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Subject: Regulation Governing Telephone Utilities Offering Regulated Prepaid Local Exchange Services and Bonds or Other Security Mechanisms

History: 4138

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- 01/24/2011 Received by Lt. Gov & Speaker 05/24/2011

H 01/25/2011 Referred to Committee

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 provided for in the Regulation

Document No. 4138

**PUBLIC SERVICE COMMISSION**

CHAPTER 103

Statutory Authority: 1976 Code Section 58-3-140

103-607. Regulation Governing Telephone Utilities Offering Regulated Prepaid Local Exchange Services and Bonds or Other Security Mechanisms

**Synopsis:**

The Public Service Commission of South Carolina (Commission) seeks to amend Regulation 103-607 by applying the provisions of this Regulation to all telephone utilities who provide retail residential local exchange services. With this modification, Regulation 103-607 should be amended to delete any reference to prepaid local exchange services and advance payments. Additionally, Regulation 103-607 will be amended to provide that the Office of Regulatory Staff should receive a copy of any bond or other security mechanism that is filed with the Commission. Therefore, this amended Regulation will apply to all telephone utilities that provide retail residential local exchange services and who individually or together with their affiliates, have not invested at least five million dollars in telecommunications facilities in South Carolina. The Notice of Drafting regarding these regulations was published on May 28, 2010, in the State Register.

**Instructions:** Print the regulation in accordance with directions given to reflect new amended regulation.

103-607. Print Regulation 103-607 as outlined below.

**Text:**

103-607. Bonds or Other Security Mechanisms.

This regulation applies to telephone utilities who provide retail residential local exchange services and who individually or together with their affiliates, have not invested at least five million dollars in telecommunications facilities in the State of South Carolina. The commission may waive this requirement upon petition by the telephone utility if the telephone utility provides evidence of financial stability as deemed appropriate by the commission. This regulation does not apply to Commercial Mobile Radio Services.

The commission shall determine the type and the amount of bond or other security mechanism to be filed by the carrier with the commission and the ORS. The commission may order the carrier to file a performance bond or post an irrevocable letter of credit or certificate of deposit. In determining the amount of the performance bond, irrevocable letter of credit, or certificate of deposit, the commission may use, at a minimum, any commercially reasonable, acceptable method, including the following criteria: number of customers, retail price for service, and financial resources of the carrier.

 a. Performance Bond. Performance bonds must be issued by an A-grade insurer acceptable to the commission and must be posted with the commission and a copy provided to the ORS . However, the amount of the bond shall be no less than $100,000. An updated bond shall be filed with the commission and a copy provided to the ORS annually.

 b. Irrevocable Letter of Credit. An irrevocable letter of credit shall be issued by a financial institution acceptable to the commission. The amount of the irrevocable letter of credit shall be determined by the commission; however, the amount of the letter of credit shall be no less than $100,000. An updated irrevocable letter of credit shall be filed with the commission and a copy provided to the ORS annually.

 c. Certificate of Deposit. The certificate of deposit shall be issued by a financial institution acceptable to the commission and shall be no less than $50,000. An updated certificate of deposit shall be filed with the commission and a copy provided to the ORS annually.

Forfeiture of Bond or Other Security Mechanism

The commission, after notice and hearing, may order all or part of any bond or other security forfeited upon finding that the telephone utility has abandoned service to customers .

**Fiscal Impact Statement:**

There will be no increased costs to the State or its political subdivisions.

**Statement of Rationale:**

The purpose of amending Regulation 103-607 is to broaden the scope of application of this regulation to all utilities that provide retail residential local exchange services and who individually or together with their affiliates, have not invested at least five million dollars in telecommunications facilities in the State of South Carolina. There was no scientific or technical basis relied upon in the development of this regulation.