

August 11, 1999

Mr. Jason Chon, President  
LOCUS Corporation  
2160 North Central Road  
Fort Lee, New Jersey 07024

Re: In the Matter of the Competitive Classification of LOCUS Corporation, on  
the Motion of the Washington Utilities and Transportation Commission  
Docket No. UT-991058

Dear Mr. Chon:

The Washington Utilities and Transportation Commission (Commission) has initiated a proceeding to classify LOCUS Corporation (LOCUS), as a competitive telecommunications company pursuant to RCW 80.36.310. A copy of the Commission's *Order Initiating Classification Proceedings* is attached. The Commission has consolidated the proposed competitive classification of LOCUS with that of other companies.

In order to qualify for competitive classification, a telecommunications company must be subject to effective competition. Pursuant to RCW 80.36.320, "effective competition" means that the company's customers have reasonably available alternatives and that the company does not have a significant captive customer base. The Commission will consider the following statutory factors, set forth in RCW 80.36.320, in determining whether LOCUS is subject to effective competition:

- (a) The number and sizes of alternative providers of services;
- (b) The extent to which services are available from alternative providers in the relevant market;
- (c) The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms, and conditions; and
- (d) Other indicators of market power, which may include market share, growth in market share, ease of entry, and the affiliation of providers of services.

Mr. Jason Chon  
August 11, 1999  
Page 2

The Commission has alleged that LOCUS meets the statutory requirements for competitive classification.

Competitive telecommunications companies are subject to minimal regulation. RCW 80.36.320. Minimal regulation means that a competitive telecommunications company may file price lists for its services, rather than tariffs. Price lists are effective after 10 days notice to the Commission and customers, as opposed to 30 days notice for tariffs.

In addition to the ability to file price lists instead of tariffs, the Commission may waive other regulatory requirements for competitive companies. The Commission proposes to waive the statutes and rules set forth in the *Order Initiating Competitive Classification*.

The proposed competitive classification is subject to the Commission's approval. If the Commission approves the competitive classification, then LOCUS must file a price list with the Commission. However, the company's current tariff shall be deemed a price list until such time as LOCUS files its price list.

LOCUS must keep a copy of the *Order Initiating Competitive Classification* at its offices for public inspection.

The Commission anticipates considering the proposed competitive classification of LOCUS and the other companies named in the *Order Initiating Competitive Classification*, without a hearing. If the competitive classification of LOCUS is approved, it will take effect on September 22, 1999. LOCUS will not be competitively classified until that date.

This action does not require any response by your company, unless you have questions or object to the competitive classification of your company. If you have any questions regarding the *Order Initiating Competitive Classification Proceedings* or competitive classification generally, please contact Fred Ottavelli, Utilities Regulatory Consultant, at (360) 664-1297.

Sincerely,

Carole J. Washburn  
Secretary