

Washington Utilities and Transportation Commission

Mission Statement:

The UTC protects consumers by ensuring that utility and transportation services are fairly priced, available, reliable, and safe.



Telecom Overview

September 19, 2005

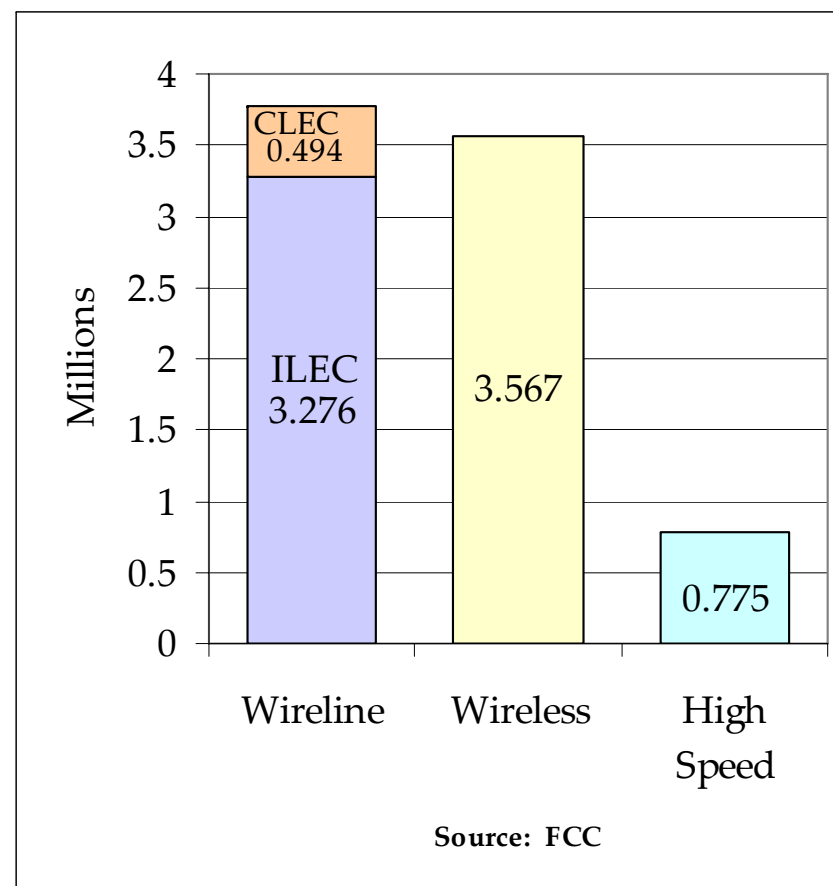
Types of telecom service providers



- ILECs -- Incumbent local exchange companies.
 - Rural (less than 2% of national access lines).
 - Non-rural (Qwest, Verizon, Sprint).
- CLECs -- Competitive local exchange companies.
- IXC -- Long-distance (inter-exchange) companies.
- CMRS -- Wireless companies.
- VOIP -- Voice over Internet protocol.
- Others.

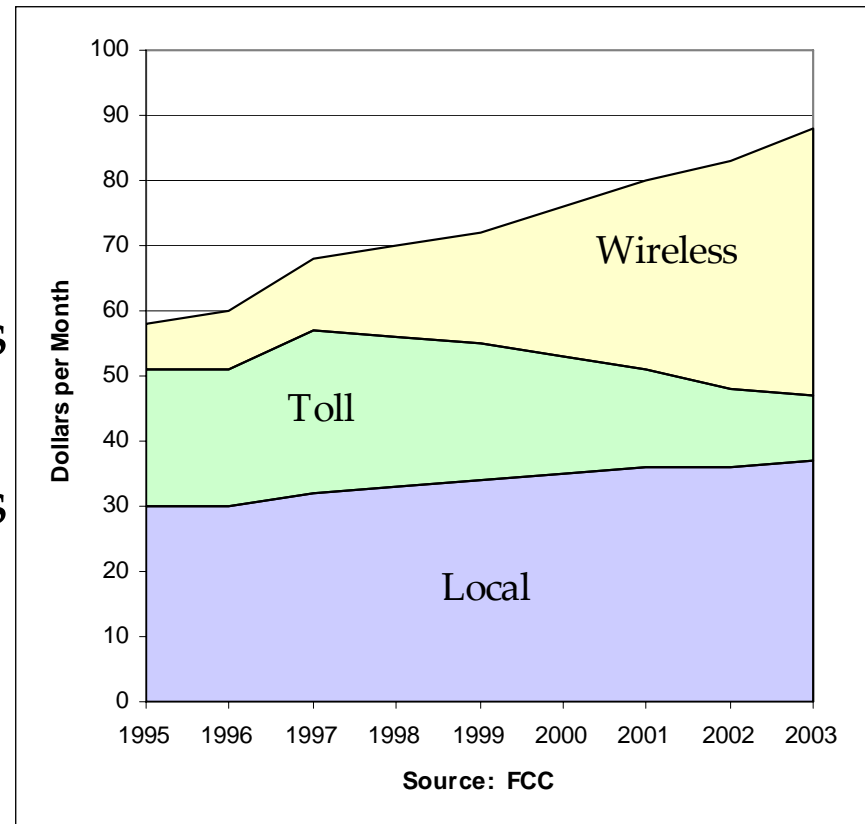
WA lines by type, 2004

- 8.1 million voice and data “lines.”
- Compared to national average, WA has:
 - 30% fewer CLEC lines.
 - 7% more high-speed lines.
- Estimated 8% of high-speed lines used for voice.



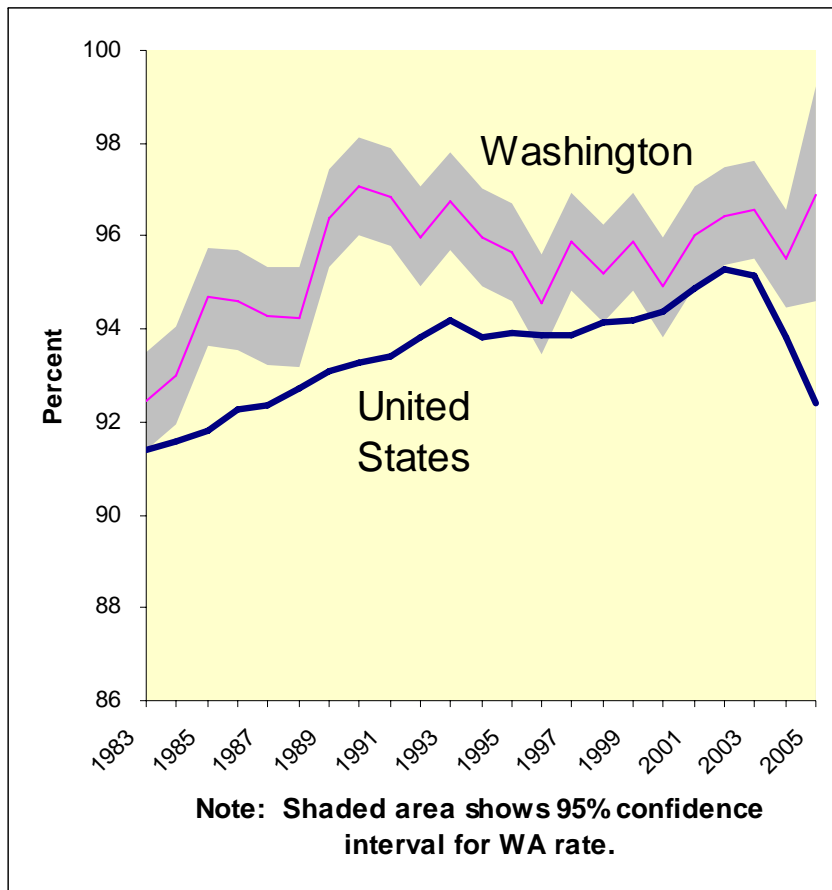
Household spending on telecom services (U.S.)

- Wireless has increased as toll has decreased.
- Local has increased modestly.
- About 5% of households are wireless only.
- About 5% of households have no telephone service.



Households with telephone service

- WA is consistently above national average.
- Currently tied with Utah at No. 1.
- Survey data includes all types of phone service.



Source: FCC

UTC does not regulate all telecom services



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- Interstate services.
 - Including digital subscriber line (DSL), cable modem service, and voice over Internet protocol (VOIP) services.
 - Wireless mobile service.
 - Services provided by cities and PUDs.
 - “Enhanced” services, such as Internet access.
 - Cable TV service.

Desired outcomes for telecom services



- Customers pay fair rates.
- Customers get good service.
- Customers have choices:
 - Among competing providers.
 - Among advanced and basic services.
- Basic service is universal.
- Rates cover costs.
- Competition is fair and open.
- Transaction/regulatory costs are low.

UTC telecom activities



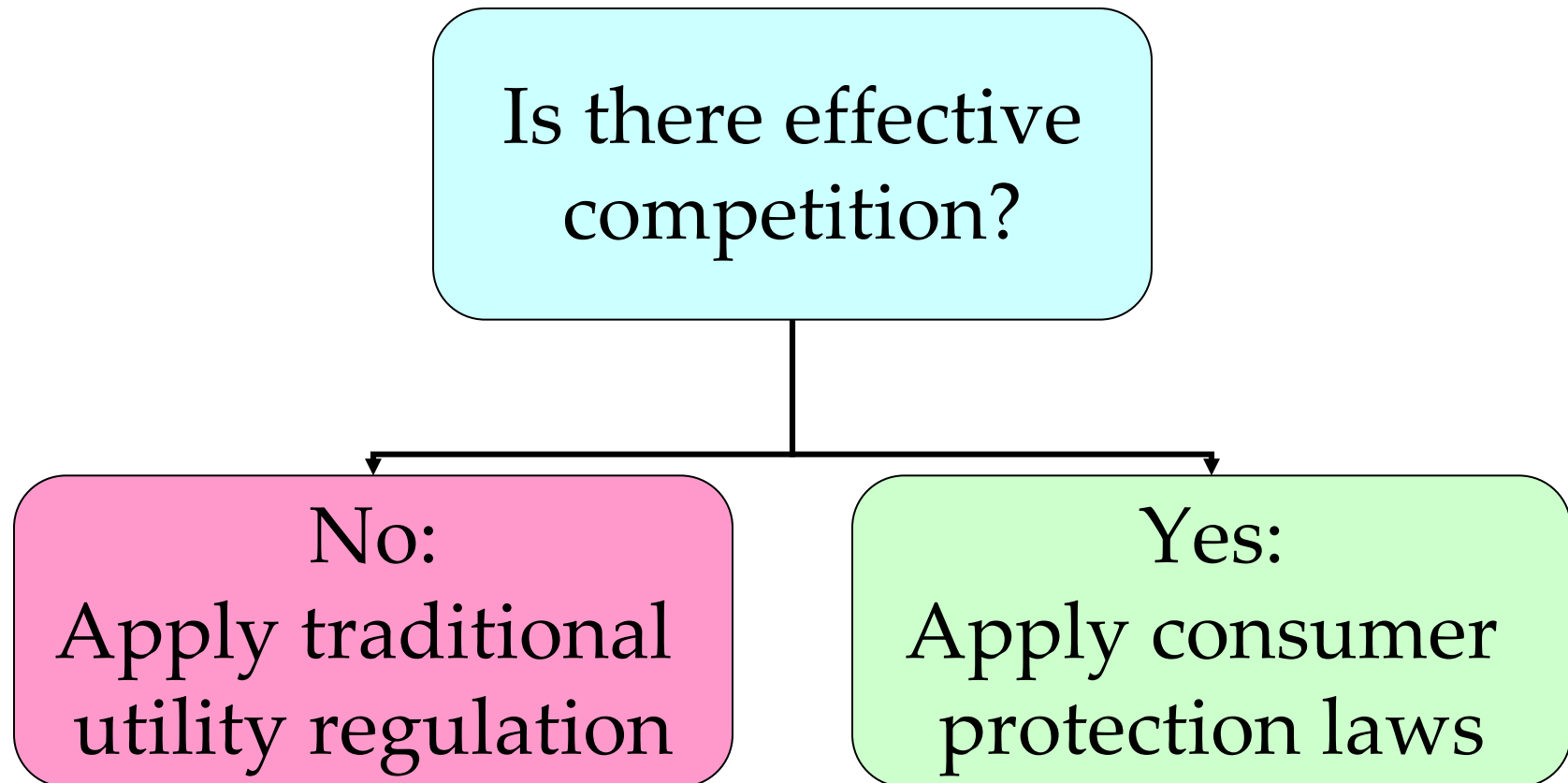
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1. Regulating rates and terms for non-competitive services.
 2. Ensuring financially sound telecom companies.
 3. Regulating industry practices, such as area codes.
 4. Ensuring reliable service and public safety.
 5. Registering telecom companies.
 6. Promoting universal access to basic service.
 7. Promoting competition, customer choice, and fair practices.
 8. Establishing appropriate levels of regulation.

Major UTC cases, 2003-05



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- Verizon general rate case.
 - Generic wholesale network cost case.
 - Competitive classification of Qwest basic business service.
 - Qwest penalty for interconnection agreement filing violations.
 - Implementation of federal "triennial review" order.
 - WITA complaint against VOIP provider.
 - Telecom rules tune-up.
 - Verizon access charge complaint.

Setting the right level of regulation



Is there effective competition?



- Governed by RCW 80.36.320 and 80.36.330.
- Fact-based process.
 - Process takes from 30 days to 6 months.
- Examine alternatives: Are there captive customers?
 - Look at actual decisions by customers.
 - Price and features matter.
 - Consider all alternatives, not just other regulated services.
- Examples:
 - Long-distance services.
 - Qwest business lines.
 - Out-of-area services.
 - Upcoming: Bundled services.

Applying traditional utility regulation



- Protect consumers from monopoly power.
 - Prevent unreasonable discrimination.
 - Ensure companies charge reasonable prices.
 - Protect service quality and emergency access.
- Allow companies to earn reasonable profits.
- Companies file tariffs, subject to UTC review.
- Stable rates, infrequent rate cases.
- Alternative regulation options.

Applying consumer protection laws



- Apply minimal regulation.
 - Guard against anti-competitive practices.
 - Ensure consumers have information to make good decisions.
- Competitive services subject to state Consumer Protection Act, enforced by Attorney General.
- UTC has limited authority to waive statutes.
- Companies still file “price lists.”

Some issues are not about competition or monopoly



- Interconnection of networks.
 - Rates for use of other companies' networks.
 - Federal-law arbitrations.
- Area code and telephone dialing issues.
- Dispute resolution.
 - Consumer disputes with companies.
 - Company disputes with each other.
- Service to low-income and rural citizens.
- Access to emergency services.

Looking ahead...



- UTC has adequate tools to:
 - Protect captive consumers from unreasonable rates and poor service.
 - Act quickly to reduce regulation as conditions warrant.
 - Oversee industry issues such as 911 and area codes.
- Consider treatment of competitive services:
 - Eliminate price lists?
 - Allow UTC to forbear from regulation?
 - Examine consumer protection laws?