

HCS HB 1779 -- TELECOMMUNICATIONS SERVICES

SPONSOR: Emery

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Utilities by a vote of 6 to 5.

This substitute changes the laws regarding telecommunications services. In its main provisions, the substitute:

- (1) Requires interconnected voice over Internet protocol service (VOIP) to be registered with the Missouri Public Service Commission in a manner similar to other telecommunications providers;
- (2) Defines VOIP service based on the Federal Communications Commission guidelines;
- (3) Allows the Missouri Public Service Commission to charge the same exchange access fees to VOIP providers as it charges other telecommunications providers;
- (4) Requires VOIP providers to charge, collect, and remit the appropriate fees to fund the Universal Service Fund, telecommunications relay services, and local enhanced 911; file annual reports with the commission; and develop a process for handling customer questions and complaints;
- (5) Reduces the number of days before a rate change becomes effective for telecommunications services in competitive markets and for retail business customers in noncompetitive markets;
- (6) Allows for the use of price caps in exchanges where VOIP service is provided. Price caps will be based upon the federal Consumer Price Index. Non-basic telecommunications services are exempted from price caps;
- (7) Allows incumbent local exchange companies (ILECs) to set maximum rates for basic local services in noncompetitive exchanges based on specified criteria;
- (8) Allows ILECs to have competitive status in exchanges that meet certain competitive criteria;
- (9) Allows ILECs to obtain rule and statute waivers in the same manner as other regulated companies. The commission may reimpose quality of service and billing standards if it finds that the ILEC has engaged in a pattern or practice of inadequate service;
- (10) Eliminates the distinction between residential and business

services and allows uniform pricing within exchanges;

(11) Requires the commission to maintain records of competitive companies, changes review of competitive status from mandatory to discretionary, and specifies new criteria for maximum allowable prices in exchanges that are not deemed competitive;

(12) Requires the commission to determine a price-cap company to be competitive if 40% or more of its subscriber access lines are in competitive exchanges. Rates for basic local service in formerly noncompetitive exchanges are capped at the highest rate for basic local service in the ILEC's competitive exchanges for three years following the finding;

(13) Allows price-cap companies to rebalance rates on a revenue neutral basis. ILECs may raise basic local rates up to \$1.50 per month each year but must reduce intrastate access rates to exactly offset the increase;

(14) Allows all companies an alternative method for gaining competitive classification for individual services on a company-wide basis. A company may also gain competitive status as a whole if a majority of its services are declared competitive;

(15) Eliminates certification requirements for certain small, rural areas served by an ILEC;

(16) Allows the commission to investigate and resolve customer complaints based on federal laws and regulations;

(17) Establishes a price cap on incumbent local exchange companies when they are classified as competitive so that they cannot raise the exchange access service rates charged to other carriers;

(18) Allows alternative local exchange carriers that possess a certificate of service authority to provide basic local telecommunications service to be granted statewide authorization; and

(19) Allows market pricing for intrastate operator and directory services including directory assistance services.

FISCAL NOTE: No impact on state funds in FY 2009, FY 2010, and FY 2011.

PROPOSERS: Supporters say that the telecommunications industry changes rapidly and it is imperative to allow the free market to function in this area in order to enhance the availability of new

services and reduce customer costs. Deregulation generally results in great job growth in the telecommunications industry. The bill is a compromise agreed to by most major Missouri telecommunications industries. It will preserve the authority of the Missouri Public Service Commission regarding customer service issues.

Testifying for the bill were Representative Emery; Charles Davidson, New York University Law and Communications Policy Center; Missouri Telecommunications Industry Association; Missouri Cable Telecommunications Association; CenturyTel; Comcast; and Missouri Chamber of Commerce and Industry.

OPPONENTS: Those who oppose the bill say that it lacks certain important safeguards for consumers.

Testifying against the bill was Sprint Nextel Corporation.

OTHERS: Others testifying on the bill say that VOIP providers should pay local taxes and fees and that this should be specified in the bill. Some were unsure of the Missouri Public Service Commission's authority to handle customer complaints under the legislation and that the bill eliminates some commission oversight, allows companies classified as competitive in one area to raise rates statewide, and eliminates the distinction in pricing between residences and businesses so that rates can be raised on both residences and businesses even if a telecommunications company is not competitive in both the residential and business markets.

Testifying on the bill were Missouri Municipal League; Missouri Public Service Commission; and Lewis Mills, Office of Public Counsel.