

**Proposed New Rules
Chapter 480-120
UT-990146**

December 16, 1999

WAC 480-120-X01 Accounting requirements for competitive telecommunications companies.

Companies must keep accounts using generally accepted accounting principles (GAAP), or any other accounting method acceptable to the commission. In addition, the accounts must allow for identification of jurisdictional revenues for Washington intrastate operations.

WAC 480-120-X02 Reporting requirements for non-competitive companies.

(1) Annual Reports. The commission will distribute an annual report form as specified in (a), (b), and (c), and a regulatory fee form. The company must complete both forms, file them with the commission, and pay its regulatory fee, no later than May 1 of each year. Companies must provide total number of access lines as required on the annual report form. Companies also must provide income statement and balance sheet for total company and results of operations for Washington and Washington intrastate.

(a) Class A Tier I telecommunications companies classified by the FCC in CC Docket No. 86-182 must file annual report forms promulgated by the FCC.

(b) All other Class A companies must file annual reports on the form prescribed by the commission.

(c) Class B companies must file annual reports as prescribed by RCW 80.04.530(2).

(2) Quarterly Reports. All class A companies must file results of operations quarterly. Each report will show monthly and twelve-months-ended data for each month of the quarter reported. The reports are due ninety days after the close of the period being reported, except for the fourth-quarter report which is due no later than May 1 of the following year.

(3) Methods used to determine Washington intrastate results of operations must be acceptable to the commission.

(4) This rule will not supersede any reporting requirements specified in a commission order, or limit the commission's ability to request additional information.

WAC 480-120-X03 Access to premises.

Authorized personnel of a telecommunications company have the right to enter a customer's premises during reasonable hours to install, repair, maintain, program, inspect, or remove the company's property. Customers may ask to see the identification of the telecommunication company personnel before allowing entry to the customer's property.

WAC 480-143-X04 Exemptions from rules.

(1) The commission may grant an exemption of any rule in this chapter, if consistent with the public interest, the purposes underlying regulation, and applicable statutes.

(2) To request a rule exemption, a person must file with the commission a written request identifying the rule for which an exemption is sought and give a full explanation of the reason the exemption is requested.

(3) The commission will assign the request a docket number, if needed, and schedule the request for consideration at one of its regularly scheduled open meetings or, if appropriate under chapter 34.05 RCW, in an adjudication. The commission will notify the person requesting the exemption, and other interested persons, of the date the commission will consider the request.

(4) The commission will enter an order granting or denying the request or setting it for hearing, pursuant to chapter 480-09 WAC.

WAC 480-120-X05 Existing facilities - Responsibility for maintenance and reinforcement of existing telecommunications facilities.

(1) Except as provided for in section (2) below, companies are responsible for all work, materials, and costs associated with the repair of existing facilities including the placement of new facilities if existing facilities can not be repaired (e.g. pairs are unrecoverable).

(2) Companies may hold a customer or an individual who damages company facilities responsible for all costs associated with repair of the facility.

WAC 480-120-X05.5 Existing facilities - Reinforcement responsibilities.

(1) Companies are responsible for all work, materials, and costs associated with reinforcing facilities up to an applicant's for service or customer's property line where service has previously been provided by the company.

(2) Drop facilities are the telecommunications facilities (e.g. cable or wire) and support structure from the property line to the premise to be served. The route of the drop is designated by the company. The company is responsible for all work, materials and costs associated with the telecommunications facilities (wire or cable).

Responsibility for work, materials, and costs associated with the support structure may be shared by both the company and the customer as described below:

(a) when a company receives a request for additional service at a premise where all existing cable pairs are in use, the company is responsible for the cost of work, materials and costs associated with the drop facilities;

(b) when a company receives a request for additional service at a premise where all existing cable pairs are in use, the company is responsible for the cost of work, materials and costs associated with placement of a support structure except under the following conditions:

- (i) there is no existing support structure for use by the company;
- (ii) the existing support structure follows a route which no longer follows a logical engineering path (example: land has been short platted);
- (iii) the existing support structure is at capacity (e.g. additional cable or wire can

not be placed); or

(iv) the existing support structure is damaged and therefore unusable and the customer fails to repair the damage.

(c) customer-provided support structures must meet company standards;

(d) ownership and maintenance responsibilities of customer-provided support structures vest in the company.

WAC 480-120-X06 Unserved Areas.

(1) An unserved area is any geographic area in Washington not already included within the serving area boundaries of a local exchange company.

(2) Any community or portion thereof may request, in the form of a letter or petition, that the Commission designate a local exchange service company to provide local exchange service.

(3) The Commission will consider whether to designate a company to serve an unserved area. In considering any request, the Commission will consider the following:

(a) The number of households and businesses requesting service;

(b) The willingness of any local exchange service provider to serve the unserved area;

(c) The cost of providing service to the unserved area;

(d) The availability and cost of alternative technologies to provide service;

(e) Other factors as requested by public counsel, local exchange companies, or other interested parties.

(4) The commission will commence an investigation within thirty days of receipt of a request for service in an unserved area and will conclude its investigation within ninety days.

(5) The company determined to be the best able to provide service may ask for a hearing within 14 days to request that the commission change its determination. The commission will commence a hearing within 14 days of the request and issue an order within sixty days after the hearing begins.

WAC 480-120-X07 Reconnecting service after disconnection.

A company must restore a disconnected service within one business day when:

(1) the causes of discontinuance not related to a delinquent balance have been removed;

(2) payment or satisfactory arrangements for payment of all proper charges due from the applicant for service, including any proper deposit, have been made as provided for in the tariff or price list of the company;

(3) payment or satisfactory arrangements for payment of proper reconnection fees due from the applicant for service have been made as provided for, either in the tariff or price list of the company or as the commission may order pending resolution of any bona fide dispute between the company and the applicant for service or customer over the propriety of disconnection.

WAC 480-120-X08 Service Quality Guarantees.

All local exchange companies must provide customers with service guarantees.

(1) Delayed establishment of basic exchange service. This rule applies to the first residence or first two business lines at a given location. The following delayed basic exchange service options will be available to customers:

(a) A credit of \$100 for each month or partial month that establishment of the customer's service is delayed beyond the due date. The credit will be applied to the customer's bill after establishment of service; or

(b) Voice Messaging Service for each month or partial month that establishment of the customer's service is delayed beyond the due date; or

(c) Paging Service for each month or partial month that establishment of the customer's service is delayed beyond the due date; or

(d) Cellular phone service. When cellular phone service is available the customer will receive the loan of a cellular phone. The company will pay the monthly charges and provide local air time. The customer will be responsible for all toll calls.

(2) If a company is unable to provide basic local exchange service within 5 days of the due date and the reason for the delay is not caused by the customer, the company will:

(a) waive the installation charge for the basic local exchange service;

(b) credit the customer's account with the first month's basic local exchange service charge unless the customer chooses the cellular phone option.

(c) Where available, each option will also include remote call forwarding, a calling card, and a directory listing at no charge to the customer.

(3) Appointment and commitment guarantees. A \$50 credit will be given to customers when the company fails to keep an appointment or commitment.

(a) Appointment and commitment guarantees apply to the connection of new and existing services that are not temporary, re-connection of existing service, and repair of existing service when the customer cannot place and/or receive calls.

(b) An appointment guarantee requires the customer to be present at the time of the appointment. An appointment considered kept if the company arrives at the appointed time but cannot complete the order until a later date or notifies the customer within 24 hours of making the appointment that facilities are unavailable and a new appointment must be made.

(c) A commitment guarantee does not require the customer to be present. A guaranteed commitment is a mutually agreed upon commitment to provide service on or before a specific date.

(4) Service guarantees do not apply when the customer reschedules the appointment or is not available at the appointed time, or when the company is unable to meet the commitment due to significant adverse events such as natural disasters or other events beyond the control of the company.

WAC 480-120-X09 Commission ordered refunds.

If the commission finds after notice and hearing that any class of customers to a noncompetitive telecommunications service has paid excessive rates because of below cost pricing of competitive telecommunications services, the commission may order

refunds or credits.

WAC 480-120-X10 Registration.

Companies must file registration applications in accordance with 480-121 WAC - Registration, competitive classification and price lists of telecommunications companies.

WAC 480-120-X11 Access charges.

(1) Review of tariffed access charges required. All Class A local exchange companies in the state of Washington must review annually and, if necessary, update the traffic sensitive and nontraffic sensitive company common line switched access tariffs and billing and collection tariffs on file with the commission.

(2) Filing dates. Companies must review and report the results by July 1 of each year. Companies must also file revised tariffs as required by the report. The tariffs must be effective September 1 of the same year, and reflect usage and cost data of the previous year.

(3) Data filing requirement. With each annual report, companies must also file complete workpapers and data sufficient for commission staff to review the correctness of the report and related tariff filing, if any.

WAC 480-120-X12 Washington Exchange Carriers Association (WECA) filings for member companies.

(1) Upon approval by the commission of its rules of procedure, WECA may file with the commission petitions and publish and file with the commission tariffs and price lists and may represent before the commission those of its members that authorize it to do so. WECA's rules of procedure may provide for joint or collective consideration of proposals for changes in intrastate toll, interexchange and/or access rates, tariffs or conditions of service.

(2) All initial WECA tariffs and all changes to such tariffs must be submitted to the commission subject to all the procedural requirements and protections associated with telecommunications company filings before the commission.

(3) Nothing contained in this rule will prevent any member of WECA from independently submitting to, or filing with, the commission directly any tariff, revenue requirement computation, report, or proposal.

(4) The commission has the authority to supervise the activities of WECA. However, such supervision will not compromise the independent evaluation by the commission of filings or proposals which must be submitted to the commission for final approval.

(5) To the extent that WECA is involved in the collection and redistribution of funds pursuant to commission orders authorizing certain revenue sharing arrangements under common tariff, it must maintain and provide to the commission annual financial reports relating to such arrangements. These reports must include actual fund collections and distributions to each member local exchange company and the basis

upon which the collection and distribution is made.

(6) Each local exchange company serving less than one million access lines in the state of Washington has the option of utilizing the Washington Exchange Carrier Association as its filing agent/tariff bureau. Companies utilizing WECA may file collectively nontraffic sensitive, traffic sensitive, special access, billing and collection revenue, revenue requirement computations, or tariffs.

WAC 480-120-X13 Caller identification service.

Caller identification service provided by a telecommunications company must include the option for calling parties to block the delivery of their numbers, names, or locations. This option must be available on a per call or per line basis without any recurring charges. Blocking will not apply to the delivery of caller numbers, names, or locations to a 911 or enhanced 911 service, to other emergency service, or to a customer-originated trace.

WAC 480-120-X14 Customer notice - non-competitive telecommunications company.

A company must notice its customers at least once, either prior or after commission action, depending on the type of filing.

(1) Customer notice prior to commission action:

(a) Each affected customer must receive at least thirty days notice prior to the requested effective date when a company proposes to:

- (i) increase recurring monthly rates;
- (ii) file a general rate case;
- (iii) restrict access to services (e.g., discontinuing a service, limit access to service by imposing a new usage level on existing services);
- (iv) change the ownership or control of the operating company (see WAC 480-143-210 for content of notice).

(b) At a minimum, a company must notify:

- (i) each customer that will be affected by the company's proposal; and
- (ii) the public affairs section of the commission.

(c) Content of notice for rate change. Each customer notice must contain, at a minimum:

- (i) date the notice is issued;
- (ii) company name and address;
- (iii) a clear explanation of the proposal that ensures customers understand the proposed change and the impact of the change;
- (iv) the company's reasons for the change (use examples as needed);
- (v) a comparison of current and proposed rates by service;
- (vi) an example of the proposal based on an average customer's use
- (vii) requested effective and/or implementation date;
- (viii) the total annual revenue increase or the percentage of increases for each individual customer class, service and/or categories contained in the company's proposal;

(ix) an explanation that the commission has the authority to set final rates that may vary from the company's request and may be either higher or lower depending on the results of the investigation;

(x) a description of how and where customers may contact the company if they have specific questions or need additional information about the proposal; and

(xi) The company must include public involvement language in the notice. A company may choose from (A) or (B).

(A) "All comments to the commission must be submitted in writing or presented at the commission's open public meeting. If you have questions about the ratemaking process, you may contact the Washington Utilities and Transportation Commission at the following address:

Secretary, Washington Utilities & Transportation Commission
P.O. Box 47250,
Olympia, WA 98504-7250
1-800-562-6150 (toll free)
comments@wutc.wa.gov

If you would like to be added to the commission's mailing list for notification of the commission's open public meeting date regarding this issue, please call 1-800-562-6150, select option two and leave your name, complete mailing address including your company's name and a description of the proposal you are interested in;" or

(B) At a minimum a company must include the following public involvement language:

(I) a brief explanation how to participate in the commission's process by writing a letter, e-mail (comments@wutc.wa.gov) or by fax; and

(II) how to contact the commission for process questions or notification of the scheduled open meeting date. The company must provide the commission's mailing address and toll-free number (1-800-562-6150).

(d) Methods of notice permitted: bill insert, bill message, printing on back of the billing envelope or a separate mailing to all affected customers.

(2) Customer notice after commission action:

(a) Each affected customer must receive on 1st bill after commission decision when a company increases rates for:

(i) non-recurring charges (e.g., late payment fees, NSF fees, etc.);

(ii) tax increase;

(iii) grandfather services; and

(iv) changes to ownership or control of the operating company (see WAC 480-80-125 for content of notice).

(b) At a minimum, a company must notify:

(i) each affected customer; and

(ii) public affairs department of the commission.

(c) Content of notice: At a minimum, after commission action notice must include the effective date, a clear description of changes to rates or services and a company contact number where customers may seek additional information.

(d) Methods of notice permitted: in addition to the methods permitted in section

1(d), notice after commission action, companies may notice customer's by publication in a company newsletter.

(3) Commission assistance on notice. Companies seeking assistance from the commission's public affairs department on customer notice must submit a draft notice at least one week prior to the company's planned printing date for distribution.

(4) Other customer notice. The commission may require customer notification other than described in this rule when the effect of a company's proposal is such that there is a significant impact on customer rates, access to services or when customer education is needed.

WAC 480-120-X15 Customer notice - competitively classified telecommunications.

(1) Competitively classified companies prior customer notice:

(a) Ten day notice. Each affected customer must receive at least ten days direct notice prior to the requested effective date when a company proposes to increase rates by a price list filing.

(b) Content of notice: At a minimum, notice must include the effective date, a clear description of changes to rates or services and a company contact number where customers can seek additional information.

(c) Methods of notice permitted: bill insert, bill message, printing on back of the billing envelope, or a separate mailing (e.g., postcard, letter) to all affected customers.

(2) Commission assistance on notice. Any company seeking assistance from the commission's public affairs department on customer notice must submit a draft notice at least one week prior to the company's planned printing date for distribution.

WAC 480-120-X16 Service interruptions.

All service interruptions must be repaired within forty-eight hours.

(a) When a company intends to interrupt service, customers who are affected must be notified not less than seven days in advance unless circumstances do not permit. When circumstances do not permit notification seven days in advance, the company must give notification as soon as it plans to interrupt service.

WAC 480-120-X17 Emergency operation.

All companies must maintain, revise, and provide to the commission the following:

(a) upon request, the company's current plans for emergency operation, including current plans for recovery of service to governmental disaster recovery response agencies within the state of Washington; and

(b) maintain on file with the commission's disaster service coordinator the titles and telephone numbers of the company's disaster services coordinator and alternates.

(2) For coordination of disaster response and recovery operations, each company must maintain on file with the Washington state emergency management division the titles and telephone numbers of the managers of the company's local or regional network operations center or emergency operations center.

WAC 480-120-X18 Mandatory cost changes for telecommunications companies.

(1) This section establishes streamlined procedures to be applied to rate filings by local exchange telecommunication companies which seek to reflect in rate increases jurisdictional separations changes and mandatory accounting and tax changes imposed by a governmental authority which are accepted for intrastate ratemaking purposes by the commission.

(2) In order to qualify for jurisdictional separations or mandatory accounting and tax change treatment, a filing seeking to increase rates shall meet the following requirements at a minimum:

(a) It shall be accompanied by a recital that the company has or will within forty-five days of the filing complete distribution in the manner specified in WAC 480-80-125 of a notice to customers containing information as to the rate increase consistent with that required in that portion of the rule denominated "summary of requested rate increases," and further containing the name and mailing address of the commission and public counsel, and advising the customers that they may contact the same with respect to the proposed rate change. Proof of compliance with the foregoing shall be on file with the commission at least thirty days before any rates sought under this procedure shall be made effective.

(b) The filing shall be accompanied by supporting documentation demonstrating the calculation of the proposed increase and the authority for the change.

(c)(i) A company seeking this treatment for a proposed increase shall submit a rate of return statement, on a commission basis, which demonstrates that the company is not presently exceeding a reasonable level of earnings. If the company is exceeding a reasonable level of earnings, the proposed increase shall be reduced accordingly. All supporting documentation used to develop the rate of return statement shall be provided with the filing. For the purposes of this rule, "reasonable level of earnings" is the company's authorized overall rate of return or the rate of return developed pursuant to (e) of this subsection, whichever is more current. Companies with revenues exceeding five hundred million dollars annually may use their authorized rate of return if established within the prior two years. If no return has been established within two years, such companies may not be accorded the procedures designated by this rule, unless in the judgment of the commission, such authorized return is not unreasonable for purposes of a filing under this rule. If a company cannot depict Washington intrastate results of operations with reasonable accuracy, the total Washington realized return may be used for this test.

(ii) The rate of return statement shall not be a fully pro formed results of operations statement, but must depict the results of operations on a commission basis. For purposes of this rule, "commission basis" means that the rate base includes those standard rate base components that have been historically accepted by the commission for ratemaking, and further includes restating actual adjustments which restate a company's booked results of operations to a ratemaking basis and also includes an appropriate pro forma debt adjustment. These restating adjustments should be made to account for jurisdictional differences where they depart from FCC Part 32. Accounting rules set forth in WAC 480-120-031 may be used as a guide to satisfy most adjustments required to restate per books results of operations. Nonoperating,

nonrecurring, or extraordinary items, and unregulated operating items, or any other item that materially distorts test period earnings or expenses shall be removed from booked results of operations before the achieved return is calculated. For purposes of this rule, "commission basis" does not include new theories or approaches which have not been previously addressed to and resolved by the commission.

(d) The supporting documentation specified in (b) and (c) of this subsection shall be submitted at the time of the tariff filing or the first notice to customers, whichever occurs first.

(e) The qualifying overall rate of return will be either not greater than 9.73 percent or based upon a 10.45 percent return on equity. The 9.73 percent overall rate of return will be adjusted according to the following table:

90% DEBT COMPANIES USE 40.00% OF TARGET RATE OF RETURN
80% DEBT COMPANIES USE 48.00% OF TARGET RATE OF RETURN
70% DEBT COMPANIES USE 57.60% OF TARGET RATE OF RETURN
60% DEBT COMPANIES USE 69.12% OF TARGET RATE OF RETURN

Using the 10.45 percent return on equity, the overall fair rate of return will be determined on an individual company basis giving consideration to the company's cost of debt and preferred equity, each adjusted for any known and measurable effects, and utilizing an appropriate capital structure.

For the purposes of this rule only, "appropriate capital structure" shall be defined as a minimum of forty percent equity and a maximum of sixty percent equity. Capital structures outside these parameters will be adjusted to the minimum or maximum, whichever is closer.

The rates shall be reviewed during the third quarter of each calendar year, and such action taken as may be necessary and appropriate to reflect the current capital market conditions: *Provided*, That nothing herein shall foreclose more frequent review and adjustment of the overall rate of return or return on equity as circumstances may indicate. Nothing in this rule shall foreclose a utility from seeking a different return on equity, nor shall the returns or the methodologies stated in this section be considered as precedent for any other commission proceedings.

(3) Except for costs identified with a particular customer class, any revenue requirement change sought to be reflected by this treatment shall be spread on a uniform revenue percentage basis by customer class, defined as residential, business, and interexchange, whether or not classified as competitive.

Costs identified with interexchange services shall be spread to access charges using approved commission methodology. Costs identified with any other specific class or service shall be spread to that class or service on a uniform percentage basis. In exceptional circumstances, a company may propose an alternative rate design or rate spread.

(4) If the commission has reason to believe that the quality of the company's service is not consistent with its public service obligations, or if the commission has reason to believe that the company's results of operations, proposed rate design or proposed rate spread, or proposed alternative rate design or rate spread require a more extensive review, the commission may decline to apply the procedures contemplated by this rule.

(5) If jurisdictional separations or mandatory accounting and tax change

treatment is found to be appropriate, the commission will ordinarily take final action within ninety days of the date of filing.

(6) Nothing in this section shall be construed to prevent any company, the commission, or any customer from utilizing any other procedures which are otherwise permitted by law.