HB 1166

Department of Legislative Services

Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 1166 (Delegate Davis)
Rules and Executive Nominations

Public Utilities - Telecommunications Law - Modernization

This bill authorizes a telephone company to (1) discontinue or abandon a regulated retail service under specified conditions; (2) provide most regulated services without filing a tariff schedule with the Public Service Commission (PSC); and (3) change rates without prior notice to PSC for services for which there is no tariff filed. Specified requirements for prior PSC approval do not apply to any transaction between a telephone company and another entity (that is not a gas company or an electric company) if a common parent entity directly or indirectly controls more than 50% of both the telephone company and the other entity. The bill further specifies conditions related to a telephone company's use of technology.

Fiscal Summary

State Effect: Special fund revenues for the Public Utility Regulation Fund (PURF) decrease by $42,500 in FY 2017, $212,500 in FY 2018, $382,500 in FY 2019, and by $552,500 in FY 2020 from reduced tariff filing fees and reduced assessments on telephone companies. This revenue loss is offset to the extent that PSC further assesses other public service companies, as authorized under current law. Expenditures are not directly affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary/Current Law:

Regulated Retail Service Cancellations

Current Law: PSC may require a public service company to continue any service that the public service company renders to the public under any franchise, right, or permit, after any applicable expiration date. Unless authorized by PSC, a public service company may not discontinue or abandon a service under a franchise, right, or permit. PSC may authorize the discontinuance or abandonment if PSC finds that the present or future public convenience and necessity allows the discontinuance or abandonment.

The Bill: Notwithstanding any other law to the contrary, except a law the requires a telephone company to offer a specified telephone service, a telephone company may discontinue or abandon a regulated retail service (1) 14 days after providing written notice to PSC and (2) 30 days after providing written notice to the customers of the service. These provisions do not restrict whether and the manner in which a telephone company may discontinue a regulated retail service to a customer that has breached the terms of service.

Tariff Filings

Current Law: A public service company must file with PSC a tariff schedule of its rates and charges for its regulated services and for standard offer service. As ordered by PSC, a public service company must (1) plainly print the tariff schedule of its rates and charges for its regulated services; (2) make available the tariff schedules for public inspection; and (3) post the tariff schedules to make the tariff schedules readily accessible to and convenient for inspection by the public.

The Bill: Notwithstanding any other law, a telephone company is not required to file with PSC a tariff schedule of its rates and charges for its retail services (except for a regulated retail telephone service of a telephone company to an inmate and a regulated selective routing, automatic number identification, and automatic location identification service of a telephone company to a public safety answering point). A telephone company is required to post its rates and charges for retail intrastate wireline telephone service on a public Internet website; however, a telephone company is not required to post rates and charges for its Voice-over-Internet Protocol services.

New or Changed Rates

Current Law: Generally, a public service company may not establish a new rate or change a rate unless the public service company (1) provides notice to PSC at least 30 days before the new rate is established or the current rate is changed and (2) publishes the new rate or change in rate and effective date of the changes for 30 days.

The Bill: The above provisions only apply with respect to the rates of services that the telephone company files in a tariff. (Under the bill, the telephone company is not required to file tariffs for most of its regulated retail services.)

Franchises – Prior Approval

Current Law: Without prior authorization from PSC, a public service company may not (1) assign, lease, or transfer a franchise or a right under a franchise; (2) enter into any agreement or contract that materially affects a franchise or a right under a franchise; or (3) abandon or discontinue the exercise of a franchise or a right as a whole or in part.

The Bill: The above provisions do not apply to any transaction between a telephone company and another entity (that is not a gas company or an electric company) if a common parent entity directly or indirectly controls more than 50% of both the telephone company and the other entity.

Securities – Prior Approval

Current Law: Subject to specified conditions, without prior authorization from PSC, a public service company may not purchase, acquire, take, or hold any part of the capital stock of another public service company that operates in Maryland. Generally, without prior authorization of PSC, a public service company may not (1) assume or guarantee an obligation or liability with respect to stocks, bonds, securities, notes, or other evidence of indebtedness that is payable as a whole or in part to any person more than 12 months after the date of issuance or (2) issue stocks, bonds, securities, notes, or other evidence of indebtedness payable as a whole or in part more than 12 months after the date of issuance. Stocks, bonds, securities, notes, or other evidence of indebtedness must be issued in accordance with specified provisions.

The Bill: The above provisions do not apply to any transaction between a telephone company and another entity (that is not a gas company or an electric company) if a common parent entity directly or indirectly controls more than 50% of both the telephone company and the other entity.

Financing – Prior Approval

Current Law: Generally, a public service company must obtain authorization from PSC before the public service company (1) assumes or guarantees an obligation or liability with respect to stocks, bonds, securities, notes, or other evidence of indebtedness of any person that is payable wholly or partly more than 12 months after the date of the assumption or guarantee; (2) issues stocks, bonds, securities, notes, or other evidence of indebtedness that is payable wholly or partly more than 12 months after the date issued; or (3) lends money to an affiliate at rates or on terms that are significantly more favorable to the affiliate than the rates or terms that are otherwise commercially available to the affiliate. An issuance must conform to specified provisions. These provisions apply only to corporations that operate in the State.

Generally, without prior authorization from PSC, a public service company may not take, hold, or acquire any part of the capital stock of a public service company that operates in Maryland and is of the same class as the acquiring company. Generally, a stock corporation may not take, hold, or acquire more than 10% of the total capital stock of a public service company that operates in Maryland unless the stock is acquired as collateral security and PSC approves the acquisition.

The Bill: The above provisions do not apply to any transaction between a telephone company and another entity (that is not a gas company or an electric company) if a common parent entity directly or indirectly controls more than 50% of both the telephone company and the other entity.

Technology

The Bill: PSC or any other State unit or a unit of local government may not restrict, through an order, a regulation, a rule, a resolution, or an ordinance or in any other manner, a telephone company's choices to use any otherwise lawful technology or facility to provide its services. A telephone company may satisfy its statutory and regulatory obligations through the use of any lawful technology or facility of its choosing. The use of any lawful technology or facility by a telephone company to provide its services may not grant to PSC or any other State unit or a unit of local government any jurisdiction or authority over the technology, facility, or services beyond the jurisdiction or authority that the unit possesses without regard to the use of the technology or facility.

Background: In regulating telecommunications, PSC reviews tariff filings and rate revisions, authorizes telephone and telegraph companies to provide new service offerings, and regulates the intrastate services of long distance ("interexchange") companies and companies that resell interexchange service. Verizon Maryland, Inc. (formerly Bell Atlantic – Maryland, formerly C&P Telephone) is the traditional provider of local

telephone service in virtually all of Maryland. However, Verizon now faces competition from additional telephone companies providing facilities-based local service and telephone companies providing resold local service.

Via docketed cases, PSC has been considering various issues associated with Verizon including the appropriate forms of regulating telephone companies, service quality, bundled services, a proposed pricing tariff, and other factors dating back to at least 2006.

State Fiscal Effect: Special fund revenues for PURF decrease by $42,500 in fiscal 2017, $212,500 in fiscal 2018, $382,500 in fiscal 2019, and by $552,500 in fiscal 2020 from reduced tariff filing fees and reduced assessments on telephone companies. This revenue loss is offset to the extent that PSC further assesses other public service companies, as authorized under current law. The annual amount for which PSC may assess a public service company is limited to 0.17% of the company's intrastate gross operating revenues for the previous year.

PSC advises that its ability to offset revenue reductions due to the bill is constrained by the fact that the current assessment is at the statutory cap of 0.17% and that, therefore, PSC may need to pursue an adjustment to the cap. Although expenditures are not directly affected, to the extent that special fund revenues decrease and PSC is unable to offset the reductions, PURF expenditures must decrease.

Additional Information

Prior Introductions: None.

Cross File: SB 577 (Senator Pugh) - Finance.

Information Source(s): Public Service Commission, Office of People's Counsel, Department of Budget and Management, Department of Legislative Services

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