

MAINE STATE LEGISLATURE

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1997 Report on the Alternative Form of Regulation of Telephone Utilities

In 1994, the Legislature enacted Title 35-A, Chapter 91, which authorized the Public Utilities Commission to adopt an alternative form of regulation (AFOR) for any telephone utility in the State. By order dated May 15, 1996, the Commission adopted an AFOR for NYNEX.¹ Pursuant to 35-A M.R.S.A. § 9105, the Commission is required to provide the Utilities and Energy Committee with an annual report describing the Commission's activities under Chapter 91 and the effectiveness of the alternative form of regulation in achieving the objectives of Chapter 91. This report is provided to Committee members in satisfaction of that requirement.

1. NYNEX's 1996 Annual Filing Under Alternative Form of Regulation

On September 3, 1996, NYNEX filed its first annual filing as required by the AFOR Order issued on May 15, 1996 in Docket No. 94-123. The Order required NYNEX to file proposed changes in rates that are designed to meet the overall change in the Price Regulation Index (PRI). NYNEX calculated the change in the PRI as -2.1%, resulting in a reduction of the PRI from 100 (the starting point on December 1, 1995) to 97.9 for the period December 1, 1996 through December 30, 1997. NYNEX's calculation of the change in the PRI was accepted

¹ NYNEX has since merged with Bell Atlantic and is now providing service in Maine under the name Bell Atlantic. Since the Bell Atlantic name is still unfamiliar to many, we continue the use of the name NYNEX in this report. Future reports will refer to the company as Bell Atlantic.

by the Commission. NYNEX adjusted its rates for core services so that they would produce 97.9% of the revenue they did at the end of the historical billing unit calculation period used for the most recent AFOR year (June 30, 1996). The amount of the required reduction was \$6,957,000.

2. Access Rate Reduction

Effective July 1, 1997, the Commission amended Chapter 280 of its rules to require the reduction of originating intraLATA access rate by 20%. That reduction was an interim measure toward the long-term goal of reducing intrastate access rates pending a more comprehensive overhaul of the access rates to reflect the access charge reform occurring at the federal level.

NYNEX contended that under the rules of the AFOR, the Commission could not require the access rate reduction and that the Commission could not reduce its rates through a rulemaking. NYNEX has appealed the Commission's order to the Law Court. Oral arguments were held on October 10, 1997 and a ruling is likely some time before the New Year.

3. Access Parity

In Docket No. 97-319, the Commission proposes to amend Chapter 280 to achieve inter- and intrastate access parity no later than May 30, 1999. The

Commission also seeks to mirror, to the greatest extent possible, the interstate access structure. This docket was opened subsequent to the passage of Public Law 1997, Chapter 259, that directs the Commission to establish intrastate access rates that are equal to or lower than interstate levels. That law did not specifically direct the Commission to commensurately reduce toll rates, but instead required an ordered reduction only if the Commission did not find that effective toll competition existed in Maine.

The Commission granted parties a period of time to negotiate an integrated rate settlement prior to imposing the access cuts upon NYNEX required by the legislative mandate. The Commission hopes that some rate adjustment might be negotiated between the parties in order to avoid protracted litigation that would occur in a more formal proceeding. As of the date of this report, this effort is ongoing. If an agreement is not forthcoming, the matter will be resolved by litigation.