
HOUSE BILL 2029

State of Washington 55th Legislature 1997 Regular Session

By Representatives Mastin, Grant, Cairnes, D. Schmidt and Sheldon

Read first time 02/18/97. Referred to Committee on Energy & Utilities.

1 AN ACT Relating to promoting telecommunications network investment
2 by encouraging the modernization of the telecommunications
3 infrastructure; adding new sections to chapter 80.36 RCW; and creating
4 a new section.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that it is in the
7 public interest to assure that all telecommunications providers
8 adequately invest in telecommunications infrastructure throughout the
9 state.

10 The legislature further finds that the investment will not occur
11 unless all providers are allowed to charge service prices which cover
12 the actual cost of service.

13 Therefore, the legislature declares it is the policy of the state
14 to promote investment in Washington's telecommunications infrastructure
15 and foster facilities-based competition in the provision of
16 telecommunications services regulated by the utilities and
17 transportation commission by requiring that all telecommunications
18 service prices, including prices for services and facilities provided

1 to other carriers, cover their cost of service unless the costs are
2 explicitly recovered from a state or federal universal service fund.

3 NEW SECTION. **Sec. 2.** The definitions in this section apply to
4 sections 2 through 5 of this act unless the context clearly requires
5 otherwise.

6 (1) "Commission" means the utilities and transportation commission
7 created under this title.

8 (2) "Cost of service" to be used by the commission in setting
9 prices or rates for both wholesale and retail services means the actual
10 cost, as opposed to hypothetical cost, that must at a minimum include
11 as cost inputs:

12 (a) Depreciation lives, methodologies, and parameters that must
13 provide incentives for investment and modernization of the state-wide
14 telecommunications infrastructure and must be the same as used for
15 financial reporting to the federal securities and exchange commission
16 by telecommunications companies, whether or not classified as
17 competitive under RCW 80.36.320;

18 (b) A reasonable markup for actual joint and common costs, but the
19 cost of a loop must be considered a direct cost of exchange and access
20 service and not a joint or common cost of all services; and

21 (c) Investment costs using actual network design, and reflecting
22 actual deployment of plans to meet future growth, if those costs have
23 not been found by the commission on an adequate record to be
24 unreasonable or imprudent.

25 NEW SECTION. **Sec. 3.** In determining the revenue requirement for
26 a telecommunications company, and in implementing RCW 80.04.350, the
27 commission shall prescribe depreciation lives, methodologies, and
28 parameters designed to provide incentives for investment and
29 modernization of the state-wide telecommunications infrastructure, that
30 must be the same as used for financial reporting to the federal
31 securities and exchange commission by telecommunications companies,
32 whether or not classified as competitive under RCW 80.36.320.

33 NEW SECTION. **Sec. 4.** (1) The price for a service may be set below
34 the cost of service:

35 (a) To the extent a service receives support from a state or
36 federal universal service fund; or

1 (b) By a telecommunications company choosing to do so, if the price
2 is at or above long run incremental cost.

3 (2) The commission shall conduct a proceeding to set the price for
4 each service above the cost of service for each telecommunications
5 company requesting the proceeding. The proceeding must be concluded by
6 a final order of the commission setting the price for each service
7 above the cost of service within six months of the filing of the
8 request by the telecommunications company, but the commission may as
9 part of that final order set a schedule for phasing in any required
10 price increase on a pro rata basis not to exceed three years.

11 (3) Nothing in this section and sections 2, 3, and 5 of this act
12 requires a rural telephone company as defined by the federal
13 telecommunications act of 1996 to set prices for a service or services
14 at or above the cost of service.

15 NEW SECTION. **Sec. 5.** By December 31, 1997, the commission shall
16 establish by rule a state universal service fund that must be
17 consistent with the federal fund to be established by the federal
18 telecommunications act of 1996, including, but not limited to, the
19 separate treatment of rural telephone companies as defined by the
20 federal telecommunications act of 1996.

21 NEW SECTION. **Sec. 6.** Sections 2 through 5 of this act are each
22 added to chapter 80.36 RCW.

--- END ---