

# HOUSE BILL REPORT

## HB 1438

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### As Reported By House Committee On:

Energy & Utilities

**Title:** An act relating to mandatory measured telecommunications service.

**Brief Description:** Extending the prohibition on filing for a tariff on mandatory measured telecommunications service.

**Sponsors:** Representatives Crouse, Poulsen, Morris, DeBolt, Kessler, Kastama, Cooper, Mielke and Mulliken.

### Brief History:

#### Committee Activity:

Energy & Utilities: 2/18/97, 3/4/97 [DPS].

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### HOUSE COMMITTEE ON ENERGY & UTILITIES

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Crouse, Chairman; DeBolt, Vice Chairman; Mastin, Vice Chairman; Poulsen, Ranking Minority Member; Morris, Assistant Ranking Minority Member; Bush; Cooper; Kastama; Kessler and Mielke.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Honeyford; Mulliken and B. Thomas.

**Staff:** Margaret Allen (786-7110).

**Background:** Most telephone customers in Washington pay a flat monthly rate for local telephone service. Many of the local exchange companies offer their customers the option to pay for local calls on a per call basis. This practice is commonly known as local measured service. Under this option, the telephone customer pays a lower monthly rate and then pays for the calls actually made, based on the time of day, length of call, and in some cases, the distance of the call.

Telecommunications service providers file price lists or tariffs with the Washington Utilities and Transportation Commission (WUTC).

In 1984, the Legislature temporarily prohibited the WUTC from approving telecommunications tariffs that include mandatory local measured service. The

prohibition has been extended a few times since then, most recently in 1993, and is currently set to expire June 1, 1998. The prohibition does not apply to mobile services, pay telephone services, or to any other service that has traditionally been offered on a measured basis.

**Summary of Substitute Bill:** The prohibition on WUTC approval of a telecommunications tariff for mandatory local measured service is extended for an additional three years, to June 1, 2001. In addition, the WUTC may not accept a price list for filing that imposes mandatory local measured service on any customer or class of customers.

**Substitute Bill Compared to Original Bill:** The original bill made the ban permanent, and did not address the filing of price lists.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** Mandatory local measured service is an inefficient way to price telecommunications services relative to the cost of providing those services. The cost of providing telecommunications services has decreased over time while the network capacity has increased. It is not good public policy or good for the economy to reward low usage of the telecommunications network while penalizing high usage. Mandatory measured local service would not be good for elderly or homebound citizens. The ban applies only to local calls. The trend has been to increase the size of flat-rate calling areas. There have been no adverse effects since the ban has been in place. The ban should be permanent as this is something the Legislature does not need to review periodically. The existing network can easily accommodate Internet traffic. Problems are localized, short-term, and can easily be corrected with existing infrastructure. If the ban were lifted for data transmissions, every fax machine might be on mandatory measured service. Customers should have as much choice as possible in how they are billed. Small businesses are concerned about the impact measured local service would have on their operating expenses.

**Testimony Against:** The timing of this legislation is wrong as it is trying to correct a problem that does not exist. No one is advocating mandatory local measured service. Local exchange companies have agreed to the rolling ban over the years. To make the ban permanent is premature and removes WUTC authority to address problems. The tremendous increase in demand on the network's capacity should be examined; the network was never designed for today's demand. Consumer usage patterns are changing quickly. Problems are statewide, not localized. The ban does not expire

until June 1, 1998; take the next year to determine what is causing the problems and come up with a good solution. Access charges, which subsidize the cost of local service, may be reformed, possibly resulting in tremendous loss of revenues to local exchange companies. Perhaps local measured service should be provided in blocks of time rather than minutes; alternatively, the ban could be limited to voice transmissions until it is clear how data activity is affecting the network.

**Testified:** (Pro) Mark Greenberg and Art Butler, TRACER; Teresa Osinski, Washington Utilities and Transportation Commission; George Tyler, citizen; Rachael Myers, Washington Citizen Action; and Gary Smith Independent Business Association. (Con) Tom Walker, US WEST; and Rosemary Williamson, GTE.