

**STATE RETAIL RATE REGULATION OF LECs  
UPDATE OF CHANGES  
OCTOBER 2005 – JULY 15, 2006**

**The National Regulatory Research Institute**

**NARUC Committee on Telecommunications**

**State Retail Regulation: A Review of  
Where We're At and Where We're Heading  
NARUC Summer Committee Meetings  
August 2, San Francisco, CA**

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# Recent Changes in State Retail Regulation of LECs

- States have been very active in the last ten months
  - New state laws
  - New regulatory plans for one or more LECs
  - Rate deregulation of basic residential and business services, as well as non-basic services in competitive areas

# Recent Changes in State Retail Regulation of LECs

- Five states (IN, KS, KY, MI and MS) adopted laws deregulating rates for retail services
- New Hampshire's legislature passed a similar bill (HB-1756)
- Oregon is working on a straw proposal for telecom rate deregulation
- Florida (SB-142) is revising a deregulation law passed in 2003 to limit some of its provisions for local basic service rates

# Recent Changes in State Retail Regulation of LECs

- New rate regulation plans adopted in seven states (AZ, NJ, NM, NY, NC, OH and VT)
- Typical provisions
  - Increased pricing flexibility
  - Carriers allowed to rise rates for stand-alone single-line basic residential services
  - Rate deregulation of retail bundled services
  - Small carriers, currently under rate-of-return (ROR) regulation, allowed to move to alternative regulation, mostly price cap regulation

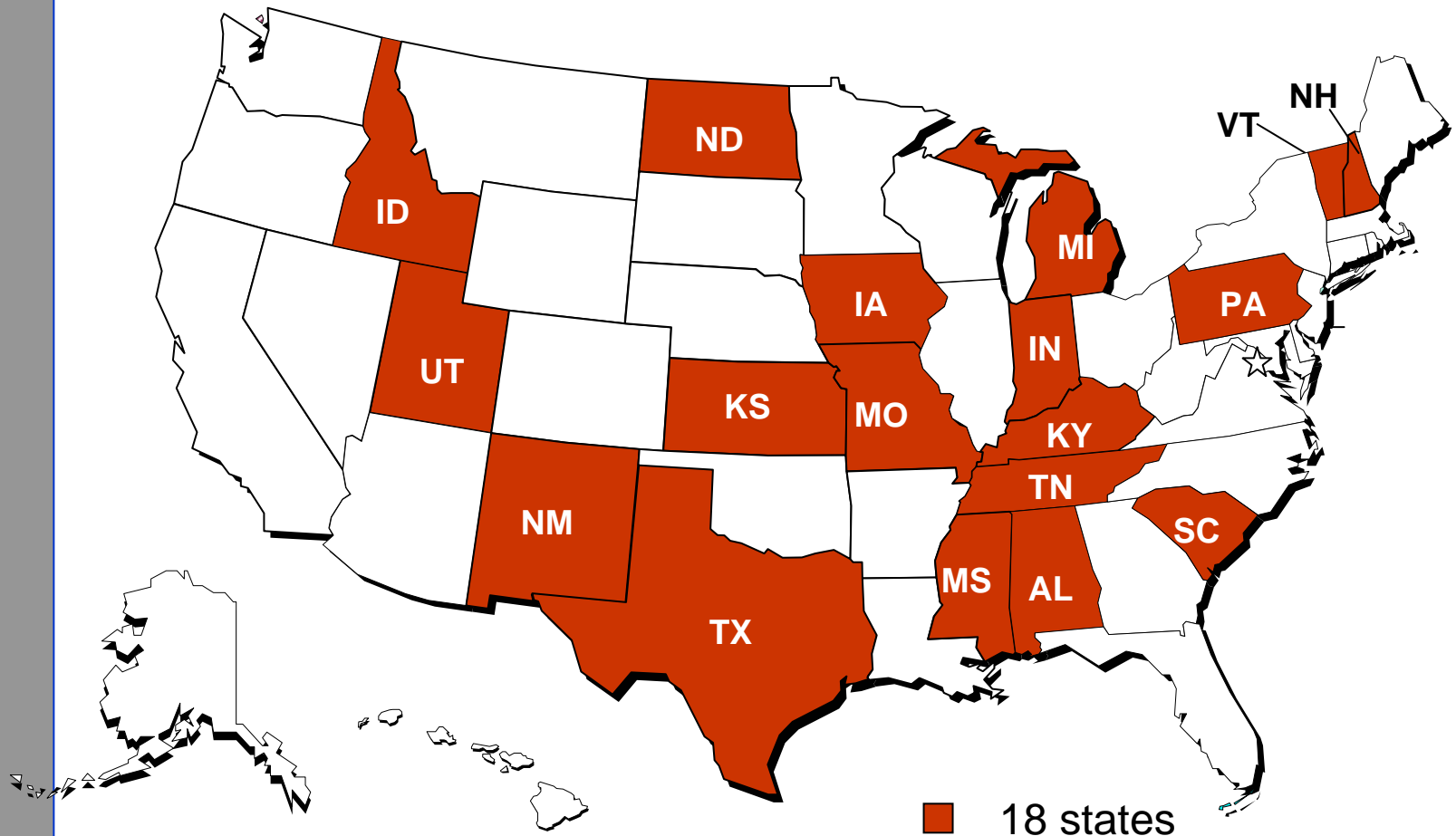
# Recent Changes in State Retail Regulation of LECs

- Eight states (GA, IL, IA, MO, RI, TN, TX, and WI) approved rate deregulation of services for different carriers
  - Five states deregulated basic residential and/or business services in markets deemed competitive
- Texas adopted more stringent criteria for rate deregulating its smallest markets (less than 30,000 population)
  - Requiring that at least three competitors serve the market

# Recent Changes in State Retail Regulation of LECs

- In Rhode Island, the PUC approved rate deregulation of Verizon's residential basic service across the state based on evidence that about 35 percent of residential lines were served by competitors

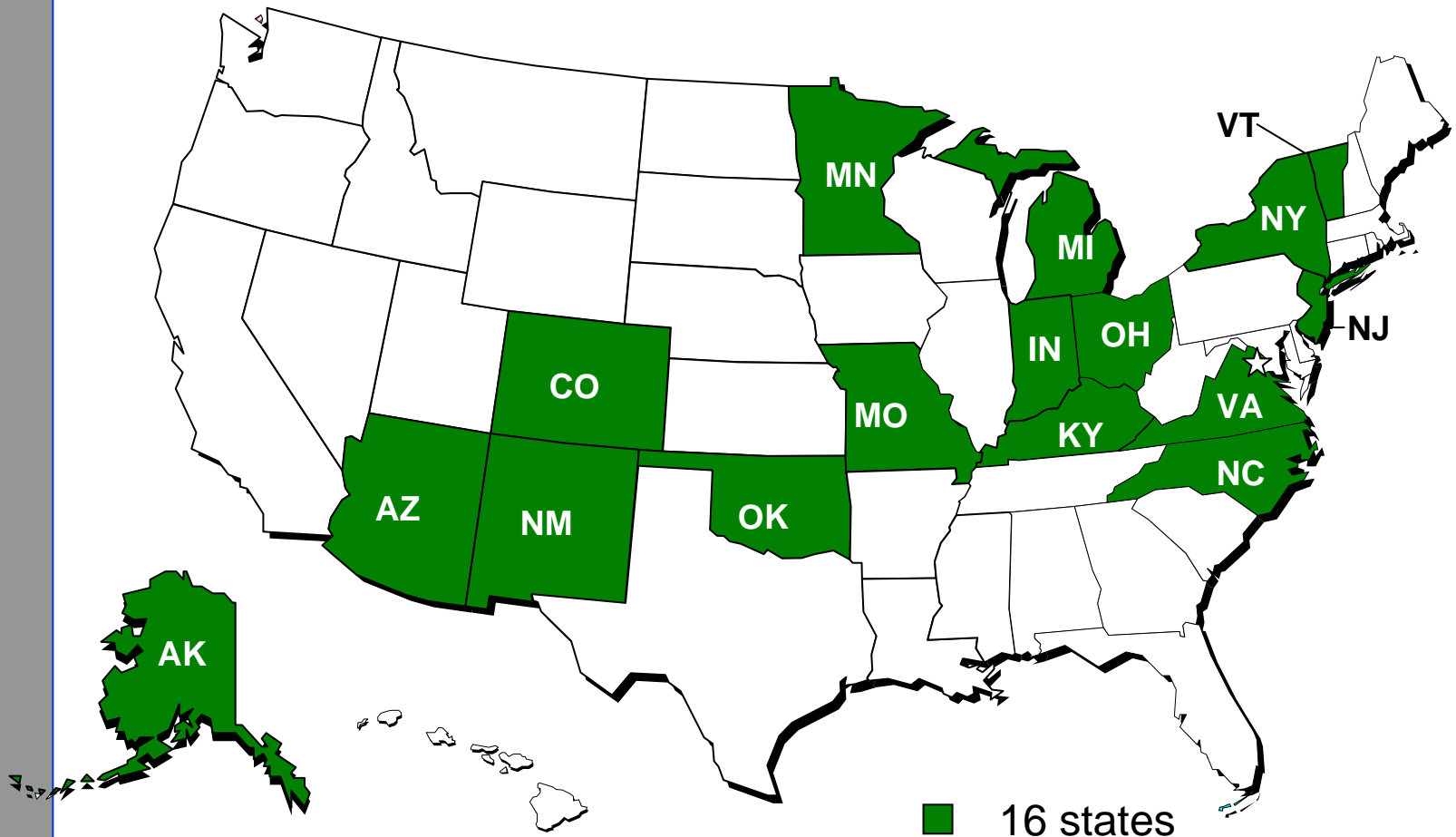
# Adoption of new state laws affecting retail rate regulation (October 2004 – July 2006)



August 14, 2006

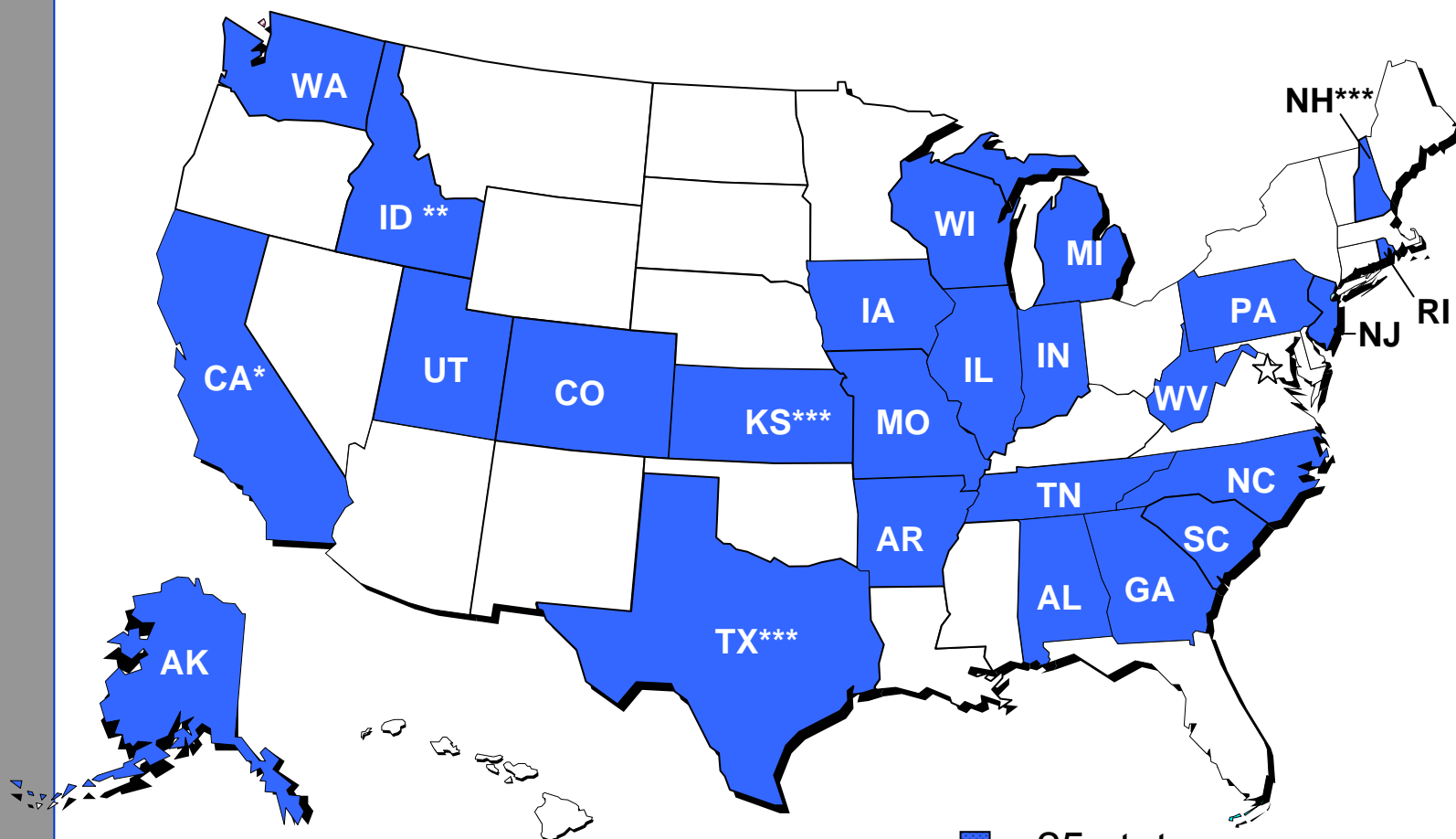
# Adoption of new retail rate regulation plans for one or more LECs

(October 2004 – July 2006)



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# Retail rate deregulation of service(s) provided by one or more LECs (October 2004 – July 2006)



\* Plan being reviewed

\*\* After current caps expire

\*\*\* Option if competition exists or based on population size

August 14, 2006

■ 25 states

# Information Sources

- Lilia Pérez-Chavolla, *Update of Changes in State Retail Rate Regulation of LECs October 2005 – July 15, 2006*, NRRI, July 2006.
- Lilia Pérez-Chavolla, *State Retail Rate Regulation of Local Exchange Providers as of September 2005*, NRRI, April 2006.
- Ed Rosenberg and Joe McGarvey, *What to Think About When You Think About Telecommunications Deregulation*, NRRI, April 2005.

All available at [www.nrri.ohio-state.edu](http://www.nrri.ohio-state.edu)