

BILL ANALYSIS

Senate Research Center

C.S.S.B. 560
By: Sibley
Economic Development
4/13/1999
Committee Report (Substituted)

DIGEST

In 1995, H.B. 2128 was enacted by the 74th Legislature to change the telecommunications market from a highly regulated industry to a less regulated industry, and eventually to a competitive industry. Since 1995 the telecommunications industry market has changed considerably. With the development of alternative telecommunications providers, the growing marketplace for telecommunications, and the end of certain commitments made under H.B. 2128, the regulatory framework now requires some adjustment. C.S.S.B. 560 would regulate the telecommunications utilities and the provision of telecommunication services.

PURPOSE

As proposed, C.S.S.B. 560 regulates the telecommunications utilities and the provision of telecommunications services.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the Public Utility Commission in SECTION 4 (Section 52.112(b), Chapter 52C, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 12.005, Utilities Code, to provide that the Public Utility Commission of Texas (commission) is abolished and this chapter expires on September 1, 2005, rather than September 1, 2001, unless continued as provided by Chapter 325, Government Code.

SECTION 2. Amends Section 52.102, Utilities Code, to provide that a telecommunications utility subject to this subchapter has jurisdiction to require a telecommunications utility that, together with affiliates, had more than six percent of the total intrastate access minutes of use as measured for the most recent 12-month period, to pass switched access rate reductions under this title to customers as required under Section 52.112. Requires this authority to expire on the date specified in Section 52.112. Makes a conforming change.

SECTION 3. Amends Section 52.108, Utilities Code, to authorize the commission to enter any order necessary to protect the public interest if the commission finds after notice and hearing that a telecommunications utility has failed to pass switched access rate reductions to customers under Chapter 56 or other law, as required under Section 52.112.

SECTION 4. Amends Section 52.110, Utilities Code, to provide that in a proceeding before the commission in which it is alleged that a telecommunications utility engaged in conduct in violation of Section 52.107, 52.108, 52.109, or 52.112, the burden of proof is on a telecommunications utility complaining of conduct committed against it in violation of this subchapter, or except as provided by Subsection (b), the responding telecommunications utility if the proceedings are brought by a customer or initiated by the commission.

SECTION 5. Amends Chapter 52C, Utilities Code, by adding Section 52.112, as follows:

Sec. 52.112. **REDUCTION PASS-THROUGH REQUIRED.** Requires each telecommunications utility that, together with affiliates, had more than six percent of the total intrastate access minutes of use as measured for the most recent 12-month period, to pass through to customers switched access rate reductions under this title. Requires the residential customer

class to receive no less than a proportionate share of the reductions. Requires each telecommunications utility subject to this section, within six months following each reduction in intrastate switched access charges under this title, to file a report with the commission demonstrating its compliance on an average revenue per minute basis with subsection (a). Requires this subsection to expire two years after the date incumbent local exchange companies doing business in the state are no longer prohibited by federal law from offering interLATA and interstate long distance service.

SECTION 6. Amends Section 54.007, Utilities Code, to delete existing Subdivisions (b)(2) and (3) regarding certain instances in which a basic telecommunications service price may be increased. Makes a conforming change.

SECTION 7. Amends Chapter 54C, Utilities Code, as follows:

SUBCHAPTER C. CERTIFICATE OF OPERATING AUTHORITY

Sec. 54.101. DEFINITION. Makes no change.

Sec. 54.102. APPLICATION FOR CERTIFICATE. Authorizes an affiliate of a person holding a certificate of convenience and necessity to hold a certificate of operating authority if the holder of the certificate of convenience and necessity is in compliance with federal law and Federal Communications Commission rules governing affiliates and structural separation. Prohibits an affiliate of a person holding a certificate of convenience and necessity from directly or indirectly selling to a non-affiliate any regulated product or service purchased from the person holding a certificate of convenience and necessity at any rate or price less than the price paid to the person holding a certificate of convenience and necessity. Authorizes a person to hold a certificate for all or any portion of a service area for which one or more affiliates of the person holds a certificate of operating authority, a service provider certificate of operating authority or a certificate of convenience and necessity.

Sec. 54.103. GRANT OR DENIAL OF CERTIFICATE. Deletes text regarding the adequacy of an applicant's build-out plan as one of the commissioner's required consideration factors in granting a certificate on a nondiscriminatory basis. Deletes existing Section 54.104 regarding build out plan requirements and existing Section 54.105 regarding six-year limitation on resale of services. Makes conforming changes.

Sec. 54.104. New heading: TIME OF SERVICE REQUIREMENTS. Requires a certificate holder, notwithstanding Subsection (a), to serve a customer, rather than in the build out area, not later than the 30th day after the date the customer requests service. Redesignated from existing Section 54.106. Deletes existing Section 54.107 regarding requirements to certain facilities; Section 54.108 regarding build-out compliance; Section 54.109 regarding elimination of build-out requirements for certain providers; and Section 54.110 regarding hearing on build out and resale requirements.

Sec. 54.105. New heading: PENALTY FOR VIOLATION OF TITLE. Redesignated from existing Section 54.111.

SECTION 8. Amends Section 56.021, Utilities Code, to require the commission to adopt and enforce rules requiring local exchange companies to establish a universal service fund to assist telecommunications providers, rather than local exchange companies, in providing basic local telecommunications service at reasonable rates in high cost or rural areas. Makes a conforming change.

SECTION 9. Amends Sections 56.023 and 56.024, Utilities Code, as follows:

Sec. 56.023. COMMISSION POWERS AND DUTIES. Requires the commission to establish and implement the universal service fund provisions required by Section 56.021(1) for all eligible telecommunications providers not later than August 1, 1999. Makes conforming changes.

Sec. 56.024. REPORTS; CONFIDENTIALITY. Authorizes the commission to require a telecommunications provider to provide a report or information necessary to assess contributions and disbursements to the universal service fund.

SECTION 10. Amends Section 56.026, Utilities Code, to require the commission, in establishing and implementing the universal service fund described in Section 56.021(1), to size the fund to provide for disbursements to a company serving more than five million access lines in this state sufficient to offset a reduction of at least 2.35 cents per minute in switched access rates on a combined originating and terminating basis. Makes a conforming change.

SECTION 11. Amends Chapter 56B, Utilities Code, by adding Section 56.028, as follows:

Sec. 56.028. UNIVERSAL SERVICE FUND REIMBURSEMENT FOR CERTAIN INTRALATA SERVICE. Requires the commission to provide reimbursement through the universal service fund for reduced rates for intraLATA interexchange high capacity (1.544 Mps) service for entities described in Section 58.253(a) upon request of a local exchange company that is not an electing company under Chapters 58 and 59. Requires the amount of reimbursement to be the difference between the company's tariffed rate for such service as of January 1, 1998, and the lowest rate offered for such service by any local exchange company electing incentive regulation under Chapter 58.

SECTION 12. Amends Section 56.071, Utilities Code, to provide that in addition to local exchange companies, this subchapter applies to telecommunications providers that receive universal service fund support pursuant to the commission's universal service fund rules, and any reference to or requirement imposed on local exchange companies in this subchapter shall also apply to such telecommunications providers. Makes conforming changes.

SECTION 13. Amends Section 58.002, Utilities Code, as follows:

Sec. 58.002. New heading: DEFINITIONS. Defines "electing period" and "urban." Makes conforming changes.

SECTION 14. Amends Section 58.021, Utilities Code, to require notice to include a statement that the company agrees to limit until September 1, 2005, any increase in a rate the company charges for basic network services. Provides that except as provided in Subsection (d), an election under this chapter remains in effect until the legislature eliminates the incentive regulation authorized by this chapter and Chapter 59. Authorizes the commission to allow an electing company serving fewer than five million access lines to withdraw the company's election under this chapter under certain circumstances. Defines "good cause."

SECTION 15. Amends Section 58.024, Utilities Code, to prohibit the commission from reclassifying a service until, for a company that serves more than five million access lines in this state, the date on which the FCC determines in accordance with 47 U.S.C. Section 271 that the company may enter the interLATA telecommunications market in this state. Authorizes the commission, for an electing company having greater than five million lines, to reclassify a service subject to certain conditions. Makes conforming changes.

SECTION 16. Amends Section 58.028, Utilities Code, to require the commission to begin a review and evaluation of each company that elects under this chapter or Chapter 59 no later than January 1, 2004, rather than January 1, 2000. Requires the commission to file a report with the legislature no later than January 1, 2005, rather than January 1, 2001. Provides that this section expires on September 1, 2003, rather than September 1, 2001.

SECTION 17. Amends Chapter 58C, Utilities Code, by adding Section 58.051A, as follows:

Sec. 58.051A. SERVICES INCLUDED FOR CERTAIN ELECTING COMPANIES. Provides that from September 1, 1999, until such time as an affected company offers interLATA long distance service, and notwithstanding Section 58.051, for an electing company with more than five million access lines, the services in Subsection (b) of this section are basic network services, unless reclassified under Section 58.024. Sets forth what is included in basic network services. Provides that rates for the service listed in Subsection (b) and (e) of this section are capped until September 1, 2005. Provides that at such time as an electing company servicing more than five million access lines offers interLATA long distance, the services listed in Subsection (e) of this section are basic network services for that company except that the commission may permit an electing company, on application, to establish rates, terms, and conditions of service for residential and business

installment billing and late payment charges. Sets forth what basic network services include.

SECTION 18. Amends Sections 58.054 and 58.055, Utilities Code, as follows:

Sec. 58.054. **RATES CAPPED.** Requires an electing company to commit to not increasing a rate for a basic network service on or before the fourth anniversary of its election date. Provides that the rates an electing company may charge on or before that fourth anniversary are the rates charged by the company on June 1, 1995, or for a company that elects under this chapter after September 1, 1999, the rates charged on the date of its election. Prohibits, notwithstanding Subsections (a) and (b), the cap on the rates for basic network services for a company electing under this subchapter from expiring before September 1, 2005.

Sec. 58.055. **RATE ADJUSTMENT BY COMPANY.** Authorizes an electing company notwithstanding Chapter 60F, on its own initiative, to decrease a rate for a basic network service during the electing period, rather than four-year period. Authorizes a company to decrease the rate for a basic local telecommunications service to an amount above the service's appropriate cost. Deletes text regarding a company's ability to decrease the rate for switched access service to an amount above the service's long run incremental cost. Makes a conforming change.

SECTION 19. Amends Section 58.060, Utilities Code, to authorize an electing company to increase a rate for a basic network service only with the commission's approval subject to this title and to the extent consistent with achieving universal affordable service, after the expiration of the period during which the rates for basic network services are capped as prescribed by Section 58.054, rather than after the electing period expires.

SECTION 20. Amends Chapter 58C, Utilities Code, by adding Sections 58.063 and 58.064, as follows:

Sec. 58.063. **FLEXIBLE PACKAGING ACROSS SERVICE CLASSIFICATIONS.** Authorizes an electing company, notwithstanding any other provisions of this title, serving less than five million access lines to package basic network services with discretionary services or competitive services as of the date the company enters into the interLATA long distance market. Authorizes an electing company, notwithstanding any other provisions of this title, serving less than five million access lines to package basic network services with discretionary services or competitive services if the company notifies the commission of its binding commitment to make certain infrastructure improvements by September 1, 2001. Prohibits these commitments from applying to exchanges of the company sold or transferred before, or for which contracts for which for sale or transfer were pending on, September 1, 2001. Requires the company, in the case of exchanges for which contracts for sale or transfer were pending as of March 1, 2001, where the purchaser withdrew or defaulted prior to September 1, 2001, to have one year from the date of withdrawal or default to comply with the commitments. Requires the price for a package of services containing basic network and discretionary or competitive services to be no higher than the sum of the tariffed rates of the basic network services and the competitive services and the price ceilings of the discretionary services. Requires the price for a package of services containing basic network services and discretionary or competitive services to be set at a level above the sum of certain costs. Authorizes an electing company to flexibly price a package that includes a basic network service in any manner listed in Section 51.002(7), except that such a package is prohibited from being offered in a manner that results in a customer-specific contract.

Sec. 58.064. **ZONE-DENSITY PRICING OF BASIC LOCAL TELECOMMUNICATIONS SERVICE.** Provides that the only form of pricing flexibility allowed for basic local telecommunications service is zone-density pricing until an electing company is authorized to engage in pricing flexibility pursuant to Section 58.063.

SECTION 21. Amends Chapter 58D, Utilities Code, by adding Section 58.101A, as follows:

Sec. 58.101A. **SERVICES INCLUDED FOR CERTAIN ELECTING COMPANIES.** Provides that from September 1, 1999 until such time as an affected company offers interLATA long distance service, and notwithstanding Section 58.101, for an electing company with more than five million access lines, the services in Subsection (b) of this section are discretionary services, unless reclassified under Section 58.024. Sets forth what is included in discretionary services.

SECTION 22. Amends Section 58.102, Utilities Code, to require the commissioner to set the maximum price an electing company may charge for discretionary service until certain dates. Provides that the initial market price for a service is the price in effect on the date of the electing company's election, rather than September 1, 1995. Authorizes the electing company, after the dates prescribed in Section 58.102(a), to file annually a revised maximum price list for the services classified as discretionary services. Prohibits the new maximum prices for the services classified as discretionary services from exceeding, in the aggregate, 112 percent of the previous maximum prices for those services. Requires the electing company to file the new maximum price list in an informational tariff filed with the commission five days prior to the date on which the new maximum prices will become effective. Deletes text prohibiting the commission from increasing the initial maximum price. Deletes text authorizing the commission to change the initial maximum price.

SECTION 23. Amends Chapter 58E, Utilities Code, by adding Section 58.151A, as follows:

Sec. 58.151A. SERVICES INCLUDED FOR CERTAIN ELECTING COMPANIES. Provides that from September 1, 1999 until such time as an affected company offers interLATA long distance service, and notwithstanding Section 58.151, for an electing company with more than five million access lines, the services in Subsection (b) of this section are competitive services. Sets forth what is include in competitive services. Provides that at such time as an electing company serving more than five million access lines offers interLATA long distance, the services listed in Subsection (d) of this section are competitive services for that company. Sets forth what is included in competitive services. Provides that rates for the services listed in Subsection(d) (1)-(3) are capped until September 1, 2005.

SECTION 24. Amends Chapter 58E, Utilities Code, by adding Section 51.151B, as follows:

Sec. 515.151B. SERVICES INCLUDED FOR CERTAIN ELECTING COMPANIES. Sets forth certain required services to be offered by an electing company to be classified as discretionary services and may not be reclassified under Section 58.024, for the 12-month period following the date an electing company with more than five million access lines begins offering interLATA long distance service, and notwithstanding Sections 58.101 and 58.151A. Requires the services listed in Subsection (a)(1)-(4), at the expiration of the 12- month period described in Subsection (a), to be classified as competitive services. Prohibits an electing company, notwithstanding any other provision in this title, with more than five million access lines from providing the services in Subsection (a)(1)-(4) pursuant to a customer specific contract until 18 months have expired following the date that such an electing company begins offering interLATA long distance service. Prohibits an electing company from offering a package of services, including a service listed in Subsection (a)(1)-(4), that results in a customer specific contract until the 18-month period has expired.

SECTION 25. Amends Chapter 58E, Utilities Code, by adding Section 58.155, as follows:

Sec. 58.155. INTERCONNECTION SERVICES. Provides that because interconnection to competitive providers and interconnection for commercial mobile service providers are subject to the requirements of Sections 251 and 252, Communications Act of 1934, as amended (47 U.S.C. Section 151 et seq.) and FCC rules, they are not addressed in Sections 58.051A, 58.101A, and 58.151A.

SECTION 26. Amends Chapter 58, Utilities Code, by adding Subchapter H, as follows:

SUBCHAPTER H. SWITCHED ACCESS SERVICES

Sec. 58.301. SWITCHED ACCESS RATE REDUCTION. Sets forth the required methods in which an electing company with greater than five million lines reduces its switched access rates on a combined operating and terminating basis.

Sec. 58.302. SWITCHED ACCESS RATE CAP. Prohibits an electing company from increasing the per minute rates for switched access services on a combined originating and terminating basis above the lesser of the rates for switched access services charged by that electing company on September 1, 1999, as may be further reduced upon implementation of the universal service fund pursuant to Chapter 56; and the applicable rate described by Section 58.301 as may be further

reduced upon implementation of the universal service fund pursuant to Chapter 56.

Sec. 58.303. SWITCHED ACCESS CHARGE STUDY. Requires the commission, not later than November 1, 1999, to begin a review and evaluation of the rates for intrastate switched access service. Sets forth the required issues to be evaluated. Requires the commission to file a report with the legislature no later than January 1, 2001. Requires the report to include the commission's recommendations as to the issues reviewed and evaluated. Provides that this section expires on September 1, 2001.

SECTION 27. Amends Section 59.021, Utilities Code, by adding Subsection (c), to authorize a company electing under this chapter to renew the election for successive two-year periods. Provides that an election that is renewed under this subsection remains in effect until the earlier of certain dates.

SECTION 28. Amends Section 59.024(a), Utilities Code, to prohibit an electing company, before the end of the company's election period under this chapter, rather than during the election period, from increasing a rate previously established for that company. Requires the commission, on motion of the electing company or on its own motion to adjust prices for services to reflect changes in FCC separations that affect the intrastate net income by at least 10 percent. Requires the commission, notwithstanding Subsection (a), on request of the electing company, to allow a rate group reclassification that results from access line growth.

SECTION 29. Amends Section 59.025, Utilities Code, to prohibit the commission, notwithstanding any other provision of this title, on the commission's own motion, to reduce an electing company's rate for switched access services before the expiration of the election period prescribed by Section 59.024, but may approve a reduction proposed by the electing company.

SECTION 30. Amends Section 59.026(a), Utilities Code, to provide that on or before the end of the company's election period, an electing company is not, under any circumstances, subject to certain complaints. Deletes text regarding the sixth anniversary of the company's election date.

SECTION 31. Amends Chapter 59B, Utilities Code, by adding Sections 59.030 through 59.032, as follows:

Sec. 59.030. NEW SERVICES. Prohibits an electing company from introducing a new service 10 days after providing an informational notice to the commission and to any person who holds a certificate of operating authority in the electing company's certificated area or areas or who has an effective interconnection agreement with the electing company. Requires an electing company to price each new service at or above the service's long run incremental cost. Requires the commission to allow a company serving fewer than one million access lines to establish a service's long run incremental cost by adopting, at the company's option, the cost studies of a large company for that service that has been accepted by the commission. Authorizes only an affected person to file a complaint with the commission challenging whether the pricing by an electing company of a new service is in compliance with Subsection (b). Provides that if an affected person files a complaint under Subsection (c), the electing company has the burden of proving that the company set the price for the new service in accordance with the applicable provisions of this subchapter. Requires the company not later than the 10th day after the date the complaint is finally resolved, to amend the price of the service as necessary to comply with a final resolution or authorizes the company, at the company's option, to discontinue the service, if a complaint is finally resolved in the favor of the complainant.

Sec. 59.031. PRICING AND PACKAGING FLEXIBILITY. Authorizes a company, notwithstanding Section 59.027(b) or Chapter 60F, to exercise pricing flexibility in accordance with this section. Authorizes a company to exercise pricing flexibility 10 days after providing an informational notice to the commission and to any person who holds a certificate of operating authority in the electing company's certificated area or areas or who has an effective interconnection agreement with the electing company. Provides that pricing flexibility includes all pricing arrangements included in the definition of "pricing flexibility" and includes packaging of regulated services with non-regulated services or services of an affiliate, except that such a package may not be offered in a manner that results in a customer-specific contract. Requires an electing company, at the company's option, to price each regulated service offered separately or as part of a package under Subsection (a) at either the service's tariffed rate or at a rate not lower than the

service's long run incremental cost. Requires the commissioner to allow a company serving fewer than one million access lines to establish a service's long run incremental cost by adopting, at the company's option, the cost studies of a larger company for that service that have been accepted by the commission. Authorizes only an affected person to file a complaint alleging that an electing company has priced a regulated service in a manner that does not meet the pricing standards of this subchapter. Requires the complaint to be filed before the 31st day after the company implements the rate.

Sec. 59.032. CUSTOMER PROMOTIONAL OFFERINGS. Authorizes an electing company to offer a promotion for a regulated service for not more than 90 days in any 12-month period. Sets forth the required information to be included in a company's promotional offering to be submitted to the commission. Provides that an electing company is not required to obtain commission approval to make a promotional offering described by Subsection (b). Authorizes an electing company to offer a promotion of any regulated service as part of a package of services consisting of any regulated service with any other regulated or unregulated service or any service or affiliate.

SECTION 32. Amends Section 60.124, Utilities Code, to require the commission to require each telecommunications provider to maintain interoperable networks and to require that interconnection agreements between incumbent local exchange companies and competitive local exchange companies contain self-executing performance penalties for incumbent noncompliance with contract provisions that impair a competitor's ability to provide service to its customers.

SECTION 33. Amends Chapter 60I, Utilities Code, by adding Sections 60.164 and 60.165, as follows:

Sec. 60.164. PERMISSIBLE JOINT MARKETING. Prohibits the commission from adopting any rule or order that would prohibit a local exchange company from jointly marketing or selling its products and services with the products and services of any of its affiliates in any manner permitted by federal law or applicable rules of the FCC, except as prescribed in Chapters 61 and 63.

Sec. 60.165. AFFILIATE RULE. Prohibits the commission from adopting any rule or order that would prescribe for any local exchange company any affiliate rule, including any accounting rule, that is more burdensome than federal law or applicable rules of the FCC, except as prescribed in Chapters 61 and 63. Prohibits the commission, notwithstanding any other provision in this title, from attributing or imputing to a local exchange company a price discount offered by an affiliate of the local exchange company to the affiliate's customers. Provides that this section does not limit the authority of the commission to consider a complaint brought under Chapter 52A, Section 53.003, or Chapter 60 of this title.

SECTION 34. Emergency clause.
Effective date: upon passage.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.

Amends Section 12.005, Utilities Code, regarding the application of the Sunset Act.

SECTION 2.

Redesignated from proposed SECTION 1. Amends Section 52.102, Utilities Code, to provide that a telecommunications utility subject to this subchapter has jurisdiction to require a telecommunications utility that, together with affiliates, had more than six percent of the total intrastate access minute of use as measured for the most recent 12-month period, to pass switched access rate reductions under this title to customers as required under Section 52.112. Requires this authority to expire on the date specified in Section 52.112. Deletes text regarding a telecommunications utility having jurisdiction to require a telecommunications utility to pass switched access rate reductions to customers.

SECTION 3.

Redesignated from proposed SECTION 2.

SECTION 4.

Redesignated from proposed SECTION 3.

SECTION 5.

Redesignated from proposed SECTION 4. Replaces proposed Section 52.112 regarding pass-through required.

SECTION 6.

Redesignated from proposed SECTION 5.

SECTION 7.

Redesignated from proposed SECTION 6. Amends Section 54.102, Chapter 54C, Utilities Code, to add Subsections (c) and (d) regarding a certificate of convenience and necessity.

SECTION 8.

Redesignated from proposed SECTION 7.

SECTION 9.

Redesignated from proposed SECTION 8. Amends Sections 56.023, Utilities Code, to require the commission to establish and implement the universal service fund provisions required by Section 56.021(1) for all eligible telecommunications providers not later than August 1, 1999. Makes conforming changes.

SECTION 10.

Redesignated from proposed SECTION 9. Amends Section 56.026, Utilities Code, to require the commission, in establishing and implementing the universal service fund described in Section 56.021(1), to size the fund to provide for disbursements to a company serving more than five million access lines in this state sufficient to offset a reduction of at least 2.35 cents per minute in switched access rates on a combined originating and terminating basis.

SECTION 11.

Redesignated from proposed SECTION 10. Amends Section 56.028, Chapter 56B, Utilities Code, to require the commission to provide reimbursement through the universal service fund for reduced rates for intraLATA interexchange high capacity (1.544 Mps) service for entities described in Section 58.253(a) upon request of a local exchange company that is not an electing company under Chapters 58 and 59. Requires the amount of reimbursement to be the difference between the company's tariffed rate for such service as of January 1, 1998, rather than January 1, 1999, and the lowest rate offered for such service by any local exchange company electing incentive regulation under Chapter 58.

SECTION 12.

Redesignated from proposed SECTION 11.

SECTION 13.

Redesignated from proposed SECTION 12. Deletes proposed Subsection (2). Amends Section 58.002, Utilities Code, to define "urban."

SECTION 14.

Redesignated from proposed SECTION 13. Amends Section 58.021, Utilities Code, to require notice to include a statement that the company agrees to limit until September 1, 2005, any increase in a rate the company charges for basic network services. Provides that except as provided in Subsection (d), an election under this chapter remains in effect until the legislature eliminates the incentive regulation authorized by this chapter and Chapter 59. Authorizes the commission to allow an electing company serving fewer than five million access lines to withdraw the company's election under this chapter under certain circumstances. Defines "good cause." Deletes proposed Subsection (c).

SECTION 15.

Amends Section 58.024, Utilities Code, regarding service reclassification.

SECTION 16.

Redesignated from proposed SECTION 14. Amends Section 58.028, Utilities Code, to require the commission to begin a review and evaluation of each company that elects under this chapter or Chapter 59 no later than January 1, 2004, rather than January 1, 2002. Requires the commission to file a report with the legislature no later than January 1, 2005, rather than January 1, 2003.

SECTION 17.

Amends Chapter 58C, Utilities Code, by adding Section 58.051A, regarding services included for certain electing companies.

SECTION 18.

Redesignated from proposed SECTION 15. Deletes proposed SECTION 18. Deletes proposed Section 58.054(e) and proposed Section 58.055(b). Redesignates proposed Section 58.055(d) as Subsection (c). Amends Sections 58.054 and 58.055, Utilities Code, to require an electing company to commit to not increasing a rate for a basic network service on or before the fourth anniversary of its election date, rather than, during the electing period, as a condition of election under this chapter. Provides that the rates an electing company may charge on or before that fourth anniversary are the rates charged by the company on June 1, 1995, or for a company that elects under this chapter after September 1, 1999, the rates charged on the date of its election. Prohibits, notwithstanding Subsections (a) and (b), the cap on the rates for basic network services for a company electing under this subchapter from expiring before September 1, 2005. Authorizes an electing company notwithstanding Chapter 60F, to on its own initiative, decrease a rate for a basic network service during the electing period, rather than four-year period. Authorizes a company to decrease the rate for a basic local telecommunications service to an amount above the service's appropriate cost. Deletes text regarding a company's ability to decrease the rate for switched access service to an amount above the service's long run incremental cost. Makes a conforming change.

SECTION 19.

Redesignated from proposed SECTION 16. Amends Section 58.060, Utilities Code, to authorize an electing company to increase a rate for a basic network service only with the commission's approval subject to this title and to the extent consistent with achieving universal affordable service, after the expiration of the period during which the rates for basic network services are capped as prescribed by Section 58.054, rather than after the electing period expires.

SECTION 20.

Redesignated from proposed SECTION 17. Deletes proposed amended Section 58.062. Amends Chapter 58C, Utilities Code, by adding Section 58.063 to authorize an electing company, notwithstanding any other provisions of this title, serving less than five million access lines to package basic network services with discretionary services or competitive services as of the date

the company enters into the interLATA long distance market, rather than as of the date the company complies with the requirements of Section 58.062(e) (2). Prohibits these commitments from applying to exchanges of the company sold or transferred before, or for which contracts for which for sale or transfer were pending on, September 1, 2001. Requires the company, in the case of exchanges for which contracts for sale or transfer were pending as of March 1, 2001, where the purchaser withdrew or defaulted prior to September 1, 2001, to have one year from the date of withdrawal or default to comply with the commitments.

SECTION 21.

Amends Chapter 58D, Utilities Code, by adding Section 58.101A, regarding services included for certain electing companies.

SECTION 22.

Amends Section 58.102, Utilities Code, regarding maximum price.

SECTION 23.

Amends Chapter 58E, Utilities Code, by adding Section 58.151A, regarding service included for certain electing companies.

SECTION 24.

Amends Chapter 58E, Utilities Code, by adding Section 58.151B, regarding service included for certain electing companies.

SECTION 25.

Amends Chapter 58E, Utilities Code, by adding Section 58.155, regarding interconnection services.

SECTION 26.

Amends Chapter 58, Utilities Code, by adding Chapter H, regarding switched access services.

SECTION 27.

Redesignated from proposed SECTION 19. Amends Section 59.021, Utilities Code, by adding Subsection (c), to authorize a company electing under this chapter to renew the election for successive two-year periods. Provides that an election that is renewed under this subsection remains in effect until the earlier of certain dates.

SECTION 28.

Redesignated from proposed SECTION 20. Amends Section 59.024(a), Utilities Code, to prohibit an electing company, before the end of the company's election period under this chapter, rather than, during the election period, from increasing a rate previously established for that company. Requires the commission, notwithstanding Subsection (a), on request of the electing company, to allow a rate group reclassification that results from access line growth.

SECTION 29.

Redesignated from proposed SECTION 21. Amends Section 59.025, Utilities Code, regarding switched access rates.

SECTION 30.

Redesignated from proposed SECTION 22. Amends Section 59.026(a), Utilities Code, to provide that on or before the end of the company's election period, an electing company is not, under any circumstances, subject to certain complaints.

SECTION 31.

Amends Chapter 59B, Utilities Code, by adding Sections 59.030 through 59.032, regarding new services and customer promotional offerings.

SECTION 32.

Redesignated from proposed SECTION 23.

SECTION 33.

Redesignated from proposed SECTION 24. Amends Chapter 60I, Utilities Code, by adding Section 60.165, to provide that this section does not limit the authority of the commission to consider a complaint brought under Chapter 52A, Section 53.003, or Chapter 60 of this title.

SECTION 34.

Redesignated from proposed SECTION 25.