

4-7-97 referred to Commerce Reg.

MAR 19 1997

Place On Calendar

HOUSE FILE 696
BY COMMITTEE ON COMMERCE
AND REGULATION

(SUCCESSOR TO HSB 197)

Passed House, Date _____ Passed Senate, 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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HF 696

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 476.97, subsection 11, paragraph e, Code
13 1997, is amended by adding the following new subparagraph:

14 NEW SUBPARAGRAPH. (7) (a) Notwithstanding subparagraph
15 (6), a local exchange carrier with five hundred thousand or
16 more access lines which enters into a plan on or after July 1,
17 1997, shall immediately reduce its average intrastate access
18 service rates by at least fifty percent of the difference
19 between average intrastate access service rates and average
20 interstate access service rates as of the date the plan is
21 filed, and further reduce such rates by the remaining amount
22 of the difference in equal annual reductions on the
23 anniversary of the filing of the plan during the first two
24 years that its plan is in effect.

25 (b) Notwithstanding subparagraph subdivision (a), any
26 further reduction of the local exchange carrier's average
27 intrastate rates after the initial reduction at the time of
28 filing of the plan is mandatory only if the utilities board
29 finds that long distance carriers whose access charges are
30 reduced have reduced the rates charged to its customers,
31 including both residential and business in proportion to the
32 percentage of business each class of customer represents to
33 the long distance carrier, by a total amount at least equal to
34 the total amount of the reduction in such access charges.

35 Sec. 3. Section 476.97, subsection 11, Code 1997, is

1 amended by adding the following new paragraph:

2 NEW PARAGRAPH. j. Notwithstanding paragraph "c", a local
3 exchange carrier with five hundred thousand or more access
4 lines which elects to become regulated under this subsection
5 shall also be subject to subsection 3, paragraph "a",
6 subparagraph (3).

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

9 476.98 EARNINGS CALCULATION AND REPORT.

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

35 Sec. 5. EFFECTIVE DATE. This Act, being deemed of

1 immediate importance, takes effect upon enactment.

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EXPLANATION

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

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

25 Pursuant to the second option, which is currently only
26 available to a rate-regulated local exchange carrier with
27 fewer than 500,000 access lines, such carrier is to provide
28 written notice to the board of such election no less than 30
29 days prior to the date price regulation is to commence. The
30 rate-regulated local exchange carrier is not required to file
31 a plan with the board in the manner provided under the first
32 option. The rate-regulated local exchange carrier is not
33 subject to rate-of-return regulation while operating under
34 price regulation, all regulated services are to be provided
35 pursuant to board-approved tariffs, all new regulated service

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

15 The bill provides that a local exchange carrier with
16 500,000 or more access lines which enters into a plan under
17 the second option on or after July 1, 1997, must immediately
18 reduce its average intrastate access service rates by at least
19 50 percent of the difference between average intrastate access
20 service rates and average interstate access service rates as
21 of the date the plan is filed, and further reduce such rates
22 by equal annual reductions on the anniversary of the filing of
23 the plan during the first two years of the plan. The
24 subsequent reductions are not mandated only if the utilities
25 board finds that long distance carriers are reducing their
26 rates to their customers by an amount at least equal to the
27 amount of the reduction in the access charges charged to such
28 long distance carriers.

29 The bill also provides that the consumer advocate, in
30 calculating an estimate of the return of a local exchange
31 carrier operating under price regulation as if the carrier
32 were subject to rate-of-return regulation, is to make two
33 calculations with one calculation considering the investment,
34 revenues, and expenses associated with the sale of classified
35 directory advertising and one calculation without considering

1 such factors.

2 The bill would take effect upon enactment.

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METCALF : CHAIR

HSB 197

COMMERCE AND REGULATION

BRUNIKHORST

Koenigs

JACOBS

WEIGEL

Succeeded By
HOUSE FILE SF/RF 696
BY (PROPOSED COMMITTEE ON
COMMERCE AND REGULATION
BILL BY CHAIRPERSON
METCALF)

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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
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29 results of this calculation on or before July 1 of the year
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