

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3961-07
Bill No.: SCS for SB 1069, 1068, 1025, 1005, & 1089
Subject: Public Service Commission; Business and Commerce; Telecommunications
Type: Original
Date: March 5, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Economic Development - Public Service Commission (PSC)** state the following:

(SB 1069)

Under the proposed legislation the PSC's authority is reduced to rubber-stamping tariff filings of large incumbent local exchange carriers that would become competitive filings because of the legislation, while competitive carriers serving in the same exchanges would continue to be subject to PCS review under all Sections of 392.200, RSMo. For many tariff filings, the PSC's review time is reduced from thirty days to twenty days. This change could impact PSC resources depending on the level of review necessary for the various types of filings. The services that would be subject to customer-specific pricing would no longer be subject to PSC review.

(SB1068)

PSC states this proposal would require carriers to transmit to the transiting or terminating telecommunications company, along with other signaling information, the jurisdictionally appropriate telephone number of the party initiating the communication. The bill would provide a vehicle for the Public Service Commission to pursue enforcement for violations.

PSC assumes there is currently information that indicates as much as 40 percent of a carrier's

ASSUMPTION (continued)

traffic does not have the jurisdictionally appropriate telephone number of the party initiating communication. The legislation would require transmission of this information and could result in traffic which is currently jurisdictionally mis-allocated being recognized as Missouri intrastate traffic. Presumably telecommunications company revenues would increase and any associated state revenues, such as taxes, would increase accordingly.

(SB 1025 & SB 1089)

PSC states this proposal allows customer specific pricing for certain services. The bill also allows companies to offer special promotions or discounted rates, not only to new and/or former customers, but also existing customers. Companies may need to submit tariff filings to allow the additional customer specific pricing and will have to submit tariffs to allow the promotions and discounted rates. The PSC will review the tariffs outlining these provisions

(SB 1005)

PSC states that companies regulated under Section 392.245, RSMo have submitted rate changes to the PSC with the assumption that rates submitted pursuant to Section 392.245 are presumed just and reasonable upon submission. This premise was recently challenged because of references to the provisions of Section 392.200 within the text of Section 392.245. The bill adds language to clarify that only Subsections 2 through 5 of Section 392.200 are applicable to the review of rates submitted pursuant to Section 392.245; thus, all rate changes submitted pursuant to Section 392.245 are presumed just and reasonable upon submission to the Commission.

PSC anticipates no costs due to this proposal.

Officials of the **Department of Economic Development - Office of the Public Counsel (OPC)** state although this bill has some impact on OPC, OPC should be able to absorb the changes; however, if the requirements of this bill are combined with additional requirements or changes OPC may incur a fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposed legislation outlines several new standards for when services of a large incumbent local exchange telecommunications would be considered competitive. In markets where there is true competition, small businesses could benefit from competitive pricing pressures. In markets where competitive status is obtained through the presence of wireless carriers or prepaid service providers, small business may not benefit from the competitive status. The proposed legislation also provides for customer-specific pricing for business services in those exchanges where the PSC has found effective competition exists under current statutory requirements. Also, the ability to negotiate rates may have an impact on small businesses.

DESCRIPTION

This proposal makes numerous changes to telecommunications laws.

SECTION 386.020 (SB 1069) pertains to competitive classification. This act modifies the definition of "effective competition". It is still to be decided by the Public Service Commission (PSC) but added language clarifies that wireless carriers shall be included in the instances where competition is being decided. Changes have been made to the definition of "competitive classification", namely the reference to wireless services. The federal references have been removed and inserted in lieu thereof language narrowing the focus to wireless two-way communications. This change has been made wherever the federal reference to "commercial mobile service provider" was. The qualification that currently allows the PSC to consider any factors deemed relevant and necessary to the Commission's decision have been eliminated with this provision.

SECTION 392.200 (SB 1025 & 1089) pertains to customer specific pricing and special promotions. This act authorizes customer specific pricing on an equal basis for incumbent and alternate local exchange companies in certain circumstances. Included therein, and new to this act, are retail services, DS-1 or higher, and ISDN PRI services offered to retail end user business customers classified as competitive pursuant to subsection 5 of Section 392.245, RSMo.

DESCRIPTION (continued)

This proposal authorizes every telecommunication company to offer discounted rates or other special promotions on any of its services to any existing, new and/or former customers.

SECTION 392.220 (SB 1069) pertains to rate rebalancing. It modifies the current law that states that the Public Service Commission has 30 days to approve and/or suspend tariff applications by telecommunication companies. Tariffs are prices set for services offered. This act changes that time frame to 20 days to reflect electronic automation of the tariff application process.

SECTION 392.245 (SB 1069 & SB 1005) pertains to rate rebalancing. This act adds language clarifying that a small incumbent local exchange company may elect to be regulated by the PSC if two or more wireless providers are providing services in any part of the small incumbent company's service area.

This proposal expands the current law regarding rate rebalancing for two more years - as it stands, eligible telecommunications companies have 4 years to undergo rate rebalancing, this act changes that time frame to 6 years.

Pertaining to price cap regulations, this act clarifies the opportunity for an incumbent, local exchange telecommunications company to change its rates by filing tariffs with the Public Service Commission and provided the change is consistent with Subsections 2 through 5 of Section 392.200, RSMo.

Pertaining to competitive classification, this act clarifies that telecommunications service shall be classified as competitive in an exchange in which at least one non-affiliated local company has been certified to provide service in that exchange and is currently providing the service, one non-affiliated wireless carrier is licensed by the FCC to provide service in that exchange and is currently providing the service, any incumbent local exchange company classified as competitive under this section is offering service, and other factors are met pursuant to the definition of "effective competition" established in subdivision 13 of Section 386.020. Telecommunication carriers offering pre-paid service shall not be considered companies providing telecommunications service under this act. This act maintains and adds to the current provision that allows the PSC to go into an exchange any time, but no less than every five years, after an incumbent local exchange carrier's services have been determined competitive to reevaluate that exchange.

SECTION 392.351 (SB 1068) pertains to calling party information. This act directs any provider of a telecommunications service that originates or forwards any intrastate, interexchange message over the public switched telecommunication network, to transmit the

jurisdictionally appropriate

DESCRIPTION (continued)

telephone number of the party initiating the message. Wireless providers shall be considered providers of telecommunication services under this section.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Public Service Commission
Office of the Public Counsel



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