



**Before
The Ohio Senate
Finance Committee**

Testimony Regarding Amended Substitute House Bill 59

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Chairman Oelslager, Vice Chairman Coley, Ranking Minority Member Sawyer, and members of the Senate Finance Committee. I am Bruce Weston, the Ohio Consumers' Counsel. Thank you for hearing my testimony today.

On May 28th I testified in opposition to a potential amendment (SC3216) that could increase utility charges to consumers for cleanup of manufactured gas plants. The day after my testimony I received another draft amendment (SC3314), this one on a telephone issue. This draft amendment would establish a timeline for replacing consumers' regulated basic telephone service with unregulated "voice service." **I recommend against adoption of this amendment. If it is to be considered, then it should be considered in a stand-alone bill in the appropriate Senate committee(s).**

The amendment would allow local telephone companies, beginning in two years, to switch customers from their basic service to a newly defined "voice service." (See Amendment Line 193.) Basic service customers currently have some light regulatory protections regarding price and service quality. But even those light regulations could be eliminated for consumers with the newly defined "voice service" (e.g, Line 111). Thus, this provision provides a timeline, controlled by the telephone companies, for the end (the *sunset*) of price-controlled basic telephone service in Ohio.

The amendment also allows for telephone companies to *grandfather* basic service. *Grandfathering* means that the service is only available to existing customers (and not to new customers). The proposed amendment allows the telephone companies to deny basic service for new customers who request it. (E.g., lines 187-190.)

I am not aware of any proponent testimony from the industry on this amendment. But it seems that the impetus for the amendment is similar to a rationale for last year's unpassed SB 271. Then, the industry's rationale was that there should be a transition from the traditional public switched telephone network to the newer internet protocol for communications. And, while this amendment and the unpassed SB 271 are different, this amendment could have an unwelcome result for consumers similar to that of SB 271.

The newly defined "voice service" is proposed in the amendment so that customers have at least one option for telephone service if their telephone company takes away their regulated basic service. Having one option can be better than no options. But having just one option is not necessarily good for customers, especially if that one option is high-priced or unreliable. Therefore, the amendment's approach of having customers yield their regulator-protected basic service, in favor of the option with no regulatory protections, seems problematic.

The technology transition certainly is occurring. But I recommend a different response than that of the industry. For customers, it is not necessary to end price and quality protections. It is too soon to allow telephone companies, as early as two years from now, to dictate a *sunset* for basic service that ends the consumer protections for prices and service quality. And it is too soon to allow telephone companies to

control a *grandfathering* of basic service, where new customers can be denied a subscription to basic service. Here are my recommendations.

Primary Recommendations: I recommend against adoption of this amendment, to protect Ohioans who want basic telephone service. If there is member interest in this legislation, the issue should be taken up in a stand-alone bill (not the budget bill) with time for research, analysis and recommendations for a thorough vetting of the issue. This approach would allow for a review process before the applicable legislative committee(s). I would look forward to the Ohio Consumers' Counsel participating in that process.

This approach for a stand-alone bill would also allow time to consider and avoid potential consequences (possibly unintended). Those potential consequences include but are not limited to the following: a surviving spouse of a basic service customer being denied basic service for being a "new" customer; a basic service customer who moves being denied transfer of his or her basic service to the new location; and customers whose basic service is replaced with "voice service" possibly finding that the "voice service" is much more expensive, less reliable, doesn't work in situations involving electricity outages, or doesn't provide the same level of "911" emergency service. My understanding is there may be a resolution for the first two items listed.

Secondary Recommendations: If the Finance Committee does proceed with this or another amendment, then my additional recommendations would be for the Committee to modify the amendment to: **(1)** require telephone companies to file an application and not merely a "notice" (e.g., Lines 190, 194) to seek PUCO approval for ending customers' basic service or denying basic service to

new customers. These issues are fact and opinion-intensive, and well suited for a process before the PUCO, the agency to which the General Assembly has historically delegated this role. **(2)** require telephone companies to prove, in a public, transparent process open to participation by all stakeholders, why replacing customers' basic service and denying basic service to new customers are reasonable requests; **(3)** provide a period longer than two years (Line 192) before the PUCO could consider ending basic service and replacing it with "voice service." I recommend at least five years for this period—or longer if the FCC were to arrange a longer time period for the transition; and **(4)** improve various terms in the amendment to be fair, balanced and symmetrical between customers and telephone companies. There is also the subject of lifeline. The word "applicable" (line 286) should potentially be changed to a more specific word that connotes the continuation of lifeline assistance at expected levels.

The PUCO, in its report due to the General Assembly by December 31, 2013 (Line 405), can make legislative recommendations. The subjects for the recommendations should be more prescribed, and should include a discussion of the prices that are available to consumers for telecommunication services. And these terms should require the PUCO to include in its two-year report (Line 420) to the General Assembly (on the transition from basic service to voice service) an analysis of and recommendations on the impact of the amendment on the prices and quality of consumers' basic service and voice service.

Finally, with more time for research and analysis, I might have additional recommendations for consideration. I look forward to working with you and your colleagues in the Senate on this issue and any other issues. Please let me know if I may assist further on this important consumer issue. Thank you.