

CHAPTER 26. SUBSTANTIVE RULES APPLICABLE TO TELECOMMUNICATIONS SERVICE PROVIDERS.

Subchapter J. COSTS, RATES AND TARIFFS.

§26.224. Requirements Applicable to Basic Network Services for Chapter 58 Electing Companies.

- (a) **Application.** This section applies to any electing company, as the term is defined in the Public Utility Regulatory Act (PURA) §58.002. Other sections applicable to an electing company, include, but are not limited to, §26.225 of this title (relating to Requirements Applicable to Nonbasic Services for Chapter 58 Electing Companies), §26.226 of this title (relating to Requirements Applicable to Pricing Flexibility for Chapter 58 Electing Companies), and §26.227 of this title (relating to Procedures Applicable to Nonbasic Services and Pricing Flexibility for Basic and Nonbasic Services for Chapter 58 Electing Companies).
- (b) **Purpose.** The purpose of this section is to establish requirements and procedures relating to the provision of basic network services.
- (c) **Basic network services.**
- (1) **Services included in basic network services.** Unless reclassified under PURA §58.024, the following are classified as basic network services under PURA §58.051(a):
 - (A) Flat rate residential local exchange telephone service, including primary directory listings and the receipt of a directory and any applicable mileage or zone charges;
 - (B) Residential tone dialing service;
 - (C) Lifeline service;
 - (D) Service connection for basic residential services;
 - (E) Direct inward dialing service for basic residential services;
 - (F) Private pay telephone access service;
 - (G) Call trap and trace service;
 - (H) Access for all residential and business end users to 9-1-1 service provided by a local authority and access to dual party relay service;
 - (I) Mandatory residential extended area service arrangements;
 - (J) Mandatory residential extended metropolitan service or other mandatory residential toll-free calling arrangements; and
 - (K) Residential caller identification services if the customer to whom the service is billed is at least 65 years of age.
 - (2) **Separate tariff requirement.** Consistent with PURA §58.051(b), a basic network service offered by an electing company to a customer as a component of a package or other pricing flexibility offering must also be offered by the electing company as a separately tariffed service.
 - (3) **Basic network service rates capped.** The rates for basic network services for an electing company may not increase before September 1, 2005, except as provided for in subsection (f) of this section relating to rate increases prior to the rate cap expiration.
 - (4) **Basic network service rates charged.** The rates an electing company may charge during the period in which rates are capped are the rates charged by the company on June 1, 1995, or, for a company that elects after September 1, 1999, the rates charged on the date of its election.
 - (5) **Pricing flexibility.** An electing company may offer pricing flexibility for basic network services in accordance with the requirements of §26.226 of this title.
 - (6) At the election of the affected incumbent local exchange company, the price for basic network service must also include the fees and charges for any mandatory extended area service arrangements, mandatory expanded toll-free calling plans, and any other service included in the definition of basic network service.

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- (7) A nonpermanent expanded toll-free local calling service surcharge established by the commission to recover the costs of mandatory expanded toll-free local calling service:
- (A) is considered a part of basic network service;
 - (B) may not be aggregated under subsection (c)(6) of this section; and
 - (C) continues to be transitioned in accordance with commission orders and substantive rules.
- (d) **Requirement for changes to terms of a tariff offering.** Prior to being offered, a change in the terms of a basic network service tariff offering, such as rate increases and decreases of a basic network service, must receive commission approval. Section 26.207 of this title (relating to Form and Filing of Tariffs) and §26.208 of this title (relating to General Tariff Procedures) must apply to tariffs offering a basic network service.
- (e) **Establishment of a long run incremental cost floor.** For purposes of this section, long run incremental cost (LRIC) must be consistent with §26.215 of this title (relating to Long Run Incremental Cost Methodology for Dominant Certificated Telecommunications Utility (DCTU) Services). Establishment of a LRIC floor requires commission approval of a cost study prepared by an electing company in accordance with the standards in §26.214 of this title (relating to Long Run Incremental Cost (LRIC) Methodology for Services provided by Certain Incumbent Local Exchange Companies (ILECs) or §26.215 of this title, as applicable. After commission approval of a LRIC floor for a particular service, an electing company may change the rates of that service in accordance with the procedures in this section. The procedures in subsection (i) of this section, relating to rate decreases for basic network services, may not be available to an electing company for a service that does not have a LRIC floor.
- (f) **Rate increase prior to rate cap expiration.** For a four-year period following Chapter 58 election or until September 1, 2005, whichever occurs later, an increase in the rate for a basic network service is permitted only after commission approval and only within the following parameters:
- (1) A rate increase for changes made by the Federal Communications Commission, as provided by PURA §58.056;
 - (2) A rate increase for companies with fewer than five million access lines that are complying with infrastructure commitments, as provided by PURA §58.057;
 - (3) A rate group reclassification, as provided by PURA §58.058.
- (g) **Procedure for a rate increase prior to rate cap expiration.**
- (1) Prior to the rate cap expiration, an electing company is required to file an application to propose an increase in the rate for a basic network service. The application must refer to this section, must provide sufficient documentation to demonstrate that the rate increase meets the criteria prescribed in PURA Chapter 58, must describe the increase, and must identify the classes of customers and competitors to be affected by the electing company's application. The application must also include any tariff sheets reflecting the proposed basic network service rate increase, as well as all data necessary to support the application. The application must include a copy of the text of any proposed notice to customers. The proposed notice to customers must comply with §26.208 of this title and must meet the criteria prescribed in PURA §58.059 and §53.103. The application must also state the electing company's preferred effective date, which must be no earlier than 90 days after completion of notice.
 - (2) The commission must cause notice of the application to be published in the Texas Register. The Texas Register notice must state the intervention deadline, which must be no earlier than 40 days following publication of notice. After publication of notice in the Texas Register, the presiding officer must establish a deadline for the filing of a staff recommendation, which must be no earlier than five days following the intervention deadline.

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- (3) Within 20 days after filing of the application, the presiding officer must notify the applicant if material deficiencies exist in the application and if the proposed notice is inadequate.
 - (4) Within 50 days after filing of the application, the applicant must file an affidavit attesting to the fact that notice to customers was published in accordance with the requirements of PURA §58.059 and §53.103. The affidavit must contain a copy of all notice given.
 - (5) Following receipt of a request for intervention filed by an affected party, or on the recommendation of commission staff, or on the commission's own motion, the commission may suspend the effective date of the proposed rate increase and may hold a hearing. Within 185 days of the filing of a sufficient application, the commission must issue an order approving or modifying the rate increase or, alternatively, rejecting the rate increase if it is not in compliance with this section and PURA §§58.056, 58.057 or 58.058. Any order modifying or rejecting the proposed rate increase must specify why the proposed increase is not in compliance with the applicable provisions of PURA §§58.056, 58.057 or 58.058 and the means by which the proposed increase may be brought into compliance.
- (h) **Rate increase after rate cap expiration.** After a four-year period following Chapter 58 election or until September 1, 2005, whichever occurs later, a basic network service rate increase may be made in accordance with PURA §58.060.
- (i) **Rate decrease.** Consistent with PURA §58.055(c), an electing company may decrease a rate for a basic service at any time to an amount above the service's appropriate cost. If the electing company has been required to perform or has elected to perform a long run incremental cost study, the appropriate cost for the service is the service's long run incremental cost.
- (1) After commission approval of a LRIC floor, an electing company must follow the procedures in this subsection to decrease a rate for a basic network service or to change the tariff terms of a basic network service.
 - (2) An electing company must file an application to decrease the rate for or change the tariff terms of a basic network service. On the same date, an electing company must file one or more tariff sheets to decrease a rate for or change the tariff terms of a basic network service with the application and all data necessary to support the application must accompany the tariff sheets.
 - (3) The commission must cause notice of the application to be published in the Texas Register. The Texas Register notice must state the intervention deadline, which must be no earlier than 15 days following publication of notice. On or before five days after the intervention deadline, commission staff may file a recommendation to suspend, docket or reject the application. If either a request for intervention or a recommendation to docket is filed, the expedited administrative procedures in this subsection must no longer apply. If neither an intervention request nor a staff recommendation to suspend, docket or reject the application is filed, the tariff sheets must be approved by the commission effective ten days following the intervention deadline.
- (j) **Proprietary or confidential information.**
- (1) Information filed in accordance with this section is presumed to be public information. An electing company has the burden of establishing that information filed in accordance with this section is proprietary or confidential.
 - (2) Nothing in this subsection must be construed to change the presumption that information filed in accordance with this rule is public information. An electing company that intends to rely upon data it purports is proprietary or confidential in support of an application made in accordance with this section must file such data confidentially. An electing company that intends to rely upon proprietary or confidential data has the burden of providing such data on the same date the associated tariff sheets are filed. In the event an electing company's proprietary or confidential data is not provided with the associated tariff sheets, the procedural

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schedule will be adjusted day-for-day to reflect the number of days the proprietary or confidential data is delayed.

- (k) **Additional notice requirement for an electing company serving more than five million access lines.** In addition to the notice requirements of §26.208 of this title and those applicable to informational notice filings, an electing company serving more than five million access lines in this state must, until September 1, 2003:
- (1) Comply with the following notice requirements when proposing any changes in the generally available prices and terms under which the electing company offers basic telecommunications services regulated by the commission at retail rates to subscribers that are not telecommunications providers, including:
 - (A) Introduction of any new features or functions of basic services;
 - (B) Promotional offerings of basic services; or
 - (C) Discontinuation of then-current features or services.
 - (2) Notice must be provided to the following persons:
 - (A) A person who holds a certificate of operating authority in the electing company's certificated area or areas; or
 - (B) A person who has an effective interconnection agreement with the electing company.
 - (3) The following timelines must apply to the additional notice requirement:
 - (A) If the electing company is required to give notice to the commission, at the same time the company provides that notice; or
 - (B) If the electing company is not required to give notice to the commission, at least 45 days before the effective date of a price change or 90 days before the effective date of a change other than a price change, unless the commission determines that the notice should not be given.
- (l) **Semi-annual notice for rates or terms of service.** Semi-annually, an electing company must notify affected persons, either by bill insert, bill message, or direct mail, that proposed changes in the rates or terms of basic network services are regularly published in the *Texas Register* through the Office of the Secretary of State. Such notification must also appear in the public information pages of all telephone directories published in Texas. The notification must identify the Internet address for the *Texas Register* (www.sos.state.tx.us) and must provide a toll-free phone number for affected persons to request direct notice from an electing company of proposed changes in the rates or terms of service. For purposes of notice, affected persons include the applicant's Texas customers, persons registered with the commission to offer long distance service, and persons certificated by the commission to provide local exchange telephone service.