
SENATE BILL 5985

State of Washington

55th Legislature

1997 Regular Session

By Senators Finkbeiner, Brown, Hochstatter, Strannigan, Rossi and Jacobsen

Read first time 02/25/97. 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. The commission
15 shall review the definition in this subsection every two years and may
16 adopt rules to expand the definition to include additional services.

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

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

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

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

37 (6) "Forward-looking cost of service" means a forward-looking long-
38 run incremental cost produced by the company's cost study using a

1 methodology consistent with that prescribed by the federal
2 communications commission in its rules implementing the federal
3 telecommunications act of 1996.

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

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

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

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

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

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

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

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

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

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

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

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