

Exhibit 1

Bill as Introduced

18mar97.....0703h

1997 SESSION

97-0726
03/02

HOUSE BILL **452**

AN ACT establishing a legislative oversight committee on telecommunications restructuring and relative to approval by the public utilities commission of tariffs for new telephone services.

SPONSORS: Rep. J. Bradley, Carr 8; Rep. MacGillivray, Hills 21

COMMITTEE: Science, Technology and Energy

AMENDED ANALYSIS

This bill establishes a legislative oversight committee on telecommunications restructuring.

This bill also provides for approval by the public utilities commission of tariffs for new telephone services.

Explanation: Matter added to current law appears in ***bold italics***.
 Matter removed from current law appears ~~[in brackets and struck through]~~
 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

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03/02

STATE OF NEW HAMPSHIRE

In the Year of Our Lord One Thousand Nine Hundred and Ninety-Seven

AN ACT establishing a legislative oversight committee on telecommunications restructuring and relative to approval by the public utilities commission of tariffs for new telephone services.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 I New Sections; Telecommunications Oversight Committee Established. Amend RSA 374 by
2 inserting after section 22-g the following new sections:

3 374:22-h Oversight Committee; Establishment.

4 I. There shall be an oversight committee on telecommunications consisting of 14 members as
5 follows:

6 (a) Seven members of the senate, appointed by the president of the senate.

7 (b) Seven members of the house science, technology and energy committee, appointed by
8 the speaker of the house.

9 II. Membership on the oversight committee shall be for the biennium and shall be
10 coterminous with membership in the general court.

11 374:22-i Organization and Compensation. The oversight committee shall have a chairperson
12 who shall be chosen by vote from among the committee membership. The chairperson's term of office
13 shall be for the biennium. The committee shall have a clerk who shall be chosen by vote by members
14 of the committee. The clerk's term of office shall be for the biennium. The committee shall meet
15 immediately upon the close of each legislative session. The legislative members of the committee
16 shall receive legislative mileage when in performance of their duties.

17 374:22-j Duties of the Oversight Committee. The committee's duties shall include, but not be
18 limited to:

19 I. Examining the restructuring of telecommunications services and rates.

20 II. Examining the issue of the resale of telecommunications services and the feasibility of
21 facilitating the resale process.

22 III. Considering the feasibility and cost-effectiveness of installing certain high-speed
23 telecommunications lines.

24 IV. Exploring the feasibility of establishing special rates for educational institutions, to the
25 extent that it has not occurred.

26 V. Examining the issue of rural access and delivery.

27 VI. Examining the expansion of internet access to all parts of New Hampshire, including
28 rural areas.

29 VII. Examining the improvement of access to on-line services.

1 VIII. Examining the issues of encryption and data security in computer networks.

2 IX. Examining the issue of municipal aggregation of local, toll, and other
3 telecommunications services.

4 X. Submitting a report, together with any recommendations for legislation, to the speaker of
5 the house of representatives, the senate president, and the governor on or before November 1 of each
6 year.

7 2 Telecommunications Service Filings. Amend RSA 378:6, I(b) to read as follows:

8 (b) *Except as provided in RSA 378:6, IV, for [For]* all other schedules filed with the
9 commission, the commission may, by an order served upon the public utility affected, suspend the
10 taking effect of said schedule and forbid the demanding or collecting of rates, fares, charges or prices
11 covered by the schedule for such period or periods, not to exceed 3 months from the date of the order
12 of suspension, but if the investigation cannot be concluded within a period of 3 months, the
13 commission in its discretion and with reasonable explanation may extend the time of suspension for
14 5 additional months.

15 3 New Paragraph; Approval of Tariffs for Telephone Services. Amend RSA 378:6 by inserting
16 after paragraph III the following new paragraph:

17 IV. Any tariff for services filed for commission approval by a telephone utility, except a tariff
18 reviewed pursuant to RSA 378:6, I(a), shall become effective as filed 30 days after filing, unless the
19 commission amends or rejects the filing within the 30 day period. The commission may, in its
20 discretion and with reasonable explanation, including an explanation of the likely areas of
21 disagreement with the tariff, extend the time for its determination by up to 30 days. At its
22 discretion, the commission may permit changes to existing tariffs to become effective in fewer than
23 30 days from the date of filing.

24 4 Effective Date. This act shall take effect upon its passage.

25

Committee Minutes

Date: April 21, 1997
Time: 9:12 a.m.
Room: 104 LOB

The Senate Committee on Executive Departments & Administration held a hearing on the following:

HB 0452 (New Title) establishing a legislative oversight committee on telecommunications restructuring and relative to approval by the public utilities commission of tariffs for new telephone services.

Members of Committee present:

- Senator J. King
- Senator Rubens
- Senator Whipple
- Senator Roberge
- Senator Podles
- Senator Patenaude

The Chair, Senator John A. King, opened the hearing.

Representative Jeb Bradley, Carroll 8: For the record, Jeb Bradley, Carroll County District 8, the towns of Brookfield, Wakefield and Wolfeboro in Carroll County.

I almost tremble to come before you with another study committee, but ...

When Senator Rodeschin introduced the legislation that called for competition in the telecommunications industry in New Hampshire, there was an agreement that was reached by all the telephone parties, and at that time I felt that there ought to be established an oversight committee, but because there was an agreement, she came to me and asked that there be no amendments in the House to the bill, and the House agreed with that, but with the understanding that at some point in time we'd be back with an oversight committee to look at all of the issues that are listed on line 17 through -- on page 2.

There was another component to this bill. Initially, it would have allowed aggregation of telecommunication services. It would have expanded the bill that Senator Cohen introduced last year that allows aggregation of customers by entities for purchasing electric services in the new markets, but the House committee, my committee in fact, felt that that was perhaps a bit premature, and so aggregation is one of those items that is looked at to be studied by this oversight committee.

The only other statutory change in the bill is on the second page, and it is the new paragraph lines 15 through 24 or 23. This was a request by the telephone companies in the state, both the small telephone companies as well as Nynex. Currently, I'm told that when they introduce a new service that, I believe, the existing statutory language gives the commission up to 9 months before actually implementing that service.

Our committee heard that this is indeed a hardship for telecommunications companies that services are changing so fast as the technology evolves as business desires different innovative services that they need to be approved as soon as possible. This language will give the commission 30 days to approve and then it could extend it up to another 30 days if they felt that it was appropriate to do so.

Ms. Ignatius from the commission is here. After a lot of back and forth between the commission and the telephone companies, both sides agreed to this, in essence, 60-day language, which is substantially improved than the existing 9 month statutory language. So that, in essence, is this bill, and I look forward to working with you.

Senator Eleanor Podles, D. 16: I'm trying to understand. You first mentioned that there was a study committee, and then from that study committee you now have an oversight committee?

Representative Jeb Bradley, Carroll 8: There was not a study committee. I had felt when ...

Senator Eleanor Podles, D. 16: It never materialized, is that right?

Representative Jeb Bradley, Carroll 8: No, I was just giving my own opinion that at the time that Senator Rodeschin introduced that bill, there should have been attached to that an oversight committee, but because of the fact it was a negotiated resolution between all of the phone companies in the state, she was afraid that that could unravel if we had any amendments in the House, so we deferred to her better judgment and did not put on an oversight committee on that bill, which I believe was SB 106 in the '95 session.

Senator Eleanor Podles, D. 16: So this is the first study committee?

Representative Jeb Bradley, Carroll 8: Yes, after that.

Senator Jim Rubens, D. 5: A couple of questions. First I'm wondering whether I should ask you, but just a general update about the state's deregulation restructuring, or should I ...

Representative Jeb Bradley, Carroll 8: Either way, probably Ms. Ignatius ...

Senator Jim Rubens, D. 5: The federal process.

Representative Jeb Bradley, Carroll 8: Amy is here, maybe ask her.

Senator Jim Rubens, D. 5: Could you explain once again section 2, 378:6, IV.

Representative Jeb Bradley, Carroll 8: IV deals with base rate case filings, which obviously the commission would need longer to approve a base rate case filing than a new tariff or a new service. So, section 3 says, except for base rate case, new services should be approvable within 60 days.

Senator Jim Rubens, D. 5: Two and three then go together?

Representative Jeb Bradley, Carroll 8: Yes.

Senator Jim Rubens, D. 5: Did you over in the House-side get any flack about bringing an implementation of a rate increase, you say a rate increase, down to 60 days, concerns about inadequate information never getting filed?

Representative Jeb Bradley, Carroll 8: This would not apply to a base rate case. This would be a new service.

Senator Jim Rubens, D. 5: Only for a new service? No flack?

Representative Jeb Bradley, Carroll 8: The phone companies all felt that this was absolutely important because there was some testimony given by the phone companies of businesses that wanted new service, and when they couldn't get the service approved in the incumbent utility, then they were going to resellers to get that same service, and it was placing the phone companies at a very disadvantageous position.

Senator Jim Rubens, D. 5: What about on the consumer side?

Representative Jeb Bradley, Carroll 8: I don't recall that there was any testimony whatsoever against this. I think that there is some 150 to 200 resellers so there is actually a lot of competition now in the phone side. Not for local service. That is coming, but for some of the bundle-type services so that I think our committee felt that there was enough competition that if there were problem areas that people would have the ability to say good-bye and go elsewhere.

Amy Ignatius: For the record, my name is Amy Ignatius. I am general counsel at the Public Utilities Commission. I checked off that I was in support of the bill, and available if there were questions that anyone had. Obviously, Senator Rubens noted one question I am happy to respond to.

Just generally, the commission is supportive of the bill. It will bring, I think, a number of people together to some pretty complicated issues in the study committee section. That is a lot of work to undertake and whether all 9 of those different topics can really be covered in two years remains to be seen, but certainly focusing and pulling out the most important ones and beginning to learn the process of the details of those issues which are pretty significant in terms of policy and direction the state goes I think is a good idea.

Obviously, the commission will support the study committee with providing commission staff to be available to present some information or try to track down some data or help with some of the education process. We're going through it as well. We may not have the answers to some of these things, but will help to explore it to the extent that we have with the electric sub-committee as well to try to have somebody there. We brief you, and you brief us, and we sort of keep moving forward.

A number of the things in the study committee involve developments on a federal level. I think they dovetail well. I don't think they are in conflict with each other, the Federal Communications Commission has undertaken some of these same areas, and I think for the state to really learn what has happened on a federal level, the ways in which we can implement directions that the federal government has sent us in or expand upon those I think is a good idea, so I don't see those things as being in conflict. I think they work together well.

The second half of the bill that changes the tariff requirements will put a greater burden on us to get things moving and in and out the door quickly, but that is something we are prepared to do. It may mean lesser review, and that may mean at times that we just miss it. If there is something that we should have caught and we don't, I think it has got to be the understanding that you're better off moving things quickly and getting services out to people as soon as you can, and that in the vast majority of the times, that's going to

be for the good, even though occasionally you might have wished that you had studied something greater and found a few things.

But, I think that that's just reality in a faster moving world. In a more competitive world, the chance to really study and carefully evaluate every single line of every single filing isn't there, and probably shouldn't be there. So, I don't say that as a reason not to approve this bill. It is sort of part of what we're trying to do as a change in our whole institutional way of doing things is we're going to have to speed up, and we're going to have to assume that with speed most of the time we're going to get it right, and not do the level of detail that we sometimes have done.

And, we're trying to retrain our selves to do that. That doesn't come quickly with sort of ingrained approaches to things, but I think we are working at it. So, I think the 60-day limit is doable. Hopefully, we won't even take 60 days. That we'll have things in and out within 30 days, which we do in many of the filings, and that the more complicated ones, I think what we'll have to do if we can't make a decision, I don't feel we have enough basis to make a sound approval after 60 days, is we'll have to reject it and go back and start again. And the company will refile and we won't do that lightly. It won't be because we didn't get around to opening the file. It will be for a reason. But that will be the end result. If you can't approve it by that date then you have to either, you either approve or you reject. It doesn't just automatically go into effect.

But, hopefully that won't be necessary very often. The companies I think are getting better and better at filing detailed filings up front so that we have the information we need right away and don't need a long time to go back and forth in gathering the data.

The only thing I wanted to mention about the language -- this is on page 2 of your bill, line 17 -- it relates to what Senator Rubens' question was, whether or not a rate increase could be part of this paragraph. The phrase says any tariff for services filed by a telephone utility, so I have always interpreted that to mean any telephone company tariff, which could mean a brand new service, could mean a repackaging of two existing services, could mean a service that is the same but some of the terms and conditions of how it is offered is different, and I've also assumed some of the rates could be different.

In some whispering here in the back of the room as your question came up before, I think some people are interpreting that to mean any tariff for service as opposed to tariff affecting the rate. And, if that's the case, then I am more comfortable. I would prefer that interpretation, and I think that gets at Senator Rubens' question that if it involves a rate change, whether it is a telephone company or anyone else, it would be under the section above that says -- that section that is in your line 8 above that -- that is an existing

statute that is a longer period of time to review. The 3 month review and you could have an additional 5 months.

If that is people's interpretation, I think that is sound. I think that is good. That isn't frankly how I had been interpreting it, but I prefer the other interpretation. That if a rate is involved you'd obviously try to get it done within 30 days, but if not it would merely fall under that other section that gives you more time than that.

On the other question Senator Rubens asked of sort of an update of where we are on general telephone deregulation status. I assumed you meant telephone as opposed to electric deregulation issues. We'd spend the rest of the day if we were talking about that. As you know, the federal telecommunications act was passed in February of 1996 in Congress and that is still setting out the large map that we're all following. It has a lot of developments both on a federal and state level that are really critical to what is going on with telephone utilities and the state commission. So, we're still implementing the various stages of that, and following the further developments from the FCC.

On a state level, really consistent with what the feds have done and things we were starting to do anyway in New Hampshire, we have developed rules and have started reviewing applications for what are called Competitive Local Exchange Carriers, or CLEC's. A CLEC will be a new competitive provider for you to be able when you pick up your phone at home and just have dial tone right now that has automatically been either Nynex for the vast majority of the state or one of the other, I think it is 12 independent telephone companies -- if you live in say the area of Merrimack County Telephone or Kearsarge Telephone Company or something like that -- and you had no choice over that. You will now have an opportunity to have many providers do your local exchange service, so when you pick up and get dial tone, you can choose who that is going to be in the same way that you can now choose who your long distance carrier is on an interstate level, and who your long distance carrier is on an in-state level.

You'll have a third choice now, which is who your basic exchange service provider is going to be. There are a couple of companies who have applied for approval as a CLEC, and there are very few so far. So that although it is a choice that is out there in the horizon, most people don't really have a choice yet, but within another year or two I think you really will. It is just beginning to develop.

And so, your customers in your areas who may ask you questions about that are going to have to get more involved in making decisions about telephone if they want something other than the way it has always been. If they feel

overwhelmed by the advertising for long distance telephone and the fights between MCI, Sprint, and AT&T, just wait, because we are going to have all the in-state advertising as well and then the local exchange company competition going as well.

For in-state toll calling there will be a big change on June 2nd, this summer. There is something called Intro Ladder which means in-state pre-subscription, and pre-subscription means you kind of computer wire your phone to automatically go to a particular toll carrier when you make a toll call. You already have that for interstate so that when you make a call to California, your phone is programmed to know that AT&T or whoever you have selected is going to be your carrier for that call, so you don't have to punch in any special numbers for it.

On an in-state level, you've had to punch in those numbers to designate it to a certain carrier other than Nynex. As of June 2nd, you'll make a decision and it will program your phone in the same way for in-state calling so you may have a company that you call from your house to Portsmouth that is different from the company that you call - you could still have Nynex if you wanted, or you could have, if you have let's say AT&T doing your interstate calling, you could also have AT&T programmed to do your in-state calling, or you could have AT&T for in-state and MCI for interstate. You can do a whole combination of things. That is all happening on June 2nd, and they'll be advertising you'll see in May, and there'll be a lot of decisions that customers will have to make.

So, if you get constituents who say, "I don't understand this," and you want to ship them over to us to try to help out, please do so, because it will be complicated, and there will be a period where everybody is going to be a little bit confused trying to figure it out, but we're working on trying to make the bill inserts and the advertising as clear as possible.

As Representative Bradley mentioned, there are what we call resellers, telephone competitive toll providers. There are now over 180 competitive toll providers in the state of New Hampshire, so that you can have your choice of, you know, it's more choices than you possibly would want. We get to the point where how do you sort through 180 providers, but those are the ones who have asked to be authorized to operate in the state providing in-state toll service, and they range from big companies you have heard of like AT&T and MCI and Sprint to tiny little companies and organizations that have set up telephone services, Western Union Telephone, something like that. There is a lot of non-traditional telephone companies who are now getting into that business as well.

On the federal level, there are some changes going on right now. They have just issued a number of orders and mandates about pay phones, and you will be seeing that happening fairly soon where they mandated that pay phones be provided on a competitive basis, so that you could have someone just go into the pay phone business. They are not telephone providers otherwise they are not public utilities, but they want to be pay phone providers. There are changes on a federal level about the costing back and forth and reimbursement and trying to get that out of the traditional utility structure, kind of separate those assets out from the rest of the phone company.

So, Nynex will still be running pay phones and operating them, but they will be at least on an accounting basis, kind of carving it out of the rest of their business. The commission a week ago approved an increase in the telephone rate to 25 cents, and no doubt you will hear complaints from a lot of people about that. The commission studied a cost study submitted by the phone company by Nynex and was convinced that 10 cents is no longer covering the cost of a pay phone call, and the feds required us that if the rate wasn't covering the cost of the call, we were required to increase the rate to make sure it covered it. So they approved a 25 cent rate. It is not implemented yet because there are some other things that have to happen first, but that will probably get some press and some response from people.

You might note to anyone who complains that it has gone up, and I understand that it is a problem for people when it goes up, but the last time the rate was changed was in 1954. So, it has been around at 10 cents for an awfully long time.

I've given you a lot of information that may be more than you wanted to hear this morning, but I am happy to answer questions or at any time to provide you more information, either copies of orders or explanations of anything that is going on or talk to any of you or any of your constituents on all these changes if it would be helpful to them.

Senator Sheila Roberge, D. 9: I have, for instance, a carrier for my calls to Portsmouth. Did I understand you to say that I would have a different carrier if I was going to make calls to like Concord?

Amy Ignatius: No. I'm sorry. It would be an in-state call and an interstate call would be the selections you could make. I suppose if you wanted to get very complicated, you could have one company for your evening hours that has a better rate, and a different one for the morning, but then you'd have to punch in those extra numbers. You wouldn't be able to program your phone to do that many different things.

Senator Sheila Roberge, D. 9: And then you can get two different bills for two different companies.

Amy Ignatius: That is going to be interesting how many bills you are going to get. In some cases there is an agreement among companies to share billing and you get one blended bill where say Nynex will deal with billing for its basic exchange and its in-state toll and will bill for say MCI. It will include the bill for that, so you'd just get one envelope with all of those together.

Other companies say no, we want to do our own billing, so you get one from Nynex for the basic monthly bill and for the in-state toll, and from AT&T a separate bill for the toll portion. I don't think we quite know yet how many people are going to want to bill independently yet. And, so that is the kind of thing that is going to be confusing. People aren't used to that.

Senator Jim Rubens, D. 5: Does the PUC have the resources to handle the flow of customer calls?

Amy Ignatius: I hope so. We haven't come in asking for any budget increases. We just had a budget hearing last week, and haven't sought new positions to deal with that. We have gotten rid of a few things that we were doing. For example, with the toll resell, the competitive toll providers, we no longer review their filings. If we have 180 of them and they were all seeming to be fairly responsible, we thought we don't need to go through an exhaustive review for each of these and all of your tariffs.

Once we got out of that business, it freed up some time of people who were doing things otherwise. So, hopefully with that kind of a shift, as we lighten up on one area we'll be able to shift people's efforts a little bit more. The change to competition is funny because it is a transition where in some ways you have to do more than you did before because you ultimately are going to be doing less, but in the transition period you are sort of in two camps at once, and we need a lot of education. But, I think we are hopefully getting out of a few things that can allow us to keep up with some others.

Senator Jim Rubens, D. 5: These, I guess you call them, expedited tariff, new service tariff filings, do you have the resources to wrap up and do reviews more quickly?

Amy Ignatius: We are certainly committed to doing that and we may shift some people around a little bit. I think we'll be able to keep up with it, and that may mean by retraining some people who might have been doing some other things in the building where we can spare them or changing what we do, but we are not coming here asking for additional staff.

Senator Jim Rubens, D. 5: Under existing statute do you have the authority, if you have some complicated massive filing, to bill the carrier requesting that for any technical expertise you might have to hire on the outside?

Amy Ignatius: Yes, we do.

Senator Jim Rubens, D. 5: So you can gear up promptly then should you need to.

Amy Ignatius: If there was something unusual, and I doubt it would come in under this, but if there was something that really did require us to bring in an additional consultant or extra staff, or hire a part time or half time person to come in, we have the authority to do that outside of our regular budget.

Senator Jim Rubens, D. 5: And billing that entity requesting?

Amy Ignatius: Yes. Or, if the commission were to initiate a docket to let's say undertake some of the things the study committee is doing, let's say we were taking that approach. We would have the authority to bill it to who we thought was appropriate. Say all of the telephone utilities as a group to split it, something like that. So, we can build on our budget a bit if we need to with a couple of different statutory provisions.

Senator Jim Rubens, D. 5: You indicated that you hoped that the language on line 17 means, or you hope it means ... is there a way we could reduce ambiguity there?

Senator John A. King, D. 18: Just put the word "any tariff for new services".

Amy Ignatius: I suppose if you added the phrase "not affecting rates," something like that in line 17.

Senator John A. King, D. 18: How about if you just put "any tariff on new services?"

Amy Ignatius: For new services? I guess that would cut out where if you have an existing service, but you want to rearrange how you provide it, you want to call it something different and offer it for 30 days instead of 40 days. There might be things where it is not just new, but also would want to be expedited. I'm making the company's arguments here for them ...

Senator Jim Rubens, D. 5: Not affecting base rates?

Amy Ignatius: Is it base rates? That's kind of an electric phrase. I think if you just said "not affecting rates" that that would make clear that it is not a change in the dollars. It is just a change in the terms of the service.

Senator Jim Rubens, D. 5: It would be inserted on line 17 after the word services?

Amy Ignatius: Yes.

Senator Jim Rubens, D. 5: "Any tariff for services not affecting rates filed ..." would reduce the ambiguity in your mind?

Amy Ignatius: I think, although as you read it aloud it sounds a little klunky -- "tariff for services not affecting rates," tariff for services "which does not affect rates", something like that.

Senator John A. King, D. 18: Not affecting current rate?

Amy Ignatius: Or doesn't change rates.

Dom D'Ambruoso: Thank you, Senator King. Mr. Chairman, Members of the Committee, my name is Dom D'Ambruoso, and I am here to represent the New Hampshire Telephone Association, and we appear here this morning in support of HB 452.

We worked with the other parties at no less than five sub-committee meetings to come up with this agreed to version. There are basically two sections to this bill. One, with respect to the oversight committee is something we did not promote, but we are agreeable to, and we'll indicate our support this morning for that section.

The second section of the bill, having to do with the tariffs, was one that was extremely important to us as we went forward in all of the meetings that we had, and I'd like to give you just a brief history on that. With respect to the time periods for the tariff approvals, we originally had ...

Senator John A. King, D. 18: Are you talking about both sections 2 and 3, now?

Dom D'Ambruoso: They really go together. If it is section 2 of the bill ...

Senator John A. King, D. 18: From line 7 to 23 or 24.

Dom D'Ambruoso: I'm looking at something different than you, Senator. I'm sorry. I'm addressing both of those sections.

HB 610 was the original vehicle which brought up this issue in the House, and the original request was to have the commission approve tariffs on five days or less. (tape change) ...because of the following reason there are competitive telecommunications providers in the State of New Hampshire now who can get their tariffs approved on one day's notice. There were instances and there were examples given at the hearings that the regulated telephone companies who want to compete with those competitive providers had to wait 4, 5, 6 and sometimes up to 8 or 9 months.

So, the starting position for us was to have the smallest, shortest period of time for tariffs to be approved. When we got into the discussions in the sub-committee sessions, we began to realize that there needed to be a balance between the existing system and the one that we were proposing, and we did compromise on this so-called 30/30 time period for tariff approvals.

It is a significant improvement over what we have, and we are happy to support it. We think there can be further improvements, and we hope there are further improvements as time goes forward. As Amy indicated, part of the process is the filing by the telephone companies up front of all the necessary information so that the commission can come to a prompt determination, and we'll certainly work with the commission on that.

There was a discussion here this morning about the language on line 17, which you just discussed, and it was brought up by Senator Rubens' question. I'd like to offer a couple of comments on that, if I might. First of all, the language that you were talking about here made me a little uncomfortable, and I'll tell you why. First of all, I don't think you can change a service in a regulated entity without affecting certainly costs, and therefore costs may affect rates, so I think the language that you looked at this morning briefly needs to be seriously considered in light of that comment.

There are different kinds of services, of course, and the services that we are talking about basically here are competitive services. They are basically optional services, and do they have a rate impact? They do have a rate impact. It is conceivable that some of the services, which are in these tariffs that are filed under IV on line 17, could have a rate impact, but that rate impact would be for that specific service, and a customer has the choice of taking that service or not. It does not have an effect, these tariff filings would not have an effect on the base rates, which is I think what Senator Rubens' concern was, the basic rates, basic local service rates. Those would not be affected as I understand it with any tariff filings under IV.

Lastly, I would say that under IV, the commission has the discretion to reject any tariff filing that it finds to be inappropriate under that section, and that's, to me, their final authority. If they look at something that we file under IV, and determine that it shouldn't be handled under that section, they can reject that tariff filing, and then we'd have the opportunity, of course, to file at another time under the appropriate section.

We support the bill as it is, as it stands. We are concerned about the language that has just been discussed here, and believe that that limits the effect of that section, and may actually cause some confusion, because as I say, I don't think you can offer services without affecting costs, and therefore rates. Thank you very much. I'd be happy to answer any questions that you may have.

Senator Eleanor Podles, D. 16: It is the amendment that we just arrived at that you don't agree, right?

Dom D'Ambruoso: Yes. The language that you, I think the phrase was, "which does not affect rates." That would be certainly not what we had discussed and considered in the science technology and energy sub-committee, and if it wasn't clear there, I want to make it clear here that the tariffs filed under that section could have a rate impact. That the rate would be tied to this specific competitive service that was being offered under that tariff, and if a customer chose to take it, that would be fine. If they chose not to take it, then that's their choice as well.

But that rate would not have an effect on the general rates, the general local service rates of the telephone company.

Senator Jim Rubens, D. 5: You say you believe that the existing language would not allow an effect on general local rates in the 60 day period. Is there a way that you can propose that we can craft language which would remove belief from creating such a change?

Dom D'Ambruoso: I would have to think about that, but the intention clearly is not to discuss or in any way affect basic local service rates.

Senator Jim Rubens, D. 5: Intentions are noble, but can we reduce it to statutory language?

Dom D'Ambruoso: I'd have to think about it. I wouldn't want to propose something just right on the spot here off the cuff, but I would be happy to consider that.

Senator John A. King, D. 18: Could you change it from "Any tariff for services not affecting rates" to "not affecting basic rates?"

Dom D'Ambruoso: My only hesitation is that when you offer new services, there are cost implications of that, and I want to check with the technical people to be absolutely sure that that language would work. But I hear the words you are saying, and certainly will consider them and get back to you.

Senator Jim Rubens, D. 5: What I was concerned about is basic monthly rates for a residential user who might be unsophisticated, and wherein where a rate case could affect a lot of people.

Dom D'Ambruoso: I'm not sure I understand your question.

Senator Jim Rubens, D. 5: Perhaps you can consult during the next few minutes with other people in the room, and see if you can come up with something.

Senator John A. King, D. 18: We won't have to exec on it today.

Kathleen Veracco: My name is Kathy Veracco. I am here on behalf of Nynex. I, too, was involved in all the work sessions that the House had on this legislation. I would just like to indicate that in section 1, we can support moving forward with the oversight committee. Clearly, I think you can understand from the comments from Ms. Ignatius that we're a little bit different than the electrics in that the federal telecom act is really driving the restructuring on the telecommunication side. The FCC and the PUC, or the state regulators, are the ones that are really overseeing this process, but we'll be happy to work with the committee as it moves forward.

On section 2, I have some of the same concerns that Dom D'Ambruoso spoke to you about this morning. Clearly, with all of the work sessions we had, when we moved from five days in the original bill and then there were 30 and then it became 60, I think that we are indeed compromising relative to the necessity to have more flexibility. Again, I think you understand that this is a competitive market place and that pricing flexibility as far as Nynex is concerned is extremely important to us.

Currently, the tariff filings that have been before the commission, the statute says that they can have 30 days, and then if they suspend it, they can have an additional 3 months, and if they suspend it again they can have an additional 5 months. Well, I can give you examples of the number of filings that have been before the commission that they take the outside window, which is up to 9 months. These are for high tech services that particularly business customers are looking for, but residential customers as well.

When you get into FDDI, ISDN, Dial 800 Service, again, some of these are more high tech, but these are the services that we need the flexibility to bring to the market place. What happens, historically has happened in the past, is that the PUC would take the first 30 days and suspend it, and then they would take 3 months, and then the statute says reasonable explanation. Well, basically the reasonable explanation was that the staff needed more time to review.

Under this scenario that we are proposing to you, first of all, I'd like to back up and say 90 to 95% of the filings that we have given to the commission have been approved pretty much as filed, so I don't think you're talking a lot of risk here. So, I'd like to make that point.

Again, the customers are affected, and we're affected because we can't bring the services to market. It is clear that if the commission, and I think we have gotten more sophisticated in our filing packages that we send to the commission, but if for some reason within that 30 or 60 day period they are not comfortable or they need additional information, they have the authority to rejected that filing. We recognize that. On the other hand, I'd also like to say that at least the information that was given to me is that the commission is working really hard to clear up the backlog that they have, so that they're in a position to move forward as a result of this legislation, so that they can give us timely approval on the tariffs.

I guess what I'm saying to you, I think they clearly have the message that we need to get our filings through their process. I believe they are working to do that, and I think that this statutory authority clearly gives us some of the flexibility that we need.

The only thing I would add is in the negotiations that went on in the House, our competitors, i.e. the larger competitors, MCI or AT&T, and they may have representatives here today, did not have a problem with the proposal that is before you. I would also like to add that. And just to say that our competitors can reduce rates or change their rates within a day. We don't have that flexibility. Obviously, we are the dominant carrier, and I understand that we wouldn't get as much flexibility as they have, but we can reduce our in-state rates within a 30 day period, I believe, so I think there is some flexibility there.

What we're looking at here is tariff filings that are before the PUC other than general rate case filings, which really get into Senator Rubens' question on basic exchange rates. That's not what we're looking to change here. So, with that, I'll conclude my remarks and answer any questions that you might have.

Senator John A. King, D. 18: Anybody else wishing to speak? If not we'll close the hearing on HB 452.

Hearing adjourned at 9:52 a.m.