chickasaw

H-8937 FILED APRIL 6, 1998

Lost 4-6-98 (P. 131)

SENATE FILE 2380

E-8891

1 Amend Senate File 2380, as amended, passed, and
 2 reprinted by the Senate, as follows:
 3 1. Page 3, line 28, by striking the words "toward
 4 economic costs".
 5 2. Page 3, by striking lines 30 through 35 and
 6 inserting the following: "may consider offsetting
 7 such reductions by increases in other prices provided
 8 that price increases for basic communications services
 9 do not exceed those permitted by subparagraphs (4) and
 10 (5)."

By BRAND of Tama

E-8891 FILED APRIL 2, 1998

Lost 4/6/98 (p.1309)

SENATE FILE 2380

H-8893

1 Amend Senate File 2380, as amended, passed, and
 2 reprinted by the Senate, as follows:
 3 1. Page 3, line 14, by inserting after the figure
 4 "(4)" the following: "(a)".
 5 2. Page 3, by inserting after line 22 the
 6 following:
 7 "b. Notwithstanding subparagraph subdivision (a),
 8 a plan of a local exchange carrier with five hundred
 9 thousand or more access lines in this state shall
 10 provide that prices for basic communications services
 11 shall not be increased for a period of four years from
 12 the date of the board's approval of the plan."

By OSTERHAUS of Jackson

E-8893 FILED APRIL 2, 1998

Lost 4-6-98 (p.1306)

SENATE FILE 2380

H-8894

1 Amend Senate File 2380, as amended, passed, and
 2 reprinted by the Senate, as follows:
 3 1. Page 2, line 10, by inserting after the figure
 4 "(3)" the following: "(a)".
 5 2. Page 3, by inserting after line 13 the
 6 following:
 7 "(b) Notwithstanding subparagraph subdivision (a),
 8 a plan filed on or after July 2, 1998, shall provide
 9 that the initial prices for basic communications
 10 services shall be ten percent less than the rates
 11 approved and in effect at the time the local exchange
 12 carrier files the plan. A local exchange carrier
 13 which is required to reduce its rates by ten percent
 14 shall not, at a later time, increase its rates for
 15 basic communications services as a result of the
 16 carrier's compliance with the board's rules relating
 17 to unbundling."

By BERNAU of Story

E-8894 FILED APRIL 2, 1998

*Lost 4-6-98
(p.1305)*

SENATE FILE 2380

H-8932

1 Amend Senate File 2380, as amended, passed, and
 2 reprinted by the Senate, as follows:
 3 1. Page 3, by inserting after line 35 the
 4 following:
 5 "Sec. ____ . Section 476.97, Code 1997, is amended
 6 by adding the following new subsection:
 7 NEW SUBSECTION. 12. Upon approval of a plan of a
 8 local exchange carrier to become price-regulated under
 9 this section, such price-regulated local exchange
 10 carrier, no less than every six months during the term
 11 of the plan, shall provide to its basic local
 12 telephone services customers the schedules of rates
 13 and charges for intrastate interexchange service of
 14 each interexchange carrier for which the local
 15 exchange carrier provided intrastate access service or
 16 billing and collection service in this state during
 17 the six-month period immediately preceding the month
 18 in which such schedule is provided to its customers."

By SHOULTZ of Black Hawk

H-8932 FILED APRIL 6, 1998

Let 4-6-98 (p. 1312)

SENATE FILE 2380

H-8936

1 Amend Senate File 2380, as amended, passed, and
 2 reprinted by the Senate, as follows:
 3 1. Page 3, by striking lines 17 through 21 and
 4 inserting the following: "~~Prior to January 1, 1998,~~
 5 ~~the board shall use the gross domestic product price~~
 6 ~~index, as published by the federal government, for an~~
 7 ~~inflation measure, and two and six-tenths percentage~~
 8 ~~points for a productivity measure. After~~ Prior to
 9 January 1, 2003, the board shall use the gross
 10 domestic product price index, as published by the
 11 federal government, for an inflation measure, and two
 12 and six-tenths percentage points for a productivity
 13 measure for a local exchange carrier with fewer than
 14 five hundred thousand access lines in this state, and
 15 five and six-tenths percentage points for a
 16 productivity measure for a local exchange carrier with
 17 five hundred thousand or more access lines in this
 18 state. On or after January 1, 1998 2003, the board by
 19 rule may adopt".

By WEIGEL of Chickasaw

H-8936 FILED APRIL 6, 1998

*Let 4-6-98
(p. 1307)*

SENATE FILE 2380

H-8919

1 Amend Senate File 2380, as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 3, by striking lines 17 through 21 and
4 inserting the following: "~~Prior to January 1, 1998,~~
5 ~~the board shall use the gross domestic product price~~
6 ~~index, as published by the federal government, for an~~
7 ~~inflation measure, and two and six-tenths percentage~~
8 ~~points for a productivity measure.~~ After Prior to
9 January 1, 2003, the board shall use the gross
10 domestic product price index, as published by the
11 federal government, for an inflation measure, and two
12 and six-tenths percentage points for a productivity
13 measure for a local exchange carrier with fewer than
14 five hundred thousand access lines in this state, and
15 five percentage points for a productivity measure for
16 a local exchange carrier with five hundred thousand or
17 more access lines in this state. On or after January
18 1, 1998 2003, the board by rule may adopt".

By WEIGEL of Chickasaw

H-8919 FILED APRIL 3, 1998

W/D 4-6-98 (p. 1307)

SENATE FILE 2380

H-8925

1 Amend Senate File 2380, as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 2, line 10, by inserting after the figure
4 "(3)" the following: "(a)".
5 2. Page 3, by inserting after line 13 the
6 following:
7 "(b) Notwithstanding subparagraph subdivision (a),
8 a plan filed on or after July 2, 1998, shall provide
9 that the initial prices for basic communications
10 services shall be the rates approved and in effect at
11 the time the local exchange carrier files the plan
12 reduced by a percentage equal to the sum of four
13 percent plus the average percentage of bonuses paid
14 during the preceding twelve-month period by the local
15 exchange carrier to its five highest ranking officers
16 or employees in this state. A local exchange carrier
17 which is required to reduce its rates by this percent
18 shall not, at a later time, increase its rates for
19 basic communications services as a result of the
20 carrier's compliance with the board's rules relating
21 to unbundling."

By DOTZLER of Black Hawk
MURPHY of Dubuque

H-8925 FILED APRIL 3, 1998

Lost 4-6-98
(p. 1306)

SENATE FILE 2380

AN ACT

RELATING TO THE ELECTION OF A LOCAL EXCHANGE CARRIER TO
BE PRICE-REGULATED.

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

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

2. The board, after notice and opportunity for hearing, may approve, modify, or reject the plan. The board shall approve, modify, or reject the plan by no later than ninety days after the date the plan is filed. The local exchange carrier shall have ten days to accept or reject any board modifications to its plan. If the local exchange carrier rejects a modification to its plan, the board shall reject the plan without prejudice to the local exchange carrier to submit another plan.

Sec. 2. Section 476.97, subsection 3, paragraph a, subparagraphs (1), (3), and (4), Code 1997, are amended to read as follows:

(1) Establishing and changing prices, terms, and conditions for basic communications services. The initial plan for price regulation must include a proposal, which the board shall approve, for reducing the local exchange carrier's average intrastate access service rates to the local exchange carrier's average interstate access service rates in effect as of the last day of the calendar year immediately preceding the date of filing of the plan, as follows:

(a) A local exchange carrier with five hundred thousand or more access lines in this state shall reduce its average intrastate access service rates by at least fifty one hundred percent of the difference between average intrastate access service rates and average interstate access service rates as of the date that the plan ~~is filed and further reduce such~~

~~rates to the average interstate access service rates within ninety days of the date that the plan becomes effective.~~

(b) A local exchange carrier with fewer than five hundred thousand but seventy-five thousand or more access lines in this state shall reduce its average intrastate access service rates to its average interstate access service rates in increments of at least twenty-five percent, with the initial reduction to take effect on approval of the plan and equal annual reductions on each anniversary of the approval during the first three years that its plan is in effect.

(c) A local exchange carrier with fewer than seventy-five thousand access lines in this state shall reduce its average intrastate access service rates to its average interstate access service rates with equal annual reductions during a period beginning no more than two years and ending no more than five years from the plan's inception.

(3) The plan shall also provide that the initial prices for basic communications services shall be six three percent less than the rates approved and in effect at the time the local exchange carrier files its plan. A local exchange carrier which elects to reduce its rates by six three percent shall not, at a later time, increase its rates for basic communications services as a result of the carrier's compliance with the board's rules relating to unbundling. In lieu of the six three percent reduction, and prior to the adoption of rules relating to unbundling pursuant to section 476.101, subsection 4, paragraph "a", subparagraph (1), the local exchange carrier may request and the board may establish a regulated revenue requirement in a rate proceeding under section 476.3 or 476.6 commenced after July 1, 1995. After the determination of the local exchange carrier's regulated revenue requirement pursuant to the rate proceeding, the local exchange carrier shall not immediately implement rates designed to recover that regulated revenue requirement. Following the adoption of rules relating to unbundling pursuant to section 476.101, subsection 4, paragraph "a",

subparagraph (1), the local exchange carrier shall commence a tariff proceeding for the approval of tariffs implementing such unbundling. The board has six months to complete this tariff proceeding and determine the local exchange carrier's final unbundled rates. The local exchange carrier shall carry forward the regulated revenue requirement determined by the board pursuant to the rate proceeding and design rates that comply with the board's rules relating to unbundling that recover the regulated revenue requirement, and that implement the board's approved rate design established in the tariff proceeding.

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

(4) The plan shall provide for both increases and decreases in the prices for basic communications services reflecting annual changes in inflation and productivity. Prior to January 1, ~~1998~~ 2000, the board shall use the gross domestic product price index, as published by the federal government, for an inflation measure, and two and six-tenths percentage points for a productivity measure. After On or after January 1, ~~1998~~ 2000, the board by rule may adopt current measures of inflation and productivity.

Sec. 3. Section 476.97, subsection 3, paragraph a, Code 1997, is amended by adding the following new subparagraph:
NEW SUBPARAGRAPH. (1A) The board, during the term of the plan for a local exchange carrier with five hundred thousand or more access lines in this state, may consider further reductions toward economic costs in the local exchange carrier's average intrastate access service rates. The board may consider offsetting such reductions by an explicit subsidy

replacement to the extent that such offsets are competitively neutral. In determining economic costs of access service the board shall consider all relevant costs of the service including shared and common costs of the local exchange carrier.

Sec. 4. Section 476.98, Code 1997, is amended to read as follows:

476.98 EARNINGS CALCULATION AND REPORT.

The consumer advocate shall calculate an estimate of the return of a local exchange carrier operating under price regulation pursuant to section 476.97 as if the carrier were subject to rate-of-return regulation. The calculation shall be based upon the annual report of such carrier and other information provided to the consumer advocate by the carrier. The calculation shall be made every two years beginning following the end of the second calendar year after the year in which the plan becomes effective. Notwithstanding section 476.10, subsection 4, the consumer advocate shall make two calculations pursuant to this section with one calculation taking into account the investment, revenues, and expenses associated with the sale of classified directory advertising, and one calculation not taking into account such investment, revenues, and expenses. The consumer advocate shall provide a written report to the general assembly including the results of this calculation on or before July 1 of the year immediately following the two-year period for which a calculation is made. If, after a review of the information used to make the calculation required in this section, the consumer advocate determines that the public interest would be better served by a different form of rate regulation, the consumer advocate shall provide a recommendation that the general assembly direct the utilities board to implement a different form of rate regulation.

Sec. 5. Section 476.101, Code 1997, is amended by adding the following new subsection:

NEW SUBSECTION. 9. A telecommunications carrier, as defined in the federal Telecommunications Act of 1996, shall not do any of the following:

- a. Use customer information in a manner which is not in compliance with 47 U.S.C. § 222.
- b. Disparage the services offered by another telecommunications carrier through false or misleading statements.
- c. Take any action that disadvantages a customer who has chosen to receive services from another telecommunications carrier.

MARY E. KRAMER
President of the Senate

RON J. CORBETT
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2380, Seventy-seventh General Assembly.

MARY PAT GUNDERSON
Secretary of the Senate

Approved April 23, 1998

TERRY E. BRANSTAD
Governor