

STAND. COM. REP. NO.

1894

Honolulu, Hawaii

APR - 5 2019

RE: H.B. No. 272  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,  
to which was referred H.B. No. 272, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TELECOMMUNICATIONS,"

begs leave to report as follows:

The purpose and intent of this measure is to exempt public utilities that provide basic exchange service to every county of the State from the regulatory jurisdiction of the Public Utilities Commission, including provisions regarding financial reporting, rate regulation, issuance of securitized assets, disposal of property, and affiliate interests.

Your Committee received testimony in support of this measure from Hawaiian Telcom and Verizon. Your Committee received testimony in opposition to this measure from the Department of Commerce and Consumer Affairs and Charter Communications. Your Committee received comments on this measure from the Public Utilities Commission.

Your Committee finds that this measure exempts public utilities that provide basic exchange service from the regulatory provisions of the Public Utilities Commission (Commission). However, your Committee has heard concerns that this measure, by eliminating Commission oversight, could have many unintended consequences, including creating uncertainty regarding the



obligation and responsibilities of an incumbent telecommunications company to serve as the carrier of last resort, and is a significant step backward in the fully competitive retail communications market. Furthermore, this measure could leave little to no protection for the State's vulnerable rural customers and will significantly reduce the State's ability to exercise oversight over transactions that might not be in Hawaii's best interest. There are also additional concerns associated with this measure's applicability to and future effect on prior orders issued by the Commission.

Your Committee notes that the companion to this measure, S.B. No. 991, S.D. 1, which was previously passed by the Senate, provides telecommunications service providers with flexibility from certain regulatory oversight requirements but retains the Commission's oversight over telecommunications carriers and preserves consumer safeguards and carrier of last resort responsibilities. S.B. No. 991, S.D. 1, includes consensus language that has been approved by interested stakeholders to address the concerns raised by this measure and is therefore preferable.

Accordingly, your Committee has amended this measure by deleting its contents and inserting the contents of S.B. No. 991, S.D. 1, which:

- (1) Clarifies that a telecommunications carrier shall not be required to obtain approval from the Commission to establish or modify its terms and conditions;
- (2) Provides telecommunications carriers with certain exemptions related to rate making approval and cross subsidies; provided that on an annual basis, the monthly rate increase for basic exchange service in any county with a population of less than 500,000 shall not exceed \$6.50 without the Commission's approval;
- (3) Specifies that telecommunications service providers may issue securities and other evidences of indebtedness without approval from the Commission, as long as notification of the transaction is provided to the Commission and Consumer Advocate;

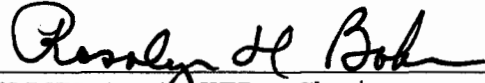


- (4) Specifies that a telecommunications service provider providing fully competitive retail services may sell or dispose of property or equipment without approval from the Commission, but requires authorization from the Commission in the event of any merger or consolidation with another public utility;
- (5) Specifies that a telecommunications service provider providing fully competitive retail services is exempt from filing accident reports connected with its operations and service with the Commission;
- (6) Clarifies that transactions exempt from the issuance of voting stock restrictions include any transaction involving a public utility that consists of less than fifty percent of the voting stock of a corporation organized under the laws of the State;
- (7) Clarifies that the Commission may allow telecommunications carriers to have pricing flexibility for services that the Commission finds are effectively competitive; provided that universal service is preserved and advanced;
- (8) Clarifies the Commission's responsibility to ensure customers have access to advanced services; and
- (9) Includes an effective date of upon approval.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 272, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 272, H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.



Respectfully submitted on  
behalf of the members of the  
Committee on Commerce, Consumer  
Protection, and Health,




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ROSALYN H. BAKER, Chair



The Senate  
Thirtieth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Commerce, Consumer Protection, and Health**  
**CPH**

|  |                     |                 |                     |         |
|--|---------------------|-----------------|---------------------|---------|
| Bill / Resolution No.:*  | Committee Referral: | Date:           |                     |         |
| HB 272, HD1  | CPH                 | 4/4/19          |                     |         |
| <input type="checkbox"/> The Committee is reconsidering its previous decision on this measure.<br>If so, then the previous decision was to: _____                                      |                     |                 |                     |         |
| The Recommendation is:   |                     |                 |                     |         |
| <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313 |                     |                 |                     |         |
| Members  | Aye                 | Aye (WR)        | Nay                 | Excused |
| BAKER, Rosalyn H. (C)  | ✓                   |                 |                     |         |
| CHANG, Stanley (VC)  | ✓                   |                 |                     |         |
| KEOHOKALOLE, Jarrett   | ✓                   |                 |                     | WAM     |
| NISHIHARA, Clarence K.   |                     |                 |                     | ✓       |
| RUDERMAN, Russell E.   | ✓                   |                 |                     |         |
| THIELEN, Laura H.  | ✓                   |                 |                     |         |
| FEVELLA, Kurt  |                     |                 |                     | ✓       |
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| <b>TOTAL</b>   | 5                   |                 |                     | 2       |
| Recommendation:  |                     |                 |                     |         |
| <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted   |                     |                 |                     |         |
| Chair's or Designee's Signature:   |                     |                 |                     |         |
|    |                     |                 |                     |         |
| Distribution:  |                     |                 |                     |         |
| Original   | Yellow              | Pink            | Goldenrod           |         |
| File with Committee Report   | Clerk's Office      | Drafting Agency | Committee File Copy |         |

\*Only one measure per Record of Votes