

HOUSE BILL REPORT

HB 1703

As Reported By House Committee On:
Energy & Utilities

Title: An act relating to alternate operator service companies.

Brief Description: Concerning alternate operator service companies.

Sponsors: Representatives Johanson, Grant and Jacobsen; by request of Utilities & Transportation Commission.

Brief History:

Reported by House Committee on:
Energy & Utilities, March 2, 1993, DPS.

HOUSE COMMITTEE ON ENERGY & UTILITIES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Grant, Chair; Finkbeiner, Vice Chair; Casada, Ranking Minority Member; Miller, Assistant Ranking Minority Member; Johanson; Kessler; Kremen; and Long.

Minority Report: Without recommendation. Signed by 1 member: Representative Ludwig.

Staff: Ken Conte (786-7113).

Background: Alternate Operator Services companies (AOS) are companies that connect callers to intrastate and interstate telecommunications services from places such as hotels, motels, hospitals, and customer-owned pay telephones.

AOS companies have been somewhat controversial since their inception, mostly due to the large variation in charges they impose on callers. The Utilities and Transportation Commission (UTC) reports that nationwide, and within Washington State, complaint rates regarding AOS companies are relatively high.

In 1988, the Legislature enacted legislation requiring that AOS companies disclose the charge, fee, or rate of alternate operator services to the consumer. The 1990 Legislature required AOS companies to register with the UTC and

authorized the UTC to adopt minimum standards for the operation of AOS companies. The 1990 Legislature also authorized the UTC to reject an AOS company's application if the UTC determines that the services and charges proposed by the company are not for the "public convenience and advantage." Since 1990, UTC rules have required that AOS companies match US West and AT&T rates for similar services.

The requirement that AOS rates match those of US West and AT&T has allowed the UTC to prohibit what it considers excessively high rates for companies now applying to register as telecommunications companies within Washington State. However, this requirement does not apply to companies operating under tariffs which were granted prior to the adoption of the requirement (1990) and which permit rates higher than those charged by US West and AT&T.

Summary of Substitute Bill: The UTC may suspend the registration of an AOS company if the UTC finds that its charges are not for the public convenience and advantage, or if the AOS company is not in compliance with the accounting requirements of the UTC. If the UTC files a complaint against an AOS company alleging that its rates are unreasonable, then the AOS company bears the burden of proving that its rates are for the public convenience and advantage. These requirements apply only to AOS companies that did not have tariffs on file with the UTC prior to January 1, 1987.

AOS companies first filing rates with the UTC after January 1, 1987, are exempted from the requirement that they provide services to the public.

Substitute Bill Compared to Original Bill: An intent section is added stating that, among other things, it is in the public interest to ensure that AOS companies offer services and charges that are for the public convenience and advantage; it is appropriate to review the services and charges of AOS companies; and that shifting the burden of proof to the AOS companies is a temporary necessity to provide for the efficient and effective review of AOS companies.

The authority of the UTC to suspend the registration of an AOS company is expanded to cover noncompliance of accounting requirements.

A severability clause is added.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Most people find out about AOS companies when they get billed. Credit card calls can cost three times what AT&T charges. People are not aware of how to dial around to avoid the AOS company. AOS companies are not operating in a competitive environment; they charge the consumer more so that they can pay the hotel higher rates. The UTC gets 15 to 20 complaints per month. AOS companies block UTC efforts to deal with these issues.

Testimony Against: Some aspects of this bill can be dealt with through educational programs. Many AOS companies have contracts with long distance carriers; this bill could cause changes in rates and services and could cause problems with existing contractual relationships.

Witnesses: Representative Johanson, prime sponsor (pro); Laddie Taylor and Jeff Goltz, Utilities and Transportation Commission (pro); and Robert Shrader, PayTel Northwest (con).