HOUSE RESEARCH
Bill Summary

FILE NUMBER: H.F. 979 **DATE:** March 11, 2004

Version: As amended by H979DE2

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Subject: Modifies telephone company alternative regulation plans

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Overview

In 1995, the Legislature gave telephone companies the option to operate under an alternative to traditional cost of service regulation in order to provide them greater flexibility to meet competition from new technologies. An important element of this streamlined regulatory regime is an alternative regulation plan prepared by companies that must be approved by the Public Utilities Commission (PUC).

The plan contains several components. It separates a company's services into those which are price-regulated, flexibly priced, or nonprice regulated; outlines the company's commitment to investing in infrastructure improvements, such as a schedule of investments that will make new technologies available to customers, and plans to deploy fiber-optic facilities or broadband capabilities; and includes a plan to maintain service quality.

House File 979 changes the way such plans may be extended or renewed once they have expired.

Section

1 **Plan duration and extension.**

Subd. 1. Plan duration. Requires telephone companies operating under an existing alternative regulation plan to give six months notice prior to the plan's termination that it will either propose a new plan, extend its existing plan, or revert to rate of return

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regulation.

Subd. 2. New plan. A new plan must contain a mechanism by which a company can reduce or increase rates for price-regulated services. The plan must specify the reports a company is required to submit to the PUC for review, and the records the company must maintain in order to facilitate the review. The renewal of a new plan is not a plan extension, which is governed by subdivision 3.

Subd. 3. Plan extension. (a) Allows a company operating under a plan as of December 1, 2003, to elect to extend the plan or, if it has expired, to reinstate the plan and extend it for up to three years from the expiration date or December 31, 2007, whichever is earlier. To exercise this option, a company must notify the PUC, the Department of Commerce, and the Office of the Attorney General within 30 days of the effective date of this section or within six months of the expiration date of its current or expired plan. A company that elects this option may terminate the plan at any time by notifying the same parties six months prior to the termination date. When a plan is terminated, the company shall be regulated as provided in chapter 237.

(b) A company may extend a plan it has entered into after this section becomes effective, under procedures and conditions contained in the plan, only if it is in substantial compliance with the plan's quality provisions (Minn. Stat. § 237.765) and has included in its plan an outline of the company's commitment to invest in infrastructure over a period extending at least six years (Minn. Stat. § 237.761, subd. 8). Under an extended plan, the rates for price-regulated services shall be capped at the level effective at the time of extension, unless the plan provides otherwise. The company must provide to its customers and the PUC six months' notice of its intention to extend a plan. A plan may only be extended once, for at least one year and not more than three years.

(c) The Department of Commerce or the Office of the Attorney General may file an objection to the extension with the PUC only if the company is not in substantial compliance with the plan's service quality provisions or has not met its infrastructure obligations. The objection must be filed within 45 days of the company's notice of its intent to extend the plan.

(d) The PUC may hold a hearing on the issues raised in such an objection; the hearing must be completed within 30 days of the filing deadline. If the PUC finds that the issues raised in the objection are valid, it may or may not reject the extension. If the issues raised are found to be invalid, the extension must be approved. Either decision must be issued within 15 days of the completion of the hearing.

(e) If no objection is filed, the PUC shall approve the extension within 60 days of the company's filing notice of its intention to extend the plan.

2 **Local rate.** Provides that a small telephone company (one with fewer than 50,000 subscribers that elects to be categorized as such) operating under an alternative regulation plan must participate jointly with the Department of Commerce to validate a customer petition filed in response to a notice issued by the company that it intends to increase rates

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for local services, other than switched services. (Under current law, a valid petition must contain signatures of five percent of the company's customers, or 500 customers, whichever is fewer.) Requires the department to report its findings to the PUC within 30 days of validating the petition.

3 **Effective date.** Sections 1 and 2 are effective the day following final enactment.