

# House Study Bill 197

## Bill Text

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1 1 Section 1. Section [476.97](#), subsection 11, paragraph a,  
1 2 Code 1997, is amended to read as follows:  
1 3 a. Notwithstanding subsections 1 through 10, a local  
1 4 exchange carrier

~~with fewer than five hundred thousand access~~

1 5

~~lines in this state~~

- shall have the option to be regulated

1 6 pursuant to subsections 1 through 10 or pursuant to this  
1 7 subsection. A local exchange carrier which elects to become  
1 8 price regulated under this subsection shall also be subject to  
1 9 subsections 5 through 8 and subsection 10 in the same manner  
1 10 as a local exchange carrier which operates under an approved  
1 11 plan of price regulation submitted pursuant to subsection 1.

1 12 Sec. 2. Section [476.98](#), Code 1997, is amended to read as  
1 13 follows:

1 14 [476.98](#) EARNINGS CALCULATION AND REPORT.

1 15 The consumer advocate shall calculate an estimate of the  
1 16 return of a local exchange carrier operating under price  
1 17 regulation pursuant to section 476.97 as if the carrier were  
1 18 subject to rate-of-return regulation. The calculation shall  
1 19 be based upon the annual report of such carrier and other  
1 20 information provided to the consumer advocate by the carrier.  
1 21 The calculation shall be made every two years beginning  
1 22 following the end of the second calendar year after the year  
1 23 in which the plan becomes effective. Notwithstanding section  
1 24 476.1D, subsection 4, in making a calculation pursuant to this  
1 25 section, the consumer advocate shall not take into account the  
1 26 investment, revenues, and expenses associated with the sale of  
1 27 classified directory advertising. The consumer advocate shall  
1 28 provide a written report to the general assembly including the  
1 29 results of this calculation on or before July 1 of the year  
1 30 immediately following the two-year period for which a  
1 31 calculation is made. If, after a review of the information  
1 32 used to make the calculation required in this section, the  
1 33 consumer advocate determines that the public interest would be  
1 34 better served by a different form of rate regulation, the  
1 35 consumer advocate shall provide a recommendation that the  
2 1 general assembly direct the utilities board to implement a  
2 2 different form of rate regulation.

2 3 Sec. 3. EFFECTIVE DATE. This Act, being deemed of  
2 4 immediate importance, takes effect upon enactment.

2 5 EXPLANATION

2 6 This bill amends Code section 476.97 to permit a local  
2 7 exchange carrier with 500,000 access lines or more a second  
2 8 option regarding price regulation. Currently, only local  
2 9 exchange carriers with fewer than 500,000 access lines are  
2 10 given the choice of the alternative option.

2 11 Pursuant to the first option, a rate-regulated local  
2 12 exchange carrier may submit a plan for price regulation to the  
2 13 board. The board, after notice and opportunity for hearing,  
2 14 may approve, modify, or reject the plan. The carrier has 10  
2 15 days to accept or reject any modifications to the plan. A

2 16 plan under this option, at a minimum, must include provisions  
2 17 for establishing and changing prices, terms, and conditions  
2 18 for basic communications services; establishing and changing  
2 19 prices, terms, and conditions for nonbasic communications  
2 20 services; reporting new service offerings to the board;  
2 21 reflecting any changes in revenues, expenses, and investment  
2 22 due to exogenous factors beyond the control of the local  
2 23 exchange carrier in the rates to be charged by the carrier;  
2 24 and providing notice to customers, the board, and the consumer  
2 25 advocate of any changes in prices, terms, or conditions.  
2 26 Additionally, the board is to determine the duration of any  
2 27 plan under this option.

2 28 Pursuant to the second option, which is currently only  
2 29 available to a rate-regulated local exchange carrier with  
2 30 fewer than 500,000 access lines, such carrier is to provide  
2 31 written notice to the board of such election no less than 30  
2 32 days prior to the date price regulation is to commence. The  
2 33 rate-regulated local exchange carrier is not required to file  
2 34 a plan with the board in the manner provided under the first  
2 35 option. The rate-regulated local exchange carrier is not  
3 1 subject to rate-of-return regulation while operating under  
3 2 price regulation, all regulated services are to be provided  
3 3 pursuant to board-approved tariffs, all new regulated service  
3 4 offerings are to be reported to the board, and rates may be  
3 5 adjusted by the board to reflect any changes in revenues,  
3 6 expenses, and investment due to exogenous factors beyond the  
3 7 control of the local exchange carrier. Current law provides  
3 8 the manner in which prices may be changed and requires that  
3 9 the rate-regulated local exchange carrier notify customers of  
3 10 a rate change under this subsection at least 30 days prior to  
3 11 the effective date of the rate change. The board is  
3 12 authorized to review a local exchange carrier's operation  
3 13 under this option four years after the carrier's election to  
3 14 be price-regulated. The local exchange carrier, consumer  
3 15 advocate, or any other person may propose for the board's  
3 16 approval, a reasonable modification to the price regulation  
3 17 requirements in the option.

3 18 The bill also provides that the consumer advocate, in  
3 19 calculating an estimate of the return of a local exchange  
3 20 carrier operating under price regulation as if the carrier  
3 21 were subject to rate-of-return regulation, is not to consider  
3 22 the investment, revenues, and expenses associated with the  
3 23 sale of classified directory advertising.

3 24 The bill would take effect upon enactment.

3 25 LSB 2372HC 77

3 26 mj/cf/24