

HOUSE BILL REPORT

HB 1528

As Reported by House Committee On:
Technology, Telecommunications & Energy

Title: An act relating to telecommunications.

Brief Description: Reducing regulatory requirements on competitive telecommunications services and companies.

Sponsors: Representatives Poulsen, Crouse, Ruderman and Delvin; by request of Utilities & Transportation Commission.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 2/9/01, 2/16/01 [DPS].

Brief Summary of Substitute Bill

- Provides additional flexibility for the Washington Utilities and Transportation Commission (WUTC) to reduce regulatory requirements for competitive telecommunications services.
- Allows the WUTC to determine whether or not price lists for competitive telecommunications services may be filed with the commission.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 19 members: Representatives Crouse, Republican Co-Chair; Poulsen, Democratic Co-Chair; Ruderman, Democratic Vice Chair; Anderson, Berkey, Bush, B. Chandler, Cooper, DeBolt, Delvin, Esser, Hunt, Linville, Mielke, Morris, Pflug, Reardon, Simpson and Wood.

Staff: Pam Madson (786-7166).

Background:

As telecommunications markets have become more competitive, increasing flexibility has been provided in the regulation of telecommunications companies and services. In 1985

the Washington Utilities and Transportation Commission (WUTC) was directed to begin classifying certain telecommunications companies and services as competitive if the services they offer are subject to effective competition.

In determining whether a company or service is competitive, the commission considers factors such as the number and size of competing providers, the extent to which service is offered in the relevant market, the ready availability of equivalent services at competitive prices and other indicators of market power.

A telecommunications company may be classified as a competitive telecommunications company by petitioning the commission for such classification. The commission may also initiate a petition.

Competitive telecommunications companies are subject to minimal regulation. They may file price lists rather than tariff schedules. Price lists become effective sooner than tariffs. The commission may waive other requirements if it determines that competition will serve the same purpose as regulation. It may waive different regulations for different companies. Reporting requirements are less rigorous than those for noncompetitive companies. The commission may revoke waivers and reclassify a company to protect the public interest.

Noncompetitive companies may provide services that are classified as competitive. Customers of the service must have reasonable alternatives available and the service must not be provided to a captive customer base. The commission may permit services to be provided under a price list. Prices charged for the service must cover the cost of the service. Losses incurred for competitive services cannot be recovered through rates for noncompetitive services.

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 of paying 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.

The WUTC may not approve telecommunications tariffs that include mandatory local measured service. This prohibition does not apply to mobile services, pay telephone services or to any other service that has traditionally been offered on a measured basis. The prohibition is currently set to expire June 1, 2001.

Summary of Substitute Bill:

Additional flexibility is provided to the WUTC to reduce regulatory requirements for

competitive telecommunications services.

The term competitive telecommunications services– includes both telecommunications companies and telecommunications services that are classified as competitive. Competitive telecommunications services are subject to minimal regulation.

For competitive telecommunications services, the commission must waive any regulation if it determines that competition will serve the same purpose as public interest regulation. Different companies and services may be subject to different regulations if such treatment is in the public interest and does not result in unfair competitive advantage.

The commission has the flexibility to determine whether or not a price list is filed with the commission. A competitive company must maintain a current price list that is accessible to the public. Customers must be notified of any changes in prices and the manner and timing may be determined by the commission.

Regardless of whether price lists are filed with the commission, no telecommunications company may impose mandatory local measured telecommunications service that is inconsistent with laws relating to mandatory measured service.

Substitute Bill Compared to Original Bill:

The substitute bill clarifies the definitions of competitive telecommunications services and price lists and maintains a link to provisions on mandatory measured service.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: (Original bill) This bill builds on the regulatory flexibility law passed in 1985 that anticipated increasing competition after the breakup of the Bell system. It allows the WUTC to eliminate price lists when they harm the consumer. A price list is a mechanism that is not working as it was intended. A consumer expects a price list to reveal what services and products cost. Companies treat price lists as a tariff that contain terms and conditions as well as prices. If they are filed with the commission, the consumer is presumed to know the contents. Consumers are not always told all the terms and conditions of charges for services. Consumers don't have easy access to a document on file with the commission. The filed price list does not function as a practical way to give consumers notice. The Federal Communications Commission has eliminated price lists for competitive services. Eliminating them at the state level would maintain

consistency. This bill would allow price lists when they are helpful to consumers. It also allows the commission to determine more convenient access to this information. The 1985 law permits minimal regulation of competitive telecommunications companies. This bill allows the commission to reduce regulations for companies that are not wholly competitive but have competitive services. It would also allow the commission the flexibility to tailor notice to customers needs.

Testimony Against: (Original bill) There is no reason to expand the authority of the commission by giving them more discretion over whether to use price lists or not or to determine what type of notice a company should give to its customers. Customers must be notified in 10 days. The manner of notice should be at the company's discretion. Notice prescribed in a certain manner could end up costing the company a great deal of money when there might be other less costly ways to accomplish notice. Money saved from costs not incurred can be spent on capital investments for the benefit of customers. In a competitive environment, customers may go where they choose. The current system is working.

Testified: (In support) Glenn Blackman, Washington Utilities and Transportation Commission; and Tom Walker, Qwest.

(Opposed) Rosemary Williamson, Verizon.