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SENATE FINANCE COMMITTEE REPORT

DATE: 4/17/90

FURTHER:

DATE TURNED INTO OFFICE: 5/1/90

The Finance Committee considered

CSHB 48 (Finance)

"An Act relating to reduced rates and discounted local exchange telecommunication service for lowincome individuals."

and recommended:

replace with _____ CS _____
 or adopt _____ CS _____

same title
 new title
 technical title change (HB only)

attached amendment(s)

_____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

APPROVES PREVIOUS:

Dept/Date:

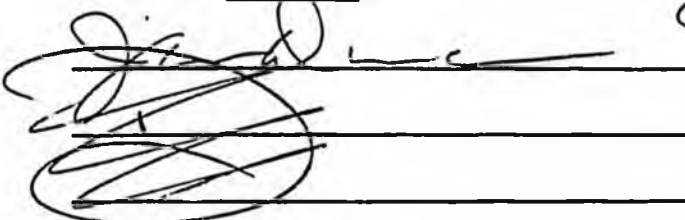
fiscal note(s) _____

zero fiscal note(s) DECLD 4/9/90

appropriation-no fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:



I rue / finance - no rec
Paul A. Bluff No Rec
David Fisher No Rec
Bluff

1.

John B. ... DO PASS

2.

Keith Uley DO PASS

Co-Chairs: Signatures and Recommendations

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
 Title: An Act relating to reduced rates and discounted service for certain low-income telecommunication customers
 Sponsor: Boucher and Goll Components: Operations
 Requestor: Senate Labor & Commerce Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Although implementation of this proposed legislation could result in some new filings before this commission, the number of proceedings should be fairly minimal and would not likely result in the need for additional fiscal resources.

Prepared by: T.S. Moninski II, Executive Director Phone: 276-6222
 Division: Alaska Public Utilities Commission Date: 4/9/90
 Approved by Commissioner: Larry Merculieff Date: 4/9/90
 Agency: Department of Commerce & Economic Development

Distribution (by preparer):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Original sponsors: Boucher, Goll
and Ellis

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 48 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to reduced rates and discounted
7 local exchange telecommunication service for low-
8 income individuals."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 42.05.301 is amended read:

11 Sec. 42.05.301. DISCRIMINATION IN SERVICE. Except as provided
12 in AS 42.05.306, a [A] public utility may not, as to service, make or
13 grant an unreasonable preference or advantage to any person or subject
14 any person to an unreasonable prejudice or disadvantage. A public
15 utility may not establish or maintain or provide an unreasonable
16 difference as to service, either as between localities or as between
17 classes of service, but nothing in this section prohibits the estab-
18 lishment of reasonable classifications of service or requires unrea-
19 sonable investment in facilities.

20 * Sec. 2. AS 42.05 is amended by adding a new section to read:

21 Sec. 42.05.306. DISCOUNTED SERVICE AND REDUCED RATE. A public
22 utility may provide a discounted service or a reduced rate for essen-
23 tial local exchange telecommunication services to individuals who
24 receive benefits from a means test social services assistance program
25 administered by the state or federal government. The commission may
26 not require a utility to provide a discounted service or reduced rate
27 or to incur uncompensated costs or administrative burdens for services
28 provided under this section.

29 * Sec. 3. AS 42.05.391(a) is amended to read:

1 (a) Except as provided in AS 42.05.306, a [A] public utility may
2 not, as to rates, grant an unreasonable preference or advantage to any
3 of its customers or subject a customer to an unreasonable prejudice or
4 disadvantage. A public utility may not establish or maintain an
5 unreasonable difference as to rates, either as between localities or
6 between classes of service. A municipally owned utility may offer
7 uniform or identical rates for a public utility service to customers
8 located in different areas within its certificated service area who
9 receive the same class of service. Any uniform or identical rate
10 shall, upon complaint, be subject to review by the commission and may
11 be set aside if shown to be unreasonable.

STATE OF ALASKA

ALASKA PUBLIC UTILITIES COMMISSION
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

HB 48
STEVE COWPER, GOVERNOR

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ALASKA PUBLIC UTILITIES COMMISSION

COMMENTS ON HB 48

April 11, 1990

The Commission has always supported the objective of providing affordable, universal telecommunications service throughout the State. This legislation is directed toward achieving that objective by allowing telephone utilities to offer discounted rates to low income individuals. Implicit in the legislation is that other subscribers will subsidize the discounted service. The legislature should be aware that the proportion of customers that may qualify for discounted services may vary greatly among utilities operating in the State.

The Commission believes that the policy decision as to whether an exception should be made to the discrimination clause in AS 42.05.391(a) is within the purview of the Legislature. However, the Commission objects to the provision of Section 2, that allows only the utilities to decide when and what essential services should be discounted. If the Legislature endorses the underlying premise of this bill, then the regulators should be given the same level of discretion as the utilities to evaluate whether or not discounted rates are in the public interest. This

argument is further strengthened by the fact that the utilities are insulated from the financial burdens of discounted services. The Commission therefore recommends that the words "to provide a discounted service or reduced rate or" be deleted on page 1, lines 26-27.

Alaska State Legislature

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MEMBER
Labor and Commerce
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Finance—Subcommittee Administration

Representative H. A. "Red" Boucher

HB 48 - SPONSOR STATEMENT

REPRESENTATIVE H.A. "RED" BOUCHER

LIFELINE RATES

HB 48 permits Alaska's telephone companies to introduce "lifeline rates" to benefit the state's low-income telephone customers. A lifeline rate is a reduced rate or a discounted service designed to assure that significant rate increases will not force low-income people to quit their telephone service.

Right now, reduced rates and discounted service for low-income phone customers are not allowed in Alaska. In the present statutes, discrimination in rates and service is prohibited. The purpose of HB 48 is to remove that prohibition in the case of providing lifeline rates to low-income phone customers.

HB 48 prepares the state of Alaska for the real possibility that significant increases in telephone rates can occur within the next couple years. AT&T has been paying 80 to 100 million dollars annually, in subsidy to support Alaska's high cost telephone system. AT&T wants to stop paying this subsidy. While the Governor's Office is participating in FCC proceedings to insure reasonable phone rates for all Alaskans continue, this legislature can not ignore the possibility that rates will increase to the extent that low-income people could no longer afford telephone service. By passing this bill, this legislature will allow a safety net to be built for our low-income telephone subscribers.

HB 48 also sends a signal to the Federal Communications Commission that the state of Alaska is helping people inside our state receive the benefit from cost reductions we are requesting from them. In this way we demonstrate that we are willing to protect its citizens from the negative effects of escalating phone rates.



National Association of Regulatory Utility Commissioners

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BULLETIN

NARUC No. 15-1990

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subsequent inspections of a water main installation project as required by KPL's plans and procedures. Staff alleged that if the plans and procedures had been followed, the incident could possibly have been prevented.

The Commission's order states, "The failure to follow the procedures was continuing from the beginning of the construction on August 23, 1988 through the completion on November 10, 1988. On-site inspections are an essential part of the safety procedures for excavations around gas lines. Failure to perform the inspections is a serious violation of the Commission's safety rule." The Commission further noted, "The Commission finds that KPL's management did not inform its field supervisor of the requirements of Commission safety regulations or KPL's own procedures. The Commission finds that KPL's field personnel did not fulfil the requirements of KPL's procedures for on-site observation of excavations around 6-inch gas mains." By failing to follow procedures, KPL Gas Service violated rules and regulations.

The cause of the natural gas incident was a fracture in a cast iron main located beneath the gravel driveway at 6906 Longview Road. The Commission's order states, "There is no direct evidence in this case of what caused the cast iron pipe at 6906 Longview Road to break. The construction of the water main along Longview Road may or may not have had an effect. The evidence, though, is that KPL had procedures in place which, if followed, would have reduced the possibility that the excavation for the water main contributed to the break. The evidence is that KPL personnel made only a cursory attempt to ensure the excavation

did not affect the gas pipe."

D . C . P S C S E E K S TELECOMMUNICATIONS ENGINEER

The District of Columbia Public Service Commission is seeking an engineer well-versed in telecommunications technologies and FCC/state regulatory issues to serve in its Office of Engineering.

Located in downtown Washington, DC with easy access to the numerous recreational and educational resources of the city, this position offers the opportunity to work not only on local, but also on national telecom issues. FCC and NTIA issues are prominent on the agenda of the commission.

Qualified applicants must possess a degree in engineering, with advanced degrees and/or registration as a professional engineer considered highly desirable. A mature understanding of engineering issues related to the regulation of telephone utilities as a result of years of experience is essential. Salary will be commensurate with experience.

If you are interested in exploring this opportunity, please send a SF-171 (Application for Employment) or resume to Ms. Eve Willis, Personnel Officer, D.C. Public Service Commission, 450-5th Street, NW, 8th Floor, Washington, DC 20001.

NORTH DAKOTA PSC ADOPTS LIFELINE PROGRAM FOR TELEPHONE CONSUMERS

At its February 21, 1990 meeting, the North Dakota Public Service Commission adopted a Lifeline Program for telephone consumers. As many as 34 thousand households in North Dakota could benefit from the Lifeline Program which received the Commission's final

approval.

"It's a way of easing the burden and helping a lot of people continue to have telephone service. Universal telephone service is alive and well in North Dakota. North Dakotans who qualify for food stamps, Medicaid, fuel assistance, or aid to dependent children may be eligible for the \$7.00 per month subsidy for their telephone service," Commissioner Hagen said.

The order applies only to US West, which serves an estimated 71 percent of the state's households. Northwestern Bell's \$3.50 per consumers' cost per month will be waived by Bell as part of the North Dakota Public Service Commission's recent settlement of a rate dispute with US West.

"I believe we are the 28th state to approve Lifeline service. We are pleased with the quick action by the Federal Communications Commission to approve the service. US West has also been very cooperative; and the North Dakota Human Services Department, which will handle many of the details of the program, has been very helpful," continued Hagen.

The North Dakota Commission settlement with Bell included a \$2 million reduction in charges. The company assesses the long-distance companies for access to Bell's local customer networks. AT&T, which is the leading company affected, has already passed its savings along to its customers.

MISSOURI PSC CHAIRMAN WILLIAM STEINMEIER TESTIFIES BEFORE FCC ON CABLE/TELCO ISSUES

The cable television industry should be re-regulated to protect consumers, according to Missouri Public Service

Commission Chairman William D. Steinmeier. In testimony before the Federal Communications Commission (FCC) in St. Louis, Steinmeier also encouraged the federal government to allow the local exchange telephone companies to compete in the cable television industry. The FCC is holding public hearings throughout the country in an effort to receive information on the cable television industry since deregulation of the industry in 1984.

In an opening statement, Chairman Steinmeier told the FCC, "In our experience in Missouri, the rates for cable television have risen dramatically in the last several years while, in some places, the quality of service afforded by cable providers to their customers has deteriorated. Excessive prices and poor treatment of customers are to be expected in an unregulated monopoly situation, and that is essentially what we have today in the cable television industry." Steinmeier stated Congress did not do consumers a favor when it passed the Cable Act in 1984, which preempts state and local governments from regulating cable TV operators. "The only exception to that preemption is where there is a lack of 'effective competition' as defined by the FCC. We believe that the FCC's definition of 'effective competition' is unduly broad and should be changed. To that end, the Missouri Public Service Commission supports Senate Bill 1880, sponsored by Senator John C. Danforth of Missouri, which recognizes that re-regulation of the cable industry by state or local authorities is necessary where effective competition has not yet developed." The Danforth bill would permit local governments to regulate cable TV rates in any market in which less than two cable companies are

STATE OF ALASKA

STEVE COWPER, GOVERNOR

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January 18, 1990

Marco Pignalberi
Assistant to Representative Red Boucher
Alaska State Legislature
Post Office Box V
Juneau, Alaska 99811

Dear Mr. Pignalberi:

As you requested in our telephone conversation, I have reviewed the extent to which any of the telecommunications legislation now pending before the House has been affected by the Commission's actions since last May.

During the past eight months, the Commission proceeded with the schedule set out in its "Omnibus Telecommunications Order" of June 16, 1988, and issued decisions on access charges, cost separations, subscriber line charges, and Alascom's intrastate rate design. I am enclosing copies of the Commission's orders which set forth its decisions on these matters. The Commission's position on the pending legislation is unchanged from last year at this time.

1. HB13 - In Order R-86-2(14), the Commission recognized that the preservation of universal service is the most fundamental and important of the objectives cited in its "omnibus" order.

2. HB28 - The Commission has taken no action regarding alternate operator services.

3. HB48 - The Commission has not addressed the "lifeline" issue, although, in conjunction with Alascom, Inc.'s rate design, the Commission adopted toll rates for hearing or speech impaired persons that are discounted by at least 33%.

4. HB168 - The Commission continues to support development of a simplified approach to rate proceedings for all small utilities rather than for just telephone companies. (See Order R-89-1(1).)

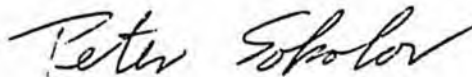
In the derivation of access charges adopted by the Commission in Order R-87-1(11), local telephone companies will need to develop data that is very similar to that required in rate proceedings. Consequently, it may be possible to substitute the access charge filing for much of the data traditionally required in rate proceedings. This approach will be considered in Docket R-87-1.

5. HB271/SB206 - The adoption of regulations for jurisdictional separations, Part 36 of the rules of the Federal Communications Commission; rejection of subscriber line charges; and adoption of access charges implemented the mechanisms by which local exchange companies would be compensated for terminating interexchange calls. (See Order Nos. R-88-3(10), R-87-1(12) and R-87-1(11); respectively.) These mechanisms are now compatible with the possible existence of multiple long distance providers. Still unresolved is the mechanism which would aid in the operation and funding of long distance facilities in rural areas. Order R-86-2(14) describes the status of the Commission's proceeding regarding competition.

I hope the foregoing discussion is helpful. Should you need additional information, please do not hesitate to contact me.

Sincerely,

ALASKA PUBLIC UTILITIES COMMISSION



Peter Sokolov
Chairman

Enclosures



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POSITION PAPER

TELEPHONE LIFELINE SERVICES

Telephone Lifeline Services have been and are being established in many states, with recognition of the need of telephone service as a basic necessity for all. Telephone Lifeline Service is an affordable basic service which should be available to any household which lacks the resources to maintain a minimally adequate standard of living, with the goal of maintaining service and preserving dignity.

In recent years, telephone services have been expanded in many parts of Alaska, providing a vital basic communications service. However, there are elderly, handicapped and low-income Alaskans who need telephone service for personal and emergency communication, but simply cannot afford installation and monthly rates.

AARP defines "Lifeline" service as follows:

1. A simple statement of eligibility is required, whereby eligible consumers do not have to demonstrate eligibility for other public benefit programs.
2. Need should be based on income alone, not age, as a criterion.
3. The connection fee is discounted by at least 50%, if not waived entirely.
4. Basic service charge is no greater than 50% of the flat-rate service charge available to customers in the area.
5. Each eligible household would receive at least 60 free calls per month.

Although full Telephone Lifeline Services have not been proposed for Alaska at this time, Representative Boucher has introduced HB 48: "An Act relating to reduced rates and discounted service for low-income telecommunications customers." Under this legislation, a utility may provide, but is not required to provide, discounted or reduced-rate service. If such service is provided, APUC cannot require a utility to incur uncompensated costs or administrative burdens they could not recover through approved tariffs.

The State Legislative Committee of AARP recommends passage of HB 48; and further recommends that after one year, assessment be made of the impact on utilities and on low-income Alaskans, and that this assessment result in such amendments or further legislation as may be needed to equitably achieve the goal of making these vital communications available to those who need this service.

Adopted 11/87
Amended 1/89