

MAINE STATE LEGISLATURE

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1 (EMERGENCY)
2 FIRST REGULAR SESSION
3

4 ONE HUNDRED AND TWELFTH LEGISLATURE
5

6 Legislative Document

No. 1012

7
8 S.P. 378

In Senate, March 13, 1985

9 Referred to the Committee on Utilities. Sent down for concurrence and
10 ordered printed.

11 JOY J. O'BRIEN, Secretary of the Senate

Presented by Senator Baldacci of Penobscot.

Cosponsored by Senator Matthews of Kennebec.

12
13 STATE OF MAINE
14

15 IN THE YEAR OF OUR LORD
16 NINETEEN HUNDRED AND EIGHTY-FIVE
17

18 AN ACT to Provide for an Independent Study of
19 Telephone Service Costs.
20

21 **Emergency preamble.** Whereas, Acts of the Legis-
22 lature do not become effective until 90 days after
23 adjournment unless enacted as emergencies; and

24 Whereas, the Public Utilities Commission must set
25 just and reasonable telephone rates; and

26 Whereas, there is substantial disagreement be-
27 tween the telephone company and some other witnesses
28 as to the proper allocation among the various classes
29 of service of the cost of the local subscriber loop;
30 and

31 Whereas, the commission in its order of November
32 13, 1984, in the New England Telephone case pointed
33 out the difficulty of doing a proper allocation,
34 saying "Logical arguments can be fashioned to support

1 almost any allocation scheme for common embedded
2 costs..." and "Based on the limited data before us it
3 cannot be proven that basic exchange service is
4 subsidized by or subsidizing toll service,"; and

5 Whereas, study of this matter may take a consid-
6 erable amount of time, so it would be best to start
7 as soon as possible; and

8 Whereas, in the judgment of the Legislature,
9 these facts create an emergency within the meaning of
10 the Constitution of Maine and require the following
11 legislation as immediately necessary for the preser-
12 vation of the public peace, health and safety; now,
13 therefore,

14 Be it enacted by the People of the State of Maine as
15 follows:

16 **Sec. 1. Independent study of telephone service**
17 **costs.** An independent study of telephone service
18 costs, with special attention to the method of allo-
19 cating common costs, shall be conducted under the
20 general supervision of a Study Committee on Telephone
21 Costs. The committee shall consist of: Two Legisla-
22 tors from the Joint Standing Committee on Utilities,
23 one appointed by the Speaker of the House of Repre-
24 sentatives and one by the President of the Senate;
25 one representative of residential telephone consumers
26 to be appointed by the Speaker of the House of Repre-
27 sentatives and one representative of business tele-
28 phone consumers, to be appointed by the President of
29 the Senate; the Public Advocate; a representative of
30 the Public Utilities Commission; and a representative
31 of the largest telephone company operating in the
32 State. The committee shall report to the Legislature
33 the results of its study and its recommendations for
34 legislation and administrative actions by December
35 31, 1985. The Legislative Council shall provide leg-
36 islative staff assistance to the Study Committee on
37 Telephone Costs.

38 **Sec. 2. Public Utilities Commission to conduct**
39 **study.** The Public Utilities Commission, under the su-
40 pervision of the Study Committee on Telephone Costs,

1 shall conduct the independent study of the actual
2 costs in typical Maine telephone exchanges to provide
3 local, intrastate toll, WATS, private line, measure-
4 ment of local calls and custom calling features, with
5 particular attention to the appropriate method for
6 designating and allocating common costs. The study
7 shall consider the stand-alone costs and the marginal
8 costs of the major classes of service.

9 **Sec. 3. Consultants.** In the conduct of the tele-
10 phone cost allocation study, the Public Utilities
11 Commission may engage such consultants as may be nec-
12 essary, with the cost to be paid from a special as-
13 sessment on telephone utilities up to a maximum of
14 \$75,000 to be deposited in the Public Utilities Com-
15 mission Regulatory Fund. The assessment shall be di-
16 vided among all telephone utilities in proportion to
17 their gross operating receipts in the State. This as-
18 sessment shall be considered a cost of doing business
19 for rate-making purposes. At the completion of the
20 study, any unused portion of the assessment shall be
21 returned to the utilities.

22 **Sec. 4. Data.** In order to assist in carrying out
23 the telephone cost allocation study, any telephone
24 company operating within the State shall supply data
25 in response to reasonable requests by the Public
26 Utilities Commission.

27 **Sec. 5. Fair cost allocation.** In order to
28 achieve a fair cost allocation in the setting of tel-
29 ephone rates, nontraffic sensitive costs shall be al-
30 located among all company services which benefit from
31 those costs, including, but not limited to, local and
32 long distances services. Nontraffic sensitive costs,
33 including the cost of the local exchange subscriber
34 loop, shall be considered common costs. The common
35 costs shall be allocated on the basis of a reasonable
36 assessment of the responsibility of each class for
37 the incurrence of those costs. Until 180 days after
38 the completion of the study described in section 1,
39 rates shall be established on the presumption that
40 toll services account for 50% of the common costs of
41 the local exchange subscriber loop.

42 **Sec. 6. Allocation.** The following funds are al-
43 located from the Public Utilities Commission Regula-

1 tory Fund to carry out the purposes of this Act. Any
2 amount allocated, but not spent in fiscal year
3 1984-85 may be carried forward and spent for the same
4 purposes in fiscal year 1985-86.

5 1984-85

6 PUBLIC UTILITIES COMMISSION

7 Public Utilities Commission
8 Regulatory Fund
9 All Other \$75,000

10 **Emergency clause.** In view of the emergency
11 cited in the preamble, this Act shall take effect
12 when approved.

13 STATEMENT OF FACT

14 The Public Utilities Commission has acknowledged
15 that there is inadequate data regarding the proper
16 allocation of the common costs incurred to provide
17 various telephone services. The telephone companies
18 state that local basic exchange rates have been
19 subsidized by long distance rates, but other wit-
20 nesses dispute that theory. The answer depends on how
21 common costs are allocated among the various classes
22 of service. This bill provides for an independent
23 study to establish a reasonable basis for allocating
24 the common costs, to be reported to the Legislature
25 by December 31, 1985. Such a cost study should im-
26 prove the ability to more equitably allocate rising
27 telephone costs among various categories or users.

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