

FINAL BILL REPORT

ESSB 6622

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Synopsis as Enacted

Brief Description: Implementing the federal telecommunications act of 1996.

Sponsors: Senate Committee on Energy & Utilities (originally sponsored by Senator Finkbeiner; by request of Utilities & Transportation Commission).

Senate Committee on Energy & Utilities

House Committee on Energy & Utilities

House Committee on Appropriations

Background: The Federal Telecommunications Act of 1996 was passed by Congress to encourage competition in the local telephone market. The act supports the goal of universal service, and recognizes the need for changes in the methods used to achieve it. The act calls for states to support universal service programs in a competitively and technologically neutral manner.

The goal of universal service is to provide all citizens with access to the public telephone network at affordable prices. The Legislature enacted a policy to preserve affordable universal telecommunications service in 1985, but universal telecommunications service has been the policy of Washington State for more than 60 years.

Universal service depends on subsidies to maintain affordability. Average pricing has been used to support service to high-cost customer locations. Monopoly providers have been permitted to charge above-cost prices in urban areas in order to provide sufficient revenue to permit charging only an average, or affordable, price to remote rural customer locations. Monopoly providers have also been permitted to charge other companies above-cost prices for routing telephone traffic over their lines. These charges, known as access charges, provide substantial revenue to small telephone companies that service many high-cost customers. This revenue makes it possible to keep the basic monthly rate at an affordable level.

It has been suggested that these methods are an impediment to new companies trying to enter the local telecommunications market and that the means to achieving fair competition is to replace the system of hidden subsidies with one of explicit, predictable supports through the use of a universal service fund managed by the Washington Utilities and Transportation Commission.

Under current statutory and decisional law, the commission does not have authority to assess telephone companies for contributions to a universal service fund to subsidized companies serving high-cost customer locations. The commission is requesting this legislation to give it the necessary authority to create and administer a universal service program.

Summary: The commission is directed to plan and prepare a program for the advancement of universal telecommunication services that shall not take effect until the Legislature approves the program.

The commission is directed to estimate alternatively the costs of supporting all lines and the cost of supporting one line located in a high-cost area, determine the assessments required and the manner of collection, designate those eligible to receive funds for the benefit of their customers, provide a schedule of all fees and payments proposed, and make all necessary rules for administration of the program.

Once the program is approved, the commission is authorized to delegate the authority to resolve disputes or make other decisions necessary to administer the program, including the authority to contract with independent administrators, authorize expenses of program administration, and require carriers to contribute the costs necessary to administer the fund.

The commission must establish standards for review or testing of compliance to ensure the support received is used only for purposes of the program and that carriers are making proper contributions, coordinate administration of the program with federal authorities, and report to the Legislature on the details and recommendations of the program by November 1, 1998.

The commission is authorized to take actions, not related to the universal service program, as permitted or contemplated under the Federal Telecommunications Act of 1996 and establish fees to offset in whole or part the commission's expenses in implementing the act not otherwise recovered through fees. Fees for the universal service program shall not take effect until the Legislature approves the program.

Telecommunications carriers must provide information that the commission may reasonably require to fulfill its responsibilities to plan and prepare a program for the advancement of universal telecommunications service.

All transfers of money necessary for the program are directed to be outside the state treasury and not subject to appropriation.

The review process for a noncontroversial competitive classification petition is shortened. A petition may include an effective date, not less than 30 days from filing, on which the classification takes effect unless suspended by the commission and set for a hearing or formal investigation and fact-finding. The commission must issue a final order within six months.

Basic telecommunications services— is defined.

Votes on Final Passage:

Senate	49	0
House	69	29 (House amended)
Senate	34	15 (Senate concurred)

Effective: June 11, 1998