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HOUSE BILL 1986

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State of Washington                      55th Legislature                      1997 Regular Session

By Representatives Crouse, DeBolt, Mulliken and Cooper

Read first time 02/17/97. Referred to Committee on Energy & Utilities.

1            AN    ACT    Relating   to   encouraging   the   development   of  
2   telecommunications infrastructure in all areas of the state and  
3   ensuring that telecommunications services are available in rural and  
4   hard-to-serve areas of the state by establishing a universal service  
5   fund for telecommunications; adding new sections to chapter 80.36 RCW;  
6   and creating a new section.

7   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8            NEW SECTION.    **Sec. 1.** The legislature finds that in a competitive  
9   telecommunications industry, telecommunications companies will be less  
10   inclined to invest in facilities to serve sparsely populated or hard-  
11   to-serve areas of the state. The legislature further finds that in  
12   order to secure for all consumers of the state the benefits of high  
13   quality telecommunications service and evolving telecommunications  
14   technology, it is necessary to create a universal service fund. The  
15   purpose of this fund is to provide an incentive to telecommunications  
16   carriers to build facilities to provide universal service as defined in  
17   section 2 of this act and to serve sparsely populated and hard-to-serve  
18   areas of the state while preserving to consumers in those areas the

1 availability of telecommunications services at rates which are  
2 comparable to rates in urban areas and are affordable.

3 NEW SECTION. **Sec. 2.** The definitions in this section apply  
4 throughout sections 2 through 9 of this act unless the context clearly  
5 requires otherwise.

6 (1) "Basic service" means basic telecommunications service that  
7 provides access to the public switched telecommunications network with:  
8 The ability to place and receive calls; single-party touch tone  
9 service, including billing and setup and installation; access to  
10 interexchange carriers consistent with federal and state requirements;  
11 white page directory listing; access to emergency services; access to  
12 directory assistance and operator services; data transmission capacity  
13 as allowed by currently deployed voice-grade circuits; and a minimum  
14 calling area to meet basic customer service needs. "Basic service"  
15 also includes public-interest pay phones as identified by the  
16 commission. The commission shall review the definition in this  
17 subsection every two years and may adopt rules to expand the definition  
18 to include additional services.

19 (2) "Eligible telecommunications carriers" mean incumbent local  
20 exchange telecommunications companies as that term is used in the  
21 federal telecommunications act of 1996 and such other facilities-based  
22 local exchange companies as may be designated by the commission  
23 consistent with the standards contained in the federal  
24 telecommunications act of 1996 and this chapter.

25 (3) "Embedded cost of service" means the cost of providing  
26 universal service as determined by the historical costs and investment  
27 of a company using accepted regulatory accounting practices.

28 (4) "End-user service" means a telecommunications service offered  
29 directly to a member of the consuming public, regardless of the  
30 facilities used.

31 (5) "Facilities-based local exchange company" means a  
32 telecommunications company providing local exchange service that at a  
33 minimum provides, through itself or an affiliate, substantially all of  
34 its own switching facilities, a substantial majority of its  
35 distribution and customer loop facilities, or substantially all of its  
36 switching and distribution network with the exception of customer loop  
37 plant, if it provides its own customer loop facilities where it is  
38 economically reasonable for it to do so.

1 (6) "Forward-looking cost of service" means a forward-looking long-  
2 run incremental cost produced by the company's cost study using a  
3 methodology consistent with that prescribed by the federal  
4 communications commission in its rules implementing the federal  
5 telecommunications act of 1996.

6 (7) "Retail revenues" mean all revenues from end-user services  
7 originating or terminating in this state.

8 (8) "Telecommunications company" means a telecommunications  
9 company, whether or not exempt from regulation under RCW 80.36.370 (5)  
10 or (6) or 80.66.010.

11 (9) "Universal service" means the offering of basic service and the  
12 construction and deployment of facilities to provide basic service.

13 NEW SECTION. **Sec. 3.** The commission shall establish by rule a  
14 universal service fund that is consistent with the federal  
15 telecommunications act of 1996 and sections 2 through 8 of this act.  
16 The commission shall adopt detailed rules for administration of the  
17 universal service fund and shall select the administrator of the fund.  
18 Under the rules adopted by the commission, the administrator shall  
19 assess telecommunications companies providing telecommunications  
20 service in Washington an amount that, in total, is sufficient to fund  
21 the universal service fund. The assessment must be based on each  
22 telecommunications company's billed retail revenues. The rate of  
23 assessment must be the same for all telecommunications companies. All  
24 telecommunications companies are subject to the commission's rules  
25 adopted under this chapter.

26 NEW SECTION. **Sec. 4.** To be eligible to draw from the universal  
27 service fund, a telecommunications company must be a facilities-based  
28 local exchange company. An eligible telecommunications company may  
29 draw from the universal service fund only so much as is necessary for  
30 the company to provide universal service at the affordable rate  
31 benchmark established by commission rule.

32 NEW SECTION. **Sec. 5.** An eligible telecommunications company that  
33 is a rural telephone company under the federal telecommunications act  
34 of 1996 shall use embedded cost of service to determine the cost of  
35 universal service, but if a rural company is required to use forward-  
36 looking cost of service as the exclusive means to draw support from the

1 federal service fund, the rural company may use a forward-looking cost  
2 of service for intrastate universal service fund purposes.

3 NEW SECTION. **Sec. 6.** Except as provided in section 5 of this act,  
4 the cost of providing universal service as defined is determined by  
5 forward-looking cost of service. Receipt of universal service fund  
6 support under this section must be targeted to those areas identified  
7 as requiring support consistent with the methodology developed by the  
8 federal communications commission for federal universal service fund  
9 support.

10 NEW SECTION. **Sec. 7.** Universal service funds may not be used to  
11 cross-subsidize competitive and nonregulated activities of a  
12 telecommunications company.

13 NEW SECTION. **Sec. 8.** Except for acts or omissions of gross  
14 negligence or intentional misconduct, the administrator of the fund,  
15 its board of directors, officers, employees, and agents must be  
16 indemnified and held harmless by the telecommunications companies  
17 paying into or drawing from the universal service fund for all acts or  
18 omissions in administering the universal service fund. All costs of  
19 administration, including but not limited to the purchase of insurance,  
20 must be recovered from the fund and included in the charges to  
21 telecommunications companies for the universal service fund.

22 NEW SECTION. **Sec. 9.** The commission shall adopt and place into  
23 effect the rules required to be adopted by the commission under  
24 sections 2 through 8 of this act by December 31, 1997.

25 NEW SECTION. **Sec. 10.** Sections 2 through 9 of this act are each  
26 added to chapter 80.36 RCW.

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