

SUBJECT: Partial deregulation of small phone companies and cooperatives

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 12 ayes — Seidlits, Turner, Alvarado, Black, Bosse, Carter, Craddick,  
Hilbert, Hochberg, B. Hunter, McCall, Ramsay

0 nays

3 absent — Danburg, D. Jones, Wolens

WITNESSES: For — Calvin Weinheimer, Texas Telephone Association; Jim Whitefield,  
Texas Statewide Telephone Cooperative, Inc.

Against — None

DIGEST: CSHB 1777 would allow partial deregulation of small local exchange  
companies (LECs) with 31,000 or fewer access lines and of telephone  
cooperatives.

The bill would allow small LECs to offer extended local calling services or new services on an optional basis or make minor changes in their rates or tariffs if the company filed a statement of intent and affidavit with the PUC and provided timely notification to affected customers.

The bill would allow partial deregulation of a cooperative LEC with approval of a majority of the cooperative membership. A cooperative could begin offering extended local calling services or optional new services or change rates if it provided notice to all customers and cities and filed with the PUC. The partial deregulation could be reversed by a majority vote of the membership, initiated by the board or by 10 percent of the membership.

The bill would require the PUC to review a proposed change under certain conditions, such as receiving complaints from the lesser of 5 percent or 1,500 customers. The PUC could suspend the proposed tariff during the review.

The bill would require the PUC to review and revise or eliminate any policies, reporting requirements and rules that place unnecessary burdens or expenses on rural and small local exchange companies and cooperatives.

The PUC could collect fees from local exchange companies to cover the regulatory costs associated with the partial deregulation of telephone cooperatives.

The bill would allow small companies to provide free or reduced rates to board members, officers, employees and agents.

The bill would take effect September 1, 1995.

**SUPPORTERS  
SAY:**

CSHB 1777 would give small telephone companies regulatory flexibility to offer extended local calling service, make minor rate changes and offer new services without PUC review. On December 1, 1994, the PUC by rule allowed small companies greater regulatory flexibility, which recognized the vast differences between small and large phone companies. The bill would address some of the statutory changes needed and put the PUC policy into law.

Telephone cooperatives should be partially deregulated because they are nonprofit LECs owned by their customers. This structure does not require the same level of regulation as for-profit operations.

Historically, small phone companies have provided free or reduced rates to board members, officers, employees and agents. This bill would just place current practice into law.

**OPPONENTS  
SAY:**

Although providing small LEC board members, officers and employees and agents the "perk" of reduced or free telephone service has been done for years, it is still not fair. There is no good reason why the rest of the LEC's customers should continue to subsidize phone service for board members and employees. They should pay their fair share like everyone else.

**NOTES:**

The committee substitute revised the original version to conform with SB 319 by Armbrister, enacted earlier this session by the 74th Legislature, which reorganized the Public Utility Regulatory Act.

CSHB 1777's provisions are incorporated in the omnibus telecommunications bill, HB 2128 by Seidlits, which was reported favorable, as substituted, by the Senate Economic Development Committee on May 9.