

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

**BILL NUMBER:** HB161 (Senate Committee Substitute)

**SHORT TITLE:** Local Telephone Competition

**SPONSOR(S):** Sen. Hoyle

**FISCAL IMPACT:**   **Expenditures:**    **Increase ( )**       **Decrease ( )**  
                  **Revenues:**        **Increase ( )**       **Decrease ( )**  
                  **No Impact ( )**  
                  **No Estimate Available (X )**

**FUND AFFECTED:** General Fund ( ) Highway Fund ( ) Local Govt. ( )  
                          Other Funds ( )

**BILL SUMMARY:**

S 224. LOCAL TELEPHONE COMPETITION (=H 161). TO PROVIDE THE PUBLIC WITH ACCESS TO LOW-COST TELECOMMUNICATIONS SERVICE IN A CHANGING COMPETITIVE ENVIRONMENT. Identical to H 161, introduced 2/9/95. Intro. by Hoyle. Ref. to Commerce

S 224. LOCAL TELEPHONE COMPETITION (=H 161). TO PROVIDE THE PUBLIC WITH ACCESS TO LOW-COST TELECOMMUNICATIONS SERVICE IN A CHANGING COMPETITIVE ENVIRONMENT. Amends GS 62-2 to authorize the North Carolina Utilities Commission to allow competitive offerings of local exchanges and exchange access. Amends GS 62-110 to authorize the Comm'n to issue a certificate to persons applying to provide local exchange or exchange access services as a public utility to a territory regardless of whether local telephone service is already being provided in that territory. Upon petition by the parties, the Comm'n may determine appropriate rates for interconnection if the incumbent local exchange company and other telecommunications companies can not agree within 90 days of negotiation. The incumbent local exchange company will be the universal service provider in the area in which it operates on July 11, 1995, but by July 1, 1996, the Comm'n will determine the universal service provider and whether universal service should be funded through interconnection rates or some other method. These provisions do not apply to franchised areas in the State being served by incumbent local exchange companies with 200,00 access lines or less. Moreover, such incumbent local exchange companies shall not be subject to the regulatory reform procedures outlines in amended GS 62-133.5 (as described below) or permitted to compete in territory outside of their franchised area for local exchange and access services until their franchise area is opened up to competing providers. The above provisions also do not apply to areas served by telephone membership corporations exempt from regulation as public utilities. Amends GS-133.5 to authorize Comm'n to approve election of price regulation of rates terms and conditions rather than rate of return regulation or form of alternative regulation. A local exchange company that elects

not to file for price regulation may file an application with the Comm'n for forms of alternative regulation, which include but are not limited to ranges of authorized returns, categories of services, and price indexing. After notice to the affected parties and hearing, the Comm'n is authorized to determine whether service provided by any telecommunications provider is subject to competition and to provide for detariffing or deregulation of such services, or both. A local exchange company subject to price regulation or other alternative regulation under this bill must file tariffs for basic local exchange service, toll switched access and may file tariffs for other services. Any tariff filing changing the terms and condition or increasing the rates for an existing service or establishing the terms and conditions or rates for a new service will be presumed valid and become effective upon 14 days notice. A tariff filing reducing rates will be presumed valid and become effective upon seven days notice. Notwithstanding the provision of GS-140, a local exchange company may offer competitive services with flexible pricing arrangements to business customers. The following sections will not apply to local exchange companies subject to regulation under this bill: GS 62-35(c), 62-45, 62--51, 62-81, 62-111, 62-130-137, 62-139, 62-142 and 62-153. Effective July 1, 1995. Introduced by Hoyle.\*Ref. to Commerce

Committee amendments in the Senate Committee Substitute (PCS 2100) allows Utilities Commission to approve price regulation plan prior to 1 July 96; directs that Commission must carry out provisions ...for competitive services in a manner consistent with the public interest..including the resale of servies; and, allows the Commission to have 180 days to make its determination (for approval of competitive services plans).

**EFFECTIVE DATE:** July 1, 1995

**PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:**

**FISCAL IMPACT**

	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
<b>REVENUES:</b>					
<b>GENERAL FUND</b>	no estimates available				
<b>HIGHWAY FUND</b>					
<b>HIGHWAY TRUST FUND</b>					
<b>LOCAL</b>					
<b>EXPENDITURES</b>	no estimates available				

**POSITIONS:**

**ASSUMPTIONS AND METHODOLOGY:**

1. It is assumed that if the Utilities Commission licenses a new pricing regulation scheme, a more competitive telecommunications services pricing structure will result. Then, the State, as the largest consumer of telecommunications services, could benefit from lower telecommunication costs. It is not possible however to estimate reliably reduced telecommunications costs, until those new pricing schemes have been approved by the Utilities Commission, and there can be a clear determination as to the extent to which the state may be able to take advantage of the new competitive offerings.

2. It is assumed that, with increased potential telecommunications business volume, there could be an increase in revenues from gross receipts taxes paid by telecommunications companies operating in North Carolina. Reliable estimates cannot be provided prior to actions taken by the Utilities Commission, however.

**SOURCES OF DATA:** State Controller; Public Staff, Utilities Commission

**TECHNICAL CONSIDERATIONS:**

**FISCAL RESEARCH DIVISION**

733-4910

**PREPARED BY:** Tom L. Covington **TomC**

**APPROVED BY:**

**DATE:** March 29, 1995

[FRD#001]



**Signed Copy Located in the NCGA Principal Clerk's Offices**