



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

THE ENERGY & TECHNOLOGY COMMITTEE

Senate Bill 1024: AAC MODERNIZING THE STATE'S
TELECOMMUNICATIONS LAWS

February 24, 2011

TESTIMONY OF COMMISSIONER ANTHONY PALERMINO

The Department of Public Utility Control (Department) welcomes the opportunity to comment on Senate Bill No. 1024 and requests the Committee's consideration of certain revisions discussed below. Senate Bill No. 1024 would: (1) remove the requirements for telecommunications service providers and telephone companies to file certain tariffs with the Department; (2) clarify for telecommunications companies when a document is considered filed with the Department; (3) eliminate a need for a paper version of a filing sent to the Department electronically; (4) clarify when audits are required; (5) remove the imputation standard (i.e., the requirement that competitive or emerging competitive services be priced at an amount that is not less than the sum of (a) the rate charged to another telecommunications company for a noncompetitive or emerging competitive local network service function used by that company to provide a competing telecommunications service and (b) the applicable incremental costs of the telephone company); and (6) change the process by which a telephone company could withdraw a retail telecommunications service.

Section 1 of Senate Bill No. 1024 would remove tariff filing requirements with the Department. Although the Department supports the removal of tariff filing requirements for competitive and emerging competitive services as it is consistent with current state policy, the Department believes that it is premature to extend this change to noncompetitive retail and wholesale services at this time. By their very nature, subscribers to these services have limited alternatives available to them, thus requiring the Department's continued oversight of the provision of these services as well as the terms, conditions rates and charges associated with these services. These terms, conditions, rates and charges are typically detailed in a tariff, and may not be completely captured in a customer service guide. Regarding wholesale services, their offerings and associated rate structures are sometimes complex and they too, would not lend themselves to a customer service guide. Consequently, the Department recommends that the proposed bill be revised to reflect the requirement that tariffs continue to be filed for all noncompetitive retail and wholesale services. Relative to the customer service guide, the Department believes that in some cases the listing of competitive and emerging competitive service rates, terms and conditions may not be sufficient. The Department therefore recommends that the state's telecommunications services providers also be required to provide to their customers an Internet link to company websites where service information could be clearly presented. The Department also recommends that the telecommunications companies be required to annually provide their customers with a

description of the services that they purchase including the rates, charges and terms and conditions. The annual descriptions to consumers could be through bill inserts or a separate mailing.

Section 2 of the proposed bill establishes the elimination of paper filings except under two limited exceptions. This provision as it is currently written is contrary to the Department's existing rules of practice and those of the state library, public records administrator, office of records retention. The practical effect of this proposal is to shift the burden and cost of providing paper copies of all documents filed with the Department from applicants and regulated companies onto this Department and ratepayers.

The DPUC would be supportive of a move to a more paperless standard only upon a change to the language that requires companies to submit three hard copies of any filings as well as an electronic version. The Department notes that in previous negotiations with AT&T over such topic, the Company had agreed to supply the DPUC with three copies of all filings upon its request.

Section 3 of the bill would require in any audit of a telephone company that is additional to the federal requirement of such audit reports that the Department be required to state the reasons for an additional state audit. As the Department has testified in response to previous similar proposals, a federal audit can in certain instances satisfy the Department's review. However, including statutory language which clearly curtails its authority to review Connecticut specific financial data upon request as contemplated in this bill, and to specify its justifications for a Department decision to conduct an independent audit is contrary to the Department's mandate to review the operations of the companies it regulates when it deems such actions are necessary. Moreover, the Department is presumed to be acting in the public interest in a request for audit or additional information and continues to object to enacting any such provisions in law. Nonetheless, the DPUC would not resist the change to a single audit if it retains as its prerogative, the ability to require additional information it deems necessary.

Regarding the deletion of the imputation standard, the Department welcomes the opportunity for further discussion of this issue. The imputation standard was implemented to ensure that the state's telephone companies experience the same cost floor as their competitors' and to ensure against a price squeeze for their services. A price squeeze occurs when a company competing in the marketplace sells an essential input to another company for more than it charges its own end users for the same service. While facilities-based competition in the state's telecommunications market has certainly increased since this standard was first introduced, the telephone companies' competitors are in a better position than the Department to provide testimony concerning the continued need for this requirement. The Committee and the Department may well find the views of the telephone companies' competitors as a key resource in better understanding the potential impact that the removal of this requirement would have on the competitive offering of their services in the marketplace.

Finally, Senate Bill 1024 would simplify the manner in which telephone companies could withdraw their retail telecommunications services. Again, the proposed revision does not distinguish between competitive and emerging competitive services and noncompetitive services and when they are withdrawn. For the same reasons as noted above, the Department would recommend that the retail services that would be subject to the simplified withdrawal process be limited to only a telephone company's competitive and emerging competitive services. Noncompetitive retail services should not be subject to withdrawal at this time.

The Department thanks the Committee for the opportunity to testify on this bill.