

2001 Jr2 DRAFTING REQUEST

Senate Amendment (SA-SSA1-AB1)

Received: 03/28/2002

Received By: **kunkemd**

Wanted: **As time permits**

Identical to LRB:

For: **Senate Democratic Caucus**

By/Representing: **Engel**

This file may be shown to any legislator: **NO**

Drafter: **kunkemd**

May Contact:

Addl. Drafters:

Subject: **Public Util. - telco**

Extra Copies:

Submit via email: **NO**

Pre Topic:

SCC:.....engel - CN3406,

Topic:

Total service, long-run incremental cost telecommunications pricing floor

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	kunkemd 03/29/2002			_____			
/1	kunkemd 04/04/2002	gilfokm 04/04/2002	rschluet 04/04/2002	_____	lrb_docadmin 04/04/2002		

FE Sent For:

<END>

2001 Jr2 DRAFTING REQUEST

Senate Amendment (SA-SSA1-AB1)

Received: 03/28/2002

Received By: **kunkemd**

Wanted: **As time permits**

Identical to LRB:

For: **Senate Democratic Caucus**

By/Representing: **Engel**

This file may be shown to any legislator: **NO**

Drafter: **kunkemd**

May Contact:

Addl. Drafters:

Subject: **Public Util. - telco**

Extra Copies:

Submit via email: **NO**

Pre Topic:

✓
SCC:.....engel - CN3406,
=



Topic:

Total service, long-run incremental cost telecommunications pricing floor

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
1?	kunkemd 03/29/2002	1-4/4 kmg					

FE Sent For:

4-4-2

<END>

Change #1

(This change would give the Commission clearer authority to waive requirements associated with the TSLRIC floor. The PSCW would have to approve the waiver. It would not be automatic.)

Add reference to ss. 196.195 (12), and 196.204(5) and (6) to the list of statutes that the Commission can suspend in a partial deregulation order under 196.195(5). The specific change would be as follows:

§196.195(5) COMMISSION ACTION. If after the proceeding under subs. (2), (3) and (4) the commission has determined that effective competition exists in the market for the telecommunications service which justifies a lesser degree of regulation and that lesser regulation in that market will serve the public interest, the commission may, by order, suspend any of the following provisions of law, except as provided under subs. (7) and (8): ch. 201 and s. 196.02(2); s. 196.06; s. 196.07; s. 196.09; s. 196.10; s. 196.12; s. 196.13(2); s. 196.19; tariffing requirements under s. 196.194; s. 196.195(12)(d) 2. and 3. s. 196.195(12)(e) s. 196.196(1) or (5); s. 196.20; s. 196.204(5), (6) and (7); s. 196.21, s. 196.22; s. 196.26; s. 196.28; s. 196.37; s. 196.49; s. 196.52; s. 196.58; s. 196.60; s. 196.604; s. 196.77; s. 196.78; s. 196.79; and s. 196.805.

SUPPORT COMPETITIVE PRICING FLEXIBILITY AMENDMENT

Under current law, competitive local telephone companies can offer customers substantially lower prices than incumbent telephone providers are allowed to. For certain regulated telephone providers there is a price floor which they cannot go below. This creates an unfair advantage for the new entrant in which there is simply no way to compete.

CenturyTel supports a budget amendment which would give telephone companies the ability to lower their prices to meet competition after the Public Service Commission makes its determination that competition exists.

This change would allow the PSC to waive the floor requirement and permit a company to go below the floor to meet a competitor's price upon a showing of competition and approval of the Commission.

- **Consumers would enjoy the benefits of lower prices.**
- **Pricing flexibility would offer more competitive prices and choice to consumers.**
- **Pricing flexibility promotes fair competition**

The amendment levels the playing field and allows local telephone companies to lower rates to match the prices of new, unregulated competitors providing telecommunications services.

Price does make a difference to the customer. Local companies want to compete and win back customers but the current law hinders their ability to retain and recapture customers.

We ask for your support of this amendment because it would end the competitive pricing advantage of new entrants and allow local companies to compete in these more competitive markets.

CN 3406

62872

2002 Budget Adjustment Amendment

TSLRIC FLOOR (PREDATORY PRICING) - PSCW AUTHORIZATION

Under current law, telephone companies are regulated in a variety of different ways. Because of recent deregulation, new entrants into the Wisconsin telecommunications market are not subject to the same strict regulations prior to deregulated.

One inequity that has since cropped up is the law regarding total service, long-run incremental costs (TSLRIC). This provision sets a floor for price that a telephone company cannot go below. It was intended to prevent predatory pricing in the telecommunications industry, but because these companies are not regulated in the same way, a situation is created where one telephone company must adhere to the price floor law, and a competitor does not have to. The new company may therefore charge significantly less, undercutting the incumbent provider and in actuality, practicing predatory pricing themselves. There is currently no remedy for this situation. Price-regulated companies such as Ameritech are an exception to the price floor law and they can lower their price to compete with new entrants under current law.

This motion would authorize the PSC to allow a company to lower its price below the price floor if it finds that competition exists in a calling area. The regulated company would then be able to match the price of an active competitor, benefiting the consumer with lower prices.

LOCATION/STATUS: New - Language Attached
DEPARTMENT (S): WISCONSIN PUBLIC SERVICE COMMISSION
FISCAL IMPACT: \$0

MPK

Kunkel, Mark

From: Hanaman, Cathlene
Sent: Thursday, April 04, 2002 1:43 PM
To: Kunkel, Mark
Subject: FW:

Importance: High

Bad news--b2872/? is now in.

-----Original Message-----

From: Tierney, Michael
Sent: Thursday, April 04, 2002 1:41 PM
To: Lang, Bob; Hanaman, Cathlene
Cc: Hanson, Lori
Subject:
Importance: High

Bob and Cathlene:

Doug asked me to have CN 3706 related to state patrol dispatch centers taken out and to have CN 3406 related to TSLRIC predatory pricing put in.

Thanks



FAX

Date: 4-4-02

From: Senate Democratic Budget & Policy Office

Phone: 608-266-9220

Fax: 608-264-6958

To: Mark Kunkel

Phone: _____

Fax: _____

Re: Please include ~~to~~ CN 3406
on the in list and draft.

Thank you

Pages: 4 (including cover page)

CN 3406

2002 Budget Adjustment Amendment

TSLRIC FLOOR (PREDATORY PRICING) - PSCW AUTHORIZATION

Under current law, telephone companies are regulated in a variety of different ways. Because of recent deregulation, new entrants into the Wisconsin telecommunications market are not subject to the same strict regulations prior to deregulated.

One inequity that has since cropped up is the law regarding total service, long-run incremental costs (TSLRIC). This provision sets a floor for price that a telephone company cannot go below. It was intended to prevent predatory pricing in the telecommunications industry, but because these companies are not regulated in the same way, a situation is created where one telephone company must adhere to the price floor law, and a competitor does not have to. The new company may therefore charge significantly less, undercutting the incumbent provider and in actuality, practicing predatory pricing themselves. There is currently no remedy for this situation. Price-regulated companies such as Ameritech are an exception to the price floor law and they can lower their price to compete with new entrants under current law.

This motion would authorize the PSC to allow a company to lower its price below the price floor if it finds that competition exists in a calling area. The regulated company would then be able to match the price of an active competitor, benefiting the consumer with lower prices.

LOCATION/STATUS: New - Language Attached
DEPARTMENT (S): WISCONSIN PUBLIC SERVICE COMMISSION
FISCAL IMPACT: \$0

OUT for now

Change #1

(This change would give the Commission clearer authority to waive requirements associated with the TSLRIC floor. The PSCW would have to approve the waiver. It would not be automatic.)

Add reference to ss. 196.195 (12), and 196.204(5) and (6) to the list of statutes that the Commission can suspend in a partial deregulation order under 196.195(5). The specific change would be as follows:

§196.195(5) COMMISSION ACTION. If after the proceeding under subs. (2), (3) and (4) the commission has determined that effective competition exists in the market for the telecommunications service which justifies a lesser degree of regulation and that lesser regulation in that market will serve the public interest, the commission may, by order, suspend any of the following provisions of law, except as provided under subs. (7) and (8): ch. 201 and s. 196.02(2); s. 196.06; s. 196.07; s. 196.09; s. 196.10; s. 196.12; s. 196.13(2); s. 196.19; tariffing requirements under s. 196.194; s. 196.195(12)(d) 2. and 3. s. 196.195(12)(e) s. 196.196(1) or (5); s. 196.20; s. 196.204(5), (6) and (7); s. 196.21, s. 196.22; s. 196.26; s. 196.28; s. 196.37; s. 196.49; s. 196.52; s. 196.58; s. 196.60; s. 196.604; s. 196.77; s. 196.78; s. 196.79; and s. 196.805.

SUPPORT COMPETITIVE PRICING FLEXIBILITY AMENDMENT

Under current law, competitive local telephone companies can offer customers substantially lower prices than incumbent telephone providers are allowed to. For certain regulated telephone providers there is a price floor which they cannot go below. This creates an unfair advantage for the new entrant in which there is simply no way to compete.

CenturyTel supports a budget amendment which would give telephone companies the ability to lower their prices to meet competition after the Public Service Commission makes its determination that competition exists.

This change would allow the PSC to waive the floor requirement and permit a company to go below the floor to meet a competitor's price upon a showing of competition and approval of the Commission.

- **Consumers would enjoy the benefits of lower prices.**
- **Pricing flexibility would offer more competitive prices and choice to consumers.**
- **Pricing flexibility promotes fair competition**

The amendment levels the playing field and allows local telephone companies to lower rates to match the prices of new, unregulated competitors providing telecommunications services.

Price does make a difference to the customer. Local companies want to compete and win back customers but the current law hinders their ability to retain and recapture customers.

We ask for your support of this amendment because it would end the competitive pricing advantage of new entrants and allow local companies to compete in these more competitive markets.



State of Wisconsin
2001 - 2002 LEGISLATURE

January 2002 Special Session

LRBb2872/1

MDK:.....

^E
SCC:.....engel - CN3406, Total service, long-run incremental cost
➤ telecommunications pricing floor

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS SENATE AMENDMENT ,

TO SENATE SUBSTITUTE AMENDMENT 1,

TO ASSEMBLY BILL 1

1 At the locations indicated, amend the substitute amendment as follows:

2 1. Page 177, line 14: after that line insert:

3 "SECTION 346m. 196.195 (5) of the statutes is amended to read:

4 196.195 (5) COMMISSION ACTION. If after the proceedings under subs. (2), (3) and
5 (4) the commission has determined that effective competition exists in the market
6 for the telecommunications service which justifies a lesser degree of regulation and
7 that lesser regulation in that market will serve the public interest, the commission
8 may, by order, suspend any of the following provisions of law, except as provided
9 under subs. (7) and (8): ~~ch. 201 and sub. (12) (d) 2. or (e);~~ s. 196.02 (2); s. 196.05; s.
10 196.06; s. 196.07; s. 196.09; s. 196.10; s. 196.12; s. 196.13 (2); s. 196.19; tariffing

1 requirements under s. 196.194; s. 196.196 (1) or (5); s. 196.20; s. 196.204 (5), (6), or ✓
2 (7); s. 196.21; s. 196.22; s. 196.26; s. 196.28; s. 196.37; s. 196.49; s. 196.52; s. 196.58;
3 s. 196.60; s. 196.604; s. 196.77; s. 196.78; s. 196.79; and s. 196.805; or ch. 201”.

4 **History:** 1985 a. 297; 1987 a. 403 s. 256; 1993 a. 496; 1997 a. 140; 1999 a. 150; 2001 a. 16.

(END)



State of Wisconsin
2001 - 2002 LEGISLATURE
January 2002 Special Session

LRBb2872/1
MDK:kmg:rs

SCC:.....Engel - CN3406, Total service, long-run incremental cost telecommunications pricing floor

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS SENATE AMENDMENT ,

TO SENATE SUBSTITUTE AMENDMENT 1,

TO ASSEMBLY BILL 1

1 At the locations indicated, amend the substitute amendment as follows:

2 1. Page 177, line 14: after that line insert:

3 "SECTION 346m. 196.195 (5) of the statutes is amended to read:

4 196.195 (5) COMMISSION ACTION. If after the proceedings under subs. (2), (3) and
5 (4) the commission has determined that effective competition exists in the market
6 for the telecommunications service which justifies a lesser degree of regulation and
7 that lesser regulation in that market will serve the public interest, the commission
8 may, by order, suspend any of the following provisions of law, except as provided
9 under subs. (7) and (8): ~~ch. 201 and sub. (12) (d) 2. or (e);~~ s. 196.02 (2); s. 196.05; s.
10 196.06; s. 196.07; s. 196.09; s. 196.10; s. 196.12; s. 196.13 (2); s. 196.19; tariffing

1 requirements under s. 196.194; s. 196.196 (1) or (5); s. 196.20; s. 196.204 (5), (6), or
2 (7); s. 196.21; s. 196.22; s. 196.26; s. 196.28; s. 196.37; s. 196.49; s. 196.52; s. 196.58;
3 s. 196.60; s. 196.604; s. 196.77; s. 196.78; s. 196.79; and s. 196.805; or ch. 201.”.

4

(END)