

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 898
Economic Matters

Delegate Owings (By Request)

Telephone Calls - Rates - Intracounty and Adjacent County Phone Calls

This bill requires the Public Service Commission (PSC) to adopt a new alternative rate setting mechanism for local telephone calls in specified areas. Calls within these areas must be classified as toll-free local calls.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The bill applies to calls made by land line, wireless communications, including fixed wireless, cellular, and PCS, or Internet service. The alternative rate setting mechanism must establish rates for specified local calls that are presumed to be coequal to the rates for local toll calls, absent clear and convincing evidence that the rates, as determined by PSC using forward-looking incremental costing, should be set at a higher or lower level. PSC must seek approval of the Federal Communications Commission (FCC) as necessary to establish local calling between LATAs in adjacent states and the District of Columbia. PSC must file a petition with the FCC for initial approval of local telephone calling between LATAs in adjacent states and the District of Columbia by July 1, 2004 and file a petition with the FCC to seek approval for the waiver of appropriate LATA boundaries under the bill. PSC must report to the House Economic Matters Committee by April 1, 2004 on the progress in developing the FCC petition of

local calling; by January 31, 2005 on the status of any FCC proceedings on the petitions; and by January 1, 2006 on the impact of this bill on calling rates in the State.

Current Law: Utility companies, including telephone companies, are required to establish rates for their services that are just and reasonable. PSC is charged with reviewing and approving utility rates to ensure they are just and reasonable.

Background: PSC is responsible for regulating all local and intrastate long distance services. Verizon Maryland Inc., is the dominant supplier of local wireline voice services in Maryland and is currently regulated under a price cap regulatory regime which is reviewed annually. The Price Cap Plan uses a formula to adjust rates that relies on economic factors such as the Consumer Price Index. In addition to Verizon, there are about 150 other competitive local exchange carriers who are authorized to operate in Maryland, about 30 of which are actively selling local service to Maryland consumers. Each of these companies has filed a local service tariff that has been reviewed and approved by PSC.

Providers of intrastate long distance services are also regulated by PSC, but PSC does not have any authority over interstate long distance. There are about 200 long distance companies providing intrastate services that are authorized to operate in Maryland and they all have long distance tariffs on file that have been reviewed and approved by PSC. The rate setting authority for interstate long distance services rests with the FCC.

Additional Information

Prior Introductions: A similar bill was introduced as HB 1425 during 2002 but did not have a hearing.

Cross File: SB 764 (Senator Hooper) – Rules.

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

Fiscal Note History: First Reader - March 7, 2003
mdf/jr

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