

Telephone Alternative Regulation: How it Benefits Consumers

What is alternative regulation?

Currently, many local telephone companies are subject to traditional rate base, rate of return regulation. Elective alternative regulation constitutes an “off the shelf” generic plan that any local telephone company could elect to adopt. Every company that selects this plan would operate under the same guidelines.

Alternative regulation plans provide consumers with benefits above and beyond those available through traditional regulation. Elective alternative regulation provides consumers with a number of benefits including **pricing stability for basic local telephone service** and greater **access to the Internet** through high-speed broadband telecommunications services. To bring these benefits to more consumers across the state, the PUCO adopted these rules, which provide a one size fits all plan for local phone companies to elect.

What are the benefits of elective alternative regulation?

A company operating under this alternative regulation plan would be required to fulfill a number of important commitments to benefit consumers:

- **The company cannot increase its existing basic local telephone rates and basic caller ID rates for as long as the company is in the plan.**
- **The company must provide, on demand, high-speed Internet access within one and two years of adopting the plan.** This advanced telecommunications service commitment allows for high-speed access to the Internet in areas across the state that would otherwise not likely receive this service.
- **The company must offer an enhanced lifeline assistance program.** Low-income customers would automatically qualify for this if they are already receiving benefits from certain state or federal low-income programs or if their household income is at or below 150 percent of the poverty level. The company must reduce the monthly rate of basic telephone service for the lifeline customer for flat-rate service and touch tone service. These customers would not have to pay a deposit or any up-front charges for establishing telephone service and would receive free toll blocking and 900 or 976 blocking.
- **The prices of call waiting and 2nd basic local service line would be capped for 2 years.** After two years, a company is limited to not more than a 10 percent increase up to twice the initial price. The prices for 3rd basic local service line, call

RULES AT A GLANCE

Why?

Provide the opportunity for specific consumer benefits to be available to more customers statewide.

What benefits?

Basic local service and Caller ID rates cannot increase.

The company must provide, on demand, high-speed Internet access within one and two years of adopting the plan.

The company must offer an enhanced lifeline assistance program with specific parameters.

Prices for call waiting and 2nd basic local service line, 3rd basic local service line, call trace, centrex, PBX trunks, per line identification blocking, non-published number, N-1-1 service, and payphone access lines are capped for two years with limited flexibility thereafter.

Companies cannot adopt plan if service quality is inadequate.

trace, centrex access lines, private branch exchange (PBX) trunks, non-published number, per line identification blocking, N-1-1 service, and payphone access lines are capped for two years. After two years, a company is limited to pricing increases of these services to no more than twice the initial price.

- **All other regulated telecommunication services, which include some custom calling features, toll-free and 800-like toll-free services, would not be subject to any rate caps and may be priced at market-based rates.** All price increases require a notice to each consumer affected by the rate increase 15 days prior to the effective date of the increase.

The telephone company is not permitted to end its alternative regulation program until all commitments are fulfilled. In exchange, the company would not be subject to earnings review and would have pricing flexibility for services other than basic local exchange service.

How do these new rules affect service quality?

Regardless of whether a local telephone company is regulated under traditional rate of return regulation or a current alternative regulation plan or under the elective alternative regulation plan, there are rules and safeguards in place to ensure that customers are provided with quality of service from their company. The Commission has minimum telephone service standards that all local telephone companies are required to follow, and these requirements do not change under the new plan.

Public Input

The PUCO received thousands of comments and heard testimony from hundreds of consumers during the development of these rules. Some of the results:

What the PUCO heard:	What the PUCO did:
The vast majority of consumers were concerned that Basic Caller ID rates would double.	Basic Caller ID was capped at current rates for so long as the company is in the plan.
Some consumers expressed concern that Call Waiting and 2 nd Line rates would double.	Capped the rate for these two services for two years. After that, pricing flexibility limited to price increases of not more than 10 percent per year to a maximum of double the initial rate.
Some consumers wanted more notice if a rate was going to increase.	More than doubled the amount of notice required from seven days to 15 days.

If you would like to know more about the PUCO or have utility-related questions or concerns,

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