
**Technology, Telecommunications
& Energy Committee**

HB 1773

Brief Description: Concerning local exchange company tariffs.

Sponsors: Representatives Blake, Bush, Morris and Crouse.

Brief Summary of Bill

- Exempts small local exchange (telephone) companies from certain regulatory provisions dealing with rates, contracts, charges, and complaint procedures that apply to other local exchange companies.
- Requires a small local exchange (telephone) company to notify its customers of an increase in rates 45 days before the rates become effective.
- Provides a process to allow the company, or a minimum number of customers, to petition the Washington Utilities and Transportation Commission after a new or revised tariff is filed by a small local exchange company.

Hearing Date: 2/21/03

Staff: Pam Madson (786-7166).

Background:

Local exchange companies (LECs) provide local telephone service within their exchange boundaries. Washington currently has 24 LECs, that are regulated by the Washington Utilities and Transportation Commission (WUTC). The smallest 18 LEC's each serve less than two percent of the switched access (telephone) lines in the state. They are geographically dispersed throughout the state.

Small LEC's are not subject to all regulations that are typically required for other public service companies (telecommunications, electricity, gas, and water). For example, small LEC's are exempt from certain annual reporting and budgeting requirements except for an annual balance sheet. Small LEC's are also exempt from authorization and reporting requirements relating to the issuance of securities, transfers of property, and dealing with affiliated interests.

Rates and charges. When telecommunications companies file changes in their tariff rates with the WUTC, the WUTC may suspend the change pending a hearing on the reasonableness of the proposed change. The change is subject to a notice requirement and does not become effective until 30 days after the filing or publication of notice.

Under certain circumstances, rate changes are not subject to suspension but the telecommunications company must still give notice of the changes before they may go into effect.

A public service company may not change a rate or charge that has been the subject of a complaint without approval of the WUTC if the WUTC finds that the rate or charge provides sufficient return to the company.

Telecommunications companies rates must be fair, just, reasonable, and sufficient. If upon complaint, the WUTC finds that a telecommunications company rates or practices are unjust, unreasonable, insufficient, or discriminatory, the WUTC shall set just and reasonable rates.

A telecommunications company must file, with the WUTC, contracts that it enters into with other telecommunications companies or other persons, for use and maintenance, or rates and charges.

Complaint procedures. Complaints may be filed against public service companies. The WUTC may conduct a formal hearing on the complaint and may issue a final order within 10 months of the complaint filing.

Other services. Most telephone customers in Washington pay a flat monthly rate for local telephone service. Many of the LECs offer their customers the option of paying for local calls on a per call basis. This practice is commonly known as local measured service. Requiring that customers use local measured service is a prohibited practice for LECs unless the service has traditionally been offered on a measured basis.

Access charges. Access charges refer to fees that telecommunications companies pay to LECs for connecting to the LEC's network. Typically, access charges are payed by long distance telephone companies.

Summary of Bill:

Small local exchange companies (LECs) are exempt from certain regulatory provisions dealing with rates, contracts, charges, and rules of the company. Complaint procedures are modified for small LECs. New procedures are established for notifying customers of rate increases.

The following regulatory provisions that apply to LECs do not apply to small LECs unless the WUTC finds, after a hearing upon a petition, that it is in the public interest to reimpose the regulatory provision or impose other reasonable provisions:

- (1) Provisions for submitting and hearing complaints about the company to the commission; and
- (2) Procedures and notice requirements for changing tariff rates.

A small LEC's tariff provisions that set out access rates charged to other telecommunications companies are not included in the exemption from existing regulatory provisions.

A small LEC is required to notify its affected customers of any rate increase for service at least 45 days before the increase becomes effective.

Either the small LEC, or a minimum number of customers, may file a petition with the WUTC after a new or revised tariff schedule is filed. The WUTC must receive the petition from the company, or 10 percent of the current customers or 500 customers, whichever is less. The petition must be received by the WUTC at least 10 days before the new or revised tariff goes into effect. The WUTC may revoke the exemption or modify the conditions for the continued use of the exemption.

The authority of the WUTC to determine that rates, contracts, and rules of a telecommunications company are fair, just, reasonable, and sufficient, that service be performed promptly, and that facilities be maintained shall not be construed to authorize the WUTC to investigate the rates, contracts, and rules of a small LEC.

Small LECs may be exempt from provisions prohibiting mandatory local measured service.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date: The bill takes effect ninety days after adjournment of session in which bill is passed.