

SENATE BILL REPORT

SHB 1744

As Reported By Senate Committee On:
Energy, Telecommunications & Utilities, March 16, 1995

Title: An act relating to streamlined regulation of small telecommunications companies.

Brief Description: Regulating small telecommunications companies.

Sponsors: House Committee on Energy & Utilities (originally sponsored by Representatives Huff, Kessler, Casada and Campbell).

Brief History:

Committee Activity: Energy, Telecommunications & Utilities: 3/16/95 [DP].

SENATE COMMITTEE ON ENERGY, TELECOMMUNICATIONS & UTILITIES

Majority Report: Do pass.

Signed by Senators Sutherland, Chair; Loveland, Vice Chair; Finkbeiner, Hochstatter and Owen.

Staff: David Danner (786-7784)

Background: State law requires local exchange companies (LECs) to file detailed annual reports and budgets with the Washington Utilities and Transportation Commission (WUTC). The WUTC may require additional information and, after notice and hearing, reject any budget item. Where an expenditure is rejected, the LEC may not count it as an operating expense as part of the fair value of the company.

State law also requires LECs, as "public service companies," to file a description of all stock or bond issuances and a statement as to why such issuances are in the public interest. A LEC may not transfer property which is necessary to the performance of its duties without prior authorization of the WUTC. It may not purchase property of another public service company without WUTC approval.

Moreover, LECs must obtain WUTC approval to contract with an affiliated interest (i.e., a company or person holding 5 percent or more of voting stock in the LEC) for such things as management, supervisory construction, engineering, accounting, legal or financial services, or for the sale, lease, or exchange of property.

Summary of Bill: Any LEC which serves fewer than 2 percent of the access lines in the state is exempt from the detailed annual reporting and budgeting requirements that currently apply to all public service companies. These smaller LECs are not required to submit reports or data to the WUTC, except for annual balance sheets and results of operations in Washington State, separated by jurisdiction, and existing information or reports may be sufficient to meet these requirements. The WUTC may establish, either on its own or in response to customer complaints, additional reporting requirements for a specific LEC.

Any LEC which serves fewer than 2 percent of the access lines in the state is exempt from authorization and reporting requirements relating to issuance of securities, transfers of property and affiliated interests. In the case of securities, the state is not obligated to pay or guarantee stock, bonds, or other evidence of ownership or indebtedness issued by a LEC.

A group of telecommunications companies may petition the WUTC to establish an alternative form of regulation.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill will reduce the regulatory reporting requirements of independent telephone companies without affecting the ability of the WUTC or telephone ratepayers to effectively oversee the companies' operations, rates and services. Eliminating unnecessary reporting requirements will allow companies to devote resources to improving customer service, and will significantly reduce administrative cost to WUTC.

Testimony Against: None.

Testified: PRO: Representative Tom Huff, prime sponsor; Steve McLellan, Washington Utilities and Transportation Commission; Terry Vann, Washington Independent Telephone Association; Arne Haynes, Mashell Telecom; Tara Foreid, Yelm Telephone Co.; George Kachlein, Ellensburg Telephone Co.