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**Technology, Telecommunications  
& Energy Committee**

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**HB 2199**

**Brief Description:** Concerning telecommunications.

**Sponsors:** Representative Morris.

**Brief Summary of Bill**

- Specifies that an additional factor to be considered by the commission when determining a company's request to be classified as competitive is the presence of all alternative service providers in the company's service area.
- Directs the Washington Utilities and Transportation Commission to obtain information on telephone service customers from a variety of telephone service providers, whether or not they are regulated by the Commission, to determine the level of competition in each company's service territory.

**Hearing Date:** 3/4/03

**Staff:** Pam Madson (786-7166).

**Background:**

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

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 in the relevant market, the ready availability of equivalent services at competitive prices, and other indicators of market power.

Competitive telecommunications companies are subject to minimal regulation. They may file price lists rather than tariff schedules. Price lists become effective sooner than tariffs. The

Commission may waive other requirements if it determines that competition will serve the same purpose as regulation. It may waive different regulations for different companies. Reporting requirements are less rigorous than those for noncompetitive companies.

Telecommunications companies are regulated under a "rate of return" system. Under certain circumstances, telecommunications companies can be regulated in ways other than the traditional "rate of return" regulation. For example, a telecommunications company may petition the WUTC to be regulated under an "alternative form of regulation."

A telecommunications company may submit a petition to the WUTC proposing a plan for an alternative form of regulation. Prior to approving the plan, the WUTC must consider a number of factors. These factors include the extent to which the proposed form of regulation will reduce regulatory delay and costs, encourage innovation in services, promote efficiency, enhance the company's ability to respond to competition, provide fair, just, and reasonable rates for all rate payers, and prevent companies from exercising substantial market power in the absence of competition or regulation. The WUTC also can initiate consideration of an alternative form of regulation for a telecommunications company. A company has 60 days to elect not to proceed with the alternative form of regulation as authorized by the WUTC.

The WUTC regulates telecommunications companies providing wireline service but does not regulate broadband service like DSL, wireless mobile service, or cable TV service.

**Summary of Bill:**

In addition to the current state policy regarding telecommunications, it is also the policy of the state to ensure that rate of return, rate base regulation of telecommunications companies is commensurate with the level of competitive activity from alternative service providers in a company's territory.

In addition to the factors that the Commission must consider when determining whether to classify a telecommunications company as a competitive company, the Commission must consider the presence of all alternative service providers regardless of the technology used to offer alternative services in competition with a telecommunications company.

The state policy recognizes that alternative form of regulation arrangements are desirable for the differing circumstances of companies and their ratepayers because of the diversity in the types of services offered including services offered by alternative service providers whether or not they are under Commission regulation.

The WUTC is directed to obtain information on the number of customers receiving telephone service using a variety of sources, including cable or microwave, to determine the level of competition within each regulated telephone company's service territory. This information is used when evaluating petitions or motions by the Commission for classification as a competitive company or for approving an alternative form of regulation.

**Appropriation:** None.

**Fiscal Note:** Not Requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.