

1 **REMOVAL OF DIRECTORY SUBSIDY**

2 **AMENDMENTS**

3 1998 GENERAL SESSION

4 STATE OF UTAH

5 **Sponsor: J. Brent Haymond**

6 AN ACT RELATING TO PUBLIC UTILITIES; MODIFYING PROVISIONS RELATED TO
7 PRICE REGULATION; PROVIDING FOR THE REMOVAL OF SUBSIDIES RELATED TO
8 PRINTED DIRECTORIES FROM THE RATE STRUCTURE OF THE INCUMBENT
9 TELEPHONE CORPORATION; DIRECTING THE PUBLIC SERVICE COMMISSION TO
10 MAKE THE RATE ADJUSTMENT THROUGH A RATE HEARING; ESTABLISHING AN
11 EFFECTIVE DATE FOR THE RATE ADJUSTMENT; AND MAKING TECHNICAL
12 CORRECTIONS.

13 This act affects sections of Utah Code Annotated 1953 as follows:

14 AMENDS:

15 **54-8b-2.4**, as last amended by Chapter 226, Laws of Utah 1997

16 *Be it enacted by the Legislature of the state of Utah:*

17 Section 1. Section **54-8b-2.4** is amended to read:

18 **54-8b-2.4. Price regulation -- Maximum prices.**

19 (1) The Legislature finds that:

20 (a) traditional rate of return regulation cannot guarantee that customers who do not have
21 the choice of alternative providers will be protected from the economic responsibility for making
22 up for an incumbent telephone corporation's competitive losses or from providing for the recovery
23 of past, regulated investments;

24 (b) the method of regulation set forth in this section will provide better protection to
25 customers who lack competitive choices than does traditional rate of return regulation; and

26 (c) before moving from traditional rate of return regulation, it is essential the commission
27 address issues relating to the movement of prices towards cost and removing subsidies in the

1 existing price structure of incumbent telephone corporations to encourage competition for all
2 telecommunications services.

3 (2) (a) Effective May 1, 1997, any incumbent telephone corporation with more than 30,000
4 access lines in the state shall be regulated pursuant to this section and may not be regulated on the
5 basis of rate of return or any similar method of regulation that is based on the earnings of the
6 incumbent telephone corporation, except as provided in this section.

7 (b) Any incumbent telephone corporation serving fewer than 30,000 access lines in the
8 state may petition the commission to be regulated under price regulation rather than traditional rate
9 of return regulation. In adopting price regulation for incumbent telephone corporations with fewer
10 than 30,000 access lines, the commission may modify the provisions of this section taking into
11 consideration the individual circumstances of the incumbent telephone corporation seeking price
12 regulation.

13 (3) (a) Any general rate proceeding for an incumbent telephone corporation with more than
14 30,000 access lines in the state initiated before May 1, 1997, shall be based on a 1996 test period
15 and shall be conducted under the principles of traditional rate of return regulation, even though the
16 final order in the case is not issued until May 1, 1997, or thereafter.

17 (b) A rate proceeding for an incumbent telephone corporation with more than 30,000
18 access lines in the state may be initiated after April 30, 1997, and before March 1, 1998.

19 (i) The rate proceeding shall be revenue neutral relative to the last proceeding filed
20 pursuant to Subsection (3)(a), except that the commission may increase or decrease the revenue
21 anticipated from all rates to account for changes in the following factors which are known and
22 measurable at the time of hearings in the case:

23 (A) any removal of subsidies in the existing price structure of the incumbent telephone
24 corporation required by federal or state law or ~~[approval]~~ approved by the commission;

25 (B) changes in rules of the Federal Communications Commission, including rules with
26 regard to the separation of interstate and intrastate revenues, expenses, or investments;

27 (C) changes in tax rates applied to the incumbent telephone corporation;

28 (D) any other change external to the business operations of the incumbent telephone
29 corporation resulting from:

30 (I) accounting rules adopted by the Financial Accounting Standards Board and approved
31 by the commission; or

1 (II) laws or rules enacted or adopted by a governmental entity having jurisdiction; or

2 (E) any other extraordinary events not reasonably foreseeable as of April 30, 1997.

3 (ii) In the rate proceeding, the commission may also rebalance rates of particular services
4 to move rates of those services toward cost.

5 (4) (a) The prices of tariffed telecommunications services offered by an incumbent
6 telephone corporation with more than 30,000 access lines in the state may not increase during the
7 three-year period commencing with the date of the final order in the last rate case initiated before
8 May 1, 1997. The prices of services offered pursuant to a price list or competitive contract shall
9 be governed by Section 54-8b-2.3.

10 (b) Notwithstanding Subsection (4)(a), prices may increase pursuant to any prices
11 established in a final order of the commission for a rate proceeding initiated before March 1, 1998,
12 or the adjustment of those prices as a result of an appeal or remand of the final order, or as a result
13 of the adjustment provided in Subsection (7).

14 (5) (a) Effective at the end of the three-year period specified in Subsection (4), the
15 commission shall regulate the maximum prices for the tariffed public telecommunications services
16 of the incumbent telephone corporation according to an aggregate price index or price indices
17 associated with groups of services. The aggregate price index or price indices shall be adjusted
18 annually to reflect the effects of inflation, productivity, and exogenous factors and to maintain an
19 appropriate level of service quality. The precise manner of annual adjustment shall be developed
20 by the commission after notice and a hearing and before the end of the three-year period.

21 (b) Factors in the price index or price indices may also include the following:

22 (i) any removal of subsidies in the existing price structure of the incumbent telephone
23 corporation required by federal or state law or approved by the commission;

24 (ii) the impact of alteration in asset lives to better reflect changes in the economic lives of
25 plant and equipment approved by the commission consistent with Section 54-7-12.1;

26 (iii) changes in rules of the Federal Communications Commission, including rules with
27 regard to the separation of interstate and intrastate revenues, expenses, or investments adopted by
28 the commission;

29 (iv) changes in tax rates applied to the incumbent telephone corporation;

30 (v) any other change external to the business operations of the incumbent telephone
31 corporation resulting from:

1 (A) accounting rules adopted by the Financial Accounting Standards Board and approved
2 by the commission; or

3 (B) laws or rules enacted or adopted by a governmental entity having jurisdiction; or

4 (vi) any other extraordinary events not reasonably foreseeable as of April 30, 1997.

5 (6) (a) The incumbent telephone corporation may decrease the price of a tariffed
6 telecommunications service subject to the limitation in Section 54-8b-3.3.

7 (b) Any decrease in price shall be made by filing a tariff with the commission. The
8 decrease shall become effective 30 days after filing.

9 (7) (a) Notwithstanding any other provision of this section or of Section 54-2-1, 54-4-1,
10 54-4-4, 54-4-26, or 54-7-12, as part of the removal of subsidies from the rate structure of the
11 incumbent telephone corporation to encourage competition for all telecommunications services,
12 the commission shall adjust rates to reflect the removal of all amounts currently embedded in the
13 rates of the incumbent telephone corporation related to the publication of printed directories by an
14 affiliate corporation.

15 (b) The commission shall accomplish the rate adjustment in Subsection (7)(a) by initiating
16 a proceeding to adjust rates of services to which directory revenues are allocated based upon the
17 allocation of directory revenue to those services in the embedded cost of service study of the
18 Division of Public Utilities used by the commission in its decision in the last rate case of the
19 incumbent telephone corporation initiated before May 1, 1997.

20 (c) The rate adjustment in Subsection (7)(a) shall be effective not later than January 1,
21 1999.

Legislative Review Note
as of 1-14-98 3:55 PM

A limited legal review of this bill raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel