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Energy and Technology Committee Public Hearing

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Testimony By

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Regarding House Bill 6992, An Act Concerning Telecommunications

Co-Chair Doyle, Co-Chair Reed, and members of the Committee, on behalf of Verizon, I respectfully request that the committee consider passing legislation that would represent a modest step towards modernizing the way in which certain telephone service providers in Connecticut communicate their rates, charges, terms, and conditions of service to their customers, and in doing so, eliminate a current market “asymmetry” between regulated providers of wireline telephone service in the State and their unregulated competitors.

In Connecticut, telephone companies and certified telecommunications providers are currently required to file “tariffs” for approval by the Public Utilities Regulatory Authority (PURA) for every intrastate telecommunications service. Tariffs describe a company’s service offerings and the related rates, charges, terms, and conditions. The companies that are subject to this requirement must publicly file their rates, terms and conditions days, and sometimes weeks in advance of actually providing these services to

their customers. This tariff filing requirement is a lingering vestige from the early 20th century, when policy makers believed that telephone could only be provided as a regulated monopoly. This belief proved to be untrue, and federal and state regulators across the country modified their regulatory regimes to introduce competition into the telecommunications market. Today, Connecticut customers have many choices for their telephone services, and industry competitors are actively packaging and promoting new services to win customers. In its most recent report to the General Assembly on the status of telecommunications in the state of Connecticut, PURA identified 121 telecommunications service providers are approved to offer local exchange and/or other facilities-based services in Connecticut.¹ PURA further observed that FCC reports show that the number of Voice Over Internet Protocol (VoIP) lines in the state totaled 832,000 as on June, 2013.² Non-ILECs provide service to more than 52% of residential wireline customers and 35% of the business wireline customers in CT.³ “In short, Connecticut enjoys a highly competitive local exchange marketplace where customers enjoy a variety of options. Local service providers must continue to provide cost effective, well-designed options to retain and grow their base.”⁴ At the same time, consumers are now accustomed to communicating directly with a company or reviewing its website for information on the company’s services.

This proposed legislation would update the state’s regulatory environment to reflect current consumer expectations and behavior. We are seeking legislation that would allow companies serving less than 75,000 customers to post their retail rates,

¹ PURA 2014 Annual Report to the General Assembly on the Status of Telecommunication in Connecticut, Docket No. 14-01-16 (January 7, 2015) at 19-20.

² *Id.* at 20-21.

³ *Id.* at 21.

⁴ *Id.* at 21.

charges, terms, and conditions for competitive telephone services on a company's public website and through consumer guides, rather than requiring the company to file tariffs at a state agency. If this proposed legislation were enacted, Verizon's 18,500 customers in Greenwich would obtain welcome packages and customer guides with information regarding the services we offer, including the price of those services and the associated terms and conditions. This same information would also be available on our public website and when customers contact a call center to discuss their account, just like any other business selling services in Connecticut.

This modest modernization of state law will benefit consumers by allowing smaller telephone companies and certified telecommunications providers to bring competitive services to the marketplace faster, while supporting those companies efforts to provide information regarding those services available directly to their customers, rather than in tariffs that many customers seldom, if ever, consult. In today's market, customers rely primarily on the service descriptions, rates, terms, and conditions that are provided directly to them when they purchase services, or on service information that is available on service providers' websites. Approving this legislation will update Connecticut's telecommunications market practices to reflect this market reality.

The proposed bill would also reduce the opportunity that exists under the current tariff filing requirements, for competitors to use the public tariff review process to their competitive advantage, since such filings signal a company's pricing strategy before they are effective in the marketplace.

Streamlining this process will encourage product and pricing innovation, enhance transparency and availability of service information to consumers, and put all competitors

on an equal footing (instead of one company filing and giving competitors advance notice on its marketing plans).

If this measure is enacted, telephone companies and competitive local exchange carriers with fewer than 75,000 lines would have the option to no longer file tariffs for any competitive retail service. However, those companies would still be required to file tariffs for all non-competitive products or services.

Lawmakers should also consider the following facts when considering this proposal:

- Tariffs were eliminated for interstate telecommunications services more than fifteen years ago – no consumers were harmed – or even noticed. In recent years, New York and Massachusetts have successfully implemented broader detariffing bills.
- The bill would still require companies that elect to detariff competitive services to annually file its customer guide with PURA and would not impact PURA’s authority to address consumer complaints.
- In 2006, the General Assembly passed PA 06-144, which reduced state oversight over the prices Verizon charges for most competitive services. This legislation takes a small but logical next step by reducing unnecessary regulatory burdens on competitive retail services.

Verizon respectfully requests that lawmakers introduce the attached proposal and implement this modest but much-needed reform.

I thank you again for considering this issue and welcome any comments or questions.

Thank you.

Draft Tariff Proposal:

February 24, 2015

Referred to Committee on ENERGY AND TECHNOLOGY

Introduced by:

(ET)

AN ACT REGARDING THE PUBLICATION OF TARIFFS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 16-247f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) The authority shall regulate the provision of telecommunications services in the state in a manner designed to foster competition and protect the public interest.

(b) Notwithstanding the provisions of section 16-19, the following telecommunications services shall be deemed competitive services: (1) A telecommunications service offered on or before July 1, 1994, by a certified telecommunications provider and a wide area telephone service, "800" service, centrex service or digital centrex service offered by a telephone company, (2) a telecommunications service offered to business customers by a telephone company, (3) a home office service offered by a telephone company, and (4) a telecommunications service provided by a telephone company to a residential customer who subscribes to two or more telephone company services, including basic local exchange service, any vertical feature or interstate toll provided by a telephone company affiliate. Unless reclassified pursuant to this section, any other service offered by a telephone company on or before July 1, 1994, shall be deemed a noncompetitive service, provided such initial classification shall not be a factual finding that such service is noncompetitive. Notwithstanding subdivision (3) of subsection (c) of section 16-247b, prior to January 1, 2010, a telephone company shall not obtain a waiver from the authority of the pricing standard set forth in subdivision (1) of subsection (c) of section 16-247b for any service reclassified as competitive pursuant to subdivision (2), (3) or (4) of this subsection.

(c) On petition, on its own motion, or in conjunction with a tariff investigation conducted pursuant to subsection (f) of this section, after notice and hearing, and within ninety days of receipt of a petition or its motion or within the time period set forth in subsection (f) of

this section, as applicable, the authority may reclassify a telecommunications service as competitive, emerging competitive or noncompetitive, in accordance with the degree of competition which exists for that service in the marketplace, provided (1) a competitive service shall not be reclassified as an emerging competitive service, and (2) the authority may extend the period (A) before the end of the ninety-day period and upon notifying all parties to the proceedings by thirty days, or (B) in accordance with the provisions of subsection (f) of this section, as applicable.

(d) In determining whether to reclassify a telecommunications service, the authority shall consider:

(1) The number, size and geographic distribution of certified telecommunications providers of the service, provided the authority shall not reclassify any service as competitive if such service is available only from a telephone company or an affiliate of a telephone company that is a certified telecommunications provider;

(2) The availability of functionally equivalent services in the relevant geographic area at competitive rates, terms and conditions, including, but not limited to, services offered by certified telecommunications providers, providers of commercial mobile radio services, as defined in 47 CFR 20.3, voice over Internet protocol providers and other services provided by means of alternative technologies;

(3) The existence of barriers to entry into, or exit from, the relevant market;

(4) Other factors that may affect competition; and

(5) Other factors that may affect the public interest.

(e) **[Each] Except for a certified telecommunications provider [and each] or telephone company serving fewer than seventy-five thousand customers in the state that elects to be exempt from the filing or maintaining of tariffs for a competitive or emerging competitive intrastate telecommunications service pursuant to subsection (h) of this section, each certified telecommunications provider and each telephone company** shall file with the authority a new or amended tariff for each competitive or emerging competitive intrastate telecommunications service authorized pursuant to section 16-247c. A tariff for a competitive service shall be effective on five days' written notice to the authority. A tariff for an emerging competitive service shall be effective on twenty-one days' written notice to the authority. A tariff filing for a competitive or emerging competitive service shall include (1) rates and charges which may consist of a maximum rate and a minimum rate, (2) applicable terms and conditions, (3) a statement of how the tariff will benefit the public interest, and (4) any additional information required by the authority. A telephone company filing a tariff pursuant to this section shall include in said tariff filing the information set forth in subdivisions (1) to (4), inclusive, of this subsection, a complete explanation of how the company is complying with the provisions of section 16-247b and, in a tariff filing which declares a new service to be competitive or emerging competitive, a statement addressing the considerations set forth in subsection (d) of this section. If the authority approves a tariff which consists of a minimum rate and a maximum rate, the certified telecommunications provider or telephone company may

amend its rates upon five days' written notice to the authority and any notice to customers which the authority may require, provided the amended rates are not greater than the approved maximum rate and not less than the approved minimum rate. A promotional offering for a previously approved competitive or emerging competitive tariffed service or a service deemed competitive pursuant to this section shall be effective on three business days' written notice to the authority. **This section shall not prevent a retail customer from seeking assistance of the Public Utilities Regulatory Authority with regard to billing and service issues with a telephone company or certified telecommunications provider.**

(f) On petition or its own motion, the authority may investigate a tariff or any portion of a tariff, which investigation may include a hearing. The authority may suspend a tariff or any portion of a tariff during such investigation. The investigation may include, but is not limited to, an inquiry to determine whether the tariff is predatory, deceptive, anticompetitive or violates the pricing standard set forth in subdivision (1) of subsection (c) of section 16-247b. Not later than seventy-five days after the effective date of the tariff, unless the party filing the tariff, all statutory parties to the proceeding and the authority agree to a specific extension of time, the authority shall issue its decision, including whether to approve, modify or deny the tariff. If the authority determines that a tariff filed as a new service is, in fact, a reclassification of an existing service, the authority shall review the tariff filing as a petition for reclassification in accordance with the provisions of subsection (c) of this section.

(g) The provisions of this section shall not prohibit the authority from ordering different tariff filing procedures or effective dates for an emerging competitive service, pursuant to a plan for an alternative form of regulation of a telephone company approved by the authority in accordance with the provisions of section 16-247k.

(NEW) (h) On or after July 1, 2015, any (1) certified telecommunications provider or (2) telephone company serving fewer than seventy-five thousand customers in the state may, upon written notice to the authority, elect to be exempt from any requirement to file or maintain with the authority any tariff for competitive or emerging competitive intrastate telecommunications services offered or provided to residential or business retail end-users and, instead, shall make the rates, terms and conditions for those services available to such end-users in a customer service guide or in such other manner determined by such provider or company providing such services. A copy of the customer service guide or other listing of rates, terms and conditions shall be filed annually with the authority. The tariff requirements for noncompetitive services shall remain in effect.

This act shall take effect as follows and shall amend the following sections:		
Sec. 1	July 1, 2015	16-247f

Statement of Purpose:

To eliminate the requirement for certified telecommunications service providers and telephone companies with fewer than seventy-five thousand customers in the state to publish and file tariffs for competitive and emerging competitive telecommunications services.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]