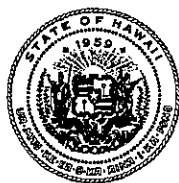


SB2108 SD1

Measure Title: RELATING TO TELECOMMUNICATIONS.
Report Title: Public Utilities; Telecommunications; Rates
Description: Limits to retail basic exchange services the services for which a telecommunications carrier must obtain approval from the PUC to charge a rate higher than the filed tariff rate. (SD1)
Companion:
Package: None
Current Referral: EDT, CPN
Introducer(s): BAKER

<u>Sort by</u> <u>Date</u>		Status Text
1/19/2012	S	Introduced.
1/19/2012	S	Passed First Reading.
1/20/2012	S	Referred to EDT, CPN.
1/31/2012	S	The committee(s) on EDT has scheduled a public hearing on 02-08-12 2:15PM in conference room 016.
2/8/2012	S	The committee(s) on EDT deferred the measure until 02-10-12 1:15PM in conference room 016.
2/10/2012	S	The committee(s) on EDT recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in EDT were as follows: 4 Aye(s): Senator(s) Fukunaga, Wakai, Solomon, Slom; Aye(s) with reservations: none ; 0 No(es): none; and 1 Excused: Senator(s) Baker.
2/15/2012	S	Reported from EDT (Stand. Com. Rep. No. 2163) with recommendation of passage on Second Reading, as amended (SD 1) and referral to CPN.
2/15/2012	S	Report adopted; Passed Second Reading, as amended (SD 1) and referred to CPN.
2/21/2012	S	The committee(s) on CPN will hold a public decision making on 02-28-12 10:00AM in conference room 229.



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
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TO THE SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION

THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2012

TUESDAY, FEBRUARY 28, 2012
10:00 A.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE ROSALYN H. BAKER, CHAIR,
AND MEMBERS OF THE COMMITTEE

SENATE BILL NO. 2108, S.D. 1 - RELATING TO TELECOMMUNICATIONS

DESCRIPTION:

This measure proposes to exclude all services except for basic exchange services from the requirement to obtain Public Utility Commission ("PUC" or "Commission") approval prior to charging a rate higher than the filed tariff rate.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") opposes this proposed measure.

Senate Bill No. 2108, S.D. 1
Senate Committee on Commerce and Consumer Protection
Tuesday, February 28, 2012, 10:00 a.m.
Page 2

COMMENTS:

This measure proposes to amend Section 269-16.85, Hawaii Revised Statutes, by removing the requirement to obtain Commission approval prior to charging a higher than the filed tariff rate for any retail telecommunications service except for the basic exchange service.

The Consumer Advocate acknowledges that the intent of the measure may have been to seek consistency with the treatment of intrastate telecommunications services, relating to costs, rates and pricing, as fully competitive. The Consumer Advocate notes, however, that allowing a telecommunications carrier the opportunity to charge higher rates than what is provided for in the carrier's filed tariff goes against public and regulatory policy for transparency and notice. In addition, there would be no opportunity for the Consumer Advocate to review whether the carriers' intent to raise rates for ancillary services may be for the sole purpose of subsidizing lower rates for basic exchange services, basically a potential end run around the Commission's review process. Thus, the requisite review and Commission approval necessary for raising rates for basic exchange services could be rendered moot.

Thank you for this opportunity to testify.

SB 2108 SD1

RELATING TO TELECOMMUNICATIONS

**JOHN KOMEIJI
SR. VICE PRESIDENT & GENERAL COUNSEL**

HAWAIIAN TELCOM

February 28, 2012

Chair Baker and members of the Senate Commerce and Consumer Protection Committee:

I am John Komeiji, testifying on behalf of Hawaiian Telcom on SB 2108 SD1, Relating to Telecommunications. Hawaiian Telcom strongly supports this measure.

The purpose of this bill is to continue the State's effort to level the regulatory playing field in retail telecommunications services and ensure that Hawaii's telecommunications marketplace remains vibrant and strong. This bill recognizes the competitive telecommunications marketplace in Hawaii and makes clear that as part of engaging in the marketplace every telecommunications carrier needs the flexibility to revise its rates as the marketplace demands.

Specifically, under the bill any telecommunications carrier may adjust a rate for any retail telecommunications service, other than basic exchange service, that is higher than the current filed tariff rate for that service without needing approval from the Public Utilities Commission (PUC); conversely, the bill retains the current requirement for PUC approval for any increase in rates to basic exchange service (e.g. single line residence and business service, which consists of plain old telephone service, and access to such services as 911 and operator services).

Passage of this measure will help to create a marketplace in which all carriers can compete equally. It allows Hawaiian Telcom a similar degree of pricing flexibility for non-basic exchange services (e.g. three-way calling, answering service, speed dialing, vacation service, and business services such as Centrex, private line and data services) afforded other telecommunication services including wireless, cable and Voice over Internet Protocol ("VoIP"), which are either unregulated or are not subject to the same degree of regulations as landlines.

Dramatic technological changes within the telecommunications industry have resulted in game-changing competition for Hawaiian Telcom. Today, local consumers can choose telecommunication services from wireless, cable and VoIP alternatives to the

traditional landline. As a result of this intense competition, the number of our landline customers has declined dramatically. The reality is that this trend is certain to continue.

Hawaiian Telcom is currently subject to many antiquated state laws and requirements. Some of our laws date back to the early 1900s to an era when the incumbent local exchange carrier was a monopoly and the landline was the only means for a consumer to communicate. Until recently, existing state laws and requirements have not changed to reflect the fact that Hawaiian Telcom is no longer a monopoly and is now subject to significant competition. This competitive reality necessitates the need to continually assess the regulatory requirements that have historically attached solely to Hawaiian Telcom to allow Hawaiian Telcom the opportunity to compete on an equal footing with our competitors.

Promoting fair competition with consistent regulatory treatment of all competitors is the best way to ensure consumers receive quality service at fair prices. Hawaii's outdated rate-of-return regulations are no longer relevant in today's competitive landscape and should be changed. Telecommunication rates are extremely price sensitive and we understand this fact. As an example, Hawaiian Telcom's last rate case was filed with the PUC over fourteen years ago and our rates have not increased since that time. Present circumstances, however, require that some non-basic services may need to be better aligned to reflect fixed costs being spread over a shrinking customer base.

In summary, the regulatory requirements that are the subject of this bill unjustly apply to Hawaiian Telcom and do not apply to our wireless, cable, or VoIP competitors and out of fairness must be changed. Our company supports this effort to provide the incumbent local exchange carrier with a more level regulatory playing field which will in turn help our company to provide consumers with what they demand: more innovation, quality service, and greater selection of new products and offerings.

Based on the aforementioned, Hawaiian Telcom supports this measure and respectfully requests your favorable consideration. Thank you for the opportunity to testify.

Testimony for CPN 2/28/2012 10:00:00 AM SB2108

Conference room: 229

Testifier position: Support

Testifier will be present: No

Submitted by: Brenda Kosky

Organization: Individual

E-mail: Brenda.Kosky@gmail.com

Submitted on: 2/27/2012

Comments: