

SENATE BILL REPORT

HB 2199

As of March 19, 2003

Title: An act relating to telecommunications.

Brief Description: Concerning telecommunications.

Sponsors: Representative Morris.

Brief History:

Committee Activity: Technology & Communications: 3/20/03.

SENATE COMMITTEE ON TECHNOLOGY & COMMUNICATIONS

Staff: William Bridges (786-7424)

Background: In 1985, the Legislature established a state telecommunications policy. Among other things, the policy is to ensure reasonable charges for telecommunications service, promote market diversity in telecommunications services and products, and permit flexible regulation of competitive telecommunications companies and services.

In accordance with this policy, the Washington Utilities and Transportation Commission may classify a telephone company as "competitive," which means the company offers services that are subject to effective competition. In determining whether a company is competitive, the commission considers the number and size of competing providers, the availability of equivalent services at competitive prices, and other indicators of market power. A competitive telecommunications company is subject to minimal regulation.

The commission regulates noncompetitive companies under a "rate of return" system. Under this system, a company is basically allowed to charge rates that cover its costs, plus an opportunity to make a fair profit. Since 1989, noncompetitive companies have had the option of being regulated under a negotiated alternative called "alternative form of regulation" (AFOR). Prior to approving an AFOR plan, the commission must consider a number of factors, such as the extent to which the efficiency of the regulatory process will be improved and the deployment of advanced services in underserved areas.

The commission does not regulate broadband service, wireless mobile service, or cable TV service.

Summary of Bill: The current state telecommunications policy is amended to ensure that rate of return regulation of telecommunications companies is commensurate with the level of competitive activity from alternative service providers in a company's territory.

When determining the classification of a telecommunications company as competitive, the commission must consider an additional factor: the presence of all alternative service

providers regardless of the technology used to offer alternative services in competition with a telecommunications company.

The state AFOR policy is amended to recognize that the great diversity of services provided by telecommunications companies includes alternative services and alternative service providers, whether or not they are regulated by the commission.

The commission is directed to obtain information on the number of customers receiving telephone service from a variety of sources, including cable or microwave, to determine the level of competition within each noncompetitive telephone company's service territory. This information must be used by the commission when evaluating petitions or motions for a competitive classification or for approving an AFOR plan.

Appropriation: None.

Fiscal Note: Not requested.

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