

HOUSE BILL REPORT

HB 2465

*As Reported By House Committee on:
Energy & Utilities*

Title: An act relating to authorizing a temporary reduction or waiver of existing tariff charges for the purpose of promoting a telecommunications service.

Brief Description: Allowing temporary price reductions to promote a telecommunications service.

Sponsor(s): Representatives Grant, May, H. Myers, Miller, Paris, Forner and Casada.

Brief History:

Reported by House Committee on:
Energy & Utilities, January 28, 1992, DPS.

**HOUSE COMMITTEE ON
ENERGY & UTILITIES**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 9 members: Representatives Grant, Chair; H. Myers, Vice Chair; May, Ranking Minority Member; Hochstatter, Assistant Ranking Minority Member; Casada; Cooper; R. Fisher; Miller; and Rayburn.

Staff: Fred Adair (786-7113).

Background: When a business introduces a new service or product, especially one with which the public might not be familiar, the business often temporarily offers the new service or product at reduced prices or perhaps even free. As soon as the product becomes familiar or proves worthwhile, the price rises to a profitable but competitive level.

As a regulated utility, at least in some of their services, telecommunications companies may be precluded by statute from offering new telecommunications services at reduced rates. Applicable statutes are those requiring service to be uniformly offered to all persons and in accordance with existing approved rates (unless filed under a new rate that would presumably be continued for a long time). An exception would have to be added to statute to enable introductory temporarily reduced pricing.

Summary of Substitute Bill: Telecommunications companies may file a temporary tariff that reduces or totally waives charges for up to 60 days for new or existing subscribers for the following services:

- Custom calling service;
- Second access line; or
- Other services that the Utilities and Transportation Commission (UTC) specifies by rule

The purpose of this authorization is to introduce and promote new services. The UTC may suspend any promotional tariff that is not among those listed above.

Substitute Bill Compared to Original Bill: The authorization is limited to telecommunications companies and specifically delineated services. The waiver period is reduced from six to two months.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Promotion is a widely held business practice. There is competition and the telecommunications companies want to be able to respond quickly with trial offerings. While in favor of competition and the concept of trial use, some commentators saw the possibility of hurting competition. Narrowing revisions to the bill were suggested. There should be assurance that tariff waivers are in the public interest.

Testimony Against: The bill violates the law and would bring expenses to telephone ratepayers. A free offering obviously does not cover costs; is an illegal giveaway, and would lead to cross subsidization from telephone ratepayers.

Witnesses: Art Butler, TRACER (pro with concerns on content of original bill); Tom Walker, U.S. West (pro); Carol Monohon, Utilities and Transportation Commission (pro with concerns on content of original bill); and Robert Frisbee, Electric Lightwave, Inc. (con).