

SENATE BILL REPORT

SHB 1528

As Reported By Senate Committee On:
Economic Development & Telecommunications, March 28, 2001

Title: An act relating to telecommunications.

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

Sponsors: By House Committee on Technology, Telecommunications & Energy (originally sponsored by Representatives Poulsen, Crouse, Ruderman and Delvin; by request of Utilities & Transportation Commission).

Brief History:

Committee Activity: Economic Development & Telecommunications: 3/20/01, 3/28/01 [DPA].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TELECOMMUNICATIONS

Majority Report: Do pass as amended.

Signed by Senators T. Sheldon, Chair; B. Sheldon, Vice Chair; Finkbeiner, Haugen and McCaslin.

Staff: Andrea McNamara (786-7483)

Background: As telecommunications markets have become more competitive, increasing flexibility has been provided in the regulation of telecommunications companies and services. In 1985, the Legislature directed the Washington Utilities and Transportation Commission (WUTC) to begin classifying certain telecommunications companies and services as competitive if the services they offer are subject to effective competition.

A company or service may be classified as competitive based on a petition by the company or the commission. 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 by alternative providers in the relevant market, the ready availability of equivalent or substitute services at competitive prices, and other indicators of market power.

Once classified as competitive, minimal regulations apply to the competitive companies and services, particularly in the area of pricing. Instead of filing tariffs and having to await WUTC approval, competitively classified companies and companies providing competitively classified services may file price lists. Under current law, prices contained on price lists are effective after ten days' notice to the commission and customers. The commission may prescribe the form of the notice that must be given.

The commission may also waive other requirements if it determines that competition will serve the same purpose as regulation. It may waive different regulations for different companies.

Summary of Amended Bill: The Washington Utilities and Transportation Commission's (WUTC's) authority to regulate competitive telecommunications services is modified. "Competitive telecommunications services" are defined to include both telecommunications companies and telecommunications services that have been classified as competitive by the commission.

The commission must waive all but minimal regulatory requirements for competitive telecommunications services if it determines that competition serves 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. WUTC cost standards must prohibit incumbent carriers from pricing retail competitive services below the price they charge interconnecting carriers at the wholesale level.

The WUTC is given discretion to either permit or require telecommunications companies to file price lists with the commission. The commission may also permit or require companies to maintain publicly accessible price lists. Different companies and services may have different price list requirements if the differences are in the public interest and do not result in an unfair competitive advantage. In no case may this flexibility be used to allow a telecommunications company to impose mandatory local measured service that is inconsistent with state law.

Companies offering competitive telecommunications services must notify customers of any change in the price, terms, or conditions related to those services. The commission may determine the form, manner, and timing of the notice, except that for price increases in pre-subscribed local exchange, local toll, and long-distance services, companies must provide at least ten days' written notice to their customers.

The WUTC must report to the Legislature by December 1, 2001, on the following issues: the development of competition, a plan for improving customer education, and the commission's guidelines for exercising its waiver flexibility. Development of the report must involve a public process.

Amended Bill Compared to Original Bill: The striking amendment adds the changes made by the Senate to the companion measure (SB 5380), including: (1) requiring 10 days' written notice directly to customers before certain price increases or changes in terms and conditions; (2) requiring the WUTC to report to the Legislature. The striking amendment also adds an additional standard the WUTC must apply before establishing differential requirements. It also prohibits below-cost pricing by incumbent carriers.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The key to managing the transition from regulated to competitive telecommunications services is flexibility. This bill gives the needed flexibility to the WUTC to be able reduce regulations while still protecting consumers. The WUTC expects to use this bill to be able to allow companies, under some circumstances, to give less notice than current law requires.

Testimony Against: While the bill does not appear to give new authority to the WUTC, it makes several very subtle changes to the WUTC's existing authority and existing standards--the impacts of these subtle changes are not clear. The change in the notice requirements could result in more costly requirements for companies, which would mean higher costs to consumers. The bill leaves open the option that the WUTC could require different companies to follow different regulations to their competitive disadvantage.

Testified: Steve Wehrly, World Com MCI (concerns); Rosemary Williamson, Verizon Corp (con); Mike Woodin, AT&T (pro with amendment); Glenn Blackmon, WUTC (pro); Art Butler, Tracer (pro).