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HOUSE BILL NO. 2578

Offered January 23, 1995

A BILL to amend and reenact § 56-235.5 of the Code of Virginia, relating to public service companies; telephone regulatory alternatives.

Patron—Stump

Referred to Committee on Corporations, Insurance and Banking

Be it enacted by the General Assembly of Virginia:**1. That § 56-235.5 of the Code of Virginia is amended and reenacted as follows:**

§ 56-235.5. Telephone regulatory alternatives.

A. As used in this section, "telephone company" means any public service corporation or public service company which holds a certificate of public convenience and necessity to furnish local exchange telephone service, except that companies which are regulated pursuant to Chapter 16 (§ 56-485 et seq.), 16.1 (§ 56-508.1, et seq.), 16.2 (§ 56-508.8 et seq.) or 19 (§ 56-531 et seq.) of this title are not included within this definition.

B. In regulating telephone services of any telephone company, and notwithstanding any provision of law to the contrary, the Commission, after giving notice and an opportunity for hearing, may replace the ratemaking methodology set forth in § 56-235.2 with any alternative form of regulation which: (i) protects the affordability of basic local exchange telephone service, as such service is defined by the Commission; (ii) reasonably assures the continuation of quality local exchange telephone service; (iii) will not unreasonably prejudice or disadvantage any class of telephone company customers or other providers of competitive services; and (iv) is in the public interest. Alternatives may differ among telephone companies and may include, but are not limited to, the use of price regulation, ranges of authorized returns, categories of services, price indexing or other alternative forms of regulation. A hearing under this section shall include the right to present evidence and be heard. Prior to any hearing under this section, the Commission shall provide parties an opportunity to conduct discovery.

C. Any telephone company or company regulated pursuant to Chapter 16 (§ 56-485 et seq.) or 19 (§ 56-531 et seq.) of this title may apply to the Commission at any time to obtain an alternative form of regulation. The Commission shall approve the application if it finds, after notice to all affected parties and hearing, that the proposal meets the standards for an alternative form of regulation set forth in subsection B.

1. A Commission order, including appropriate findings of fact and conclusions of law, denying or approving, with or without modification, an application for an alternative form of regulation shall be entered no more than ninety days from the filing of the application, except that the Commission, upon notice to all parties in interest, may extend that period in additional thirty-day increments not to exceed an additional ninety days in all.

2. If the Commission approves the application with modifications, the telephone company, or company regulated pursuant to Chapter 16 (§ 56-485 et seq.) or 19 (§ 56-531 et seq.) of this title, may, at its option, withdraw its application and continue to be regulated under the form of regulation that existed immediately prior to the filing of the application, unless it is modified for a telephone company by the Commission pursuant to subsection B.

D. The Commission may, after notice and opportunity for hearing, alter, amend or revoke any alternative form of regulation previously implemented if it finds that (i) the affordability of basic local exchange service, as such service is defined by the Commission, is threatened by the alternative form of regulation; (ii) the quality of local exchange telephone service has deteriorated or will deteriorate to the point that the public interest will not be served by continuation of the alternative form of regulation; (iii) the terms ordered by the Commission in connection with approval of a company's application for alternative form of regulation have been violated; (iv) any class of telephone company customers or other providers of competitive services are being unreasonably prejudiced or disadvantaged by the alternative form of regulation; or (v) the alternative form of regulation is no longer in the public interest.

E. The Commission shall have the authority, after notice to all affected parties and hearing, to determine whether any telephone service of a telephone company is subject to competition and to provide, either by rule or case-by-case determination, for deregulation, detariffing, or modified regulation determined by the Commission to be in the public interest for such competitive services.

F. The Commission may determine telephone services of any telephone company to be competitive when it finds competition or the potential for competition in the market place is or can be an effective regulator of the price of those services. In determining whether competition effectively regulates the

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60 prices of services, the Commission may consider: (i) the ease of market entry, (ii) the presence of other
61 providers reasonably meeting the needs of consumers, and (iii) other factors the Commission considers
62 relevant. Notwithstanding any other provisions of this subsection, all services classified as actually
63 competitive services under the provisions of the Experimental Plan adopted by the Commission in Case
64 No. PUC880035 in its final order of December 15, 1988, and remaining so classified as of the effective
65 date of this section, shall be considered to be competitive services.

66 G. The Commission shall monitor the competitiveness of any telephone service previously found by
67 it to be competitive under any provision of subsection F above and may change that conclusion, if, after
68 notice and an opportunity for hearing, it finds that competition no longer effectively regulates the price
69 of that service.

70 H. Whenever the Commission adopts an alternative form of regulation pursuant to subsection B or C
71 above, or determines that a service is competitive pursuant to subsections E and F above, the
72 Commission shall adopt safeguards to protect consumers and competitive markets. At a minimum these
73 safeguards must assure that there is no cross subsidization of competitive services by monopoly services.

74 *I. It shall be unlawful for any telephone company as defined in subsection A to pay a higher return*
75 *on equity in dividends to its parent holding company than the return on equity paid by the parent*
76 *holding company to the parent holding company's stockholders.*