

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 109 (Delegate Stern)
Environmental Matters

Public Utilities - Telephone Companies - Alternative Form of Regulation

This bill alters provisions relating to the Public Service Commission's (PSC) authority to regulate telephone company rate regimes.

The bill's effective date is July 1, 2002.

Fiscal Summary

State Effect: The bill's requirements can be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill would remove PSC's discretionary authority to use an alternative form of regulation. PSC may adopt an alternative form of regulation only if it finds, after notice and hearing, that the local telephone market is fully and irreversibly open to competition and that the alternative form of regulation meets specified requirements. Uncodified bill language requires PSC to make a determination, with notice and hearing, by December 15, 2002 as to whether or not the local telephone market is fully and irreversibly open to competition. If PSC determines that the local market is not fully and irreversibly open to competition, then PSC must reimpose rate of return regulation on any telephone company operating in the State under PSC jurisdiction.

Rate of return regulation will continue until PSC makes the determination that the local telephone market is fully and irreversibly open to competition.

Current Law: As confirmed in *Office of People's Counsel v. Maryland Public Service Commission*, 355 Md. 1, 733 A2.d 996 (1999), PSC may, after notice and hearing and in order to achieve the legitimate goals of: (1) providing price and quality protection for State customers; (2) encouraging competition; and (3) protecting the public interest, regulate a telephone company through the following alternative forms of regulation:

- price regulation;
- revenue regulation;
- ranges of authorized return;
- rate of return;
- categories of services; or
- price indexing.

Background: The federal Telecommunications Reform Act of 1996 was the first major overhaul of telecom law in 62 years. The intent of the Act is “to provide for a pro-competitive, de-regulatory national policy framework designed to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition.” As the telecom industry continues in a transition from regulated monopoly to competitive marketplace, state and federal laws and regulations continue to shape that transition in an effort to achieve the intent of the Act.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 22, 2002
ncs/cer

Analysis by: Mitchell J. McCalmon

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510

