

Approved: 4-5-96
Date

MINUTES OF THE HOUSE SELECT COMMITTEE ON TELECOMMUNICATIONS.

The meeting was called to order by Chairperson Doug Lawrence at 1:30 p.m. on March 13, 1996 in Room 313-S of the Capitol.

All members were present except:

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Mary Ann Graham, Committee Secretary

Conferees appearing before the committee: Richard Lawson - Sprint

Ron Hein - Classic Communications

Others attending: See attached list

Chairman Doug Lawrence called the meeting to order at 1:30 p.m. by saying he would like to have some resolutions to the committee's discussions within the next day or so, he announced the committee can meet tonight, tomorrow morning or whenever the committee would like. He stressed the fact that there is no pressure being applied to have a decision by the end of today's meeting but there needs to be a decision by tomorrow morning so the Senate can consider the committee's work product.

Lynne Holt, Legislative Research Department, distributed copies of "Timeline for Activities under Sub. for **HB 2728**" for the committee's review. (See Attachment 1) A copy of a fiscal note for **HB 3056** was distributed also.

The Chairman called on Richard Lawson, Sprint, to explain the balloons they submitted to the committee meeting March 12. Mr. Lawson discussed and explained the language in the balloons. (See Attachment 2)

The Chairman called on Ron Hein, Classic Communications, to explain the language in the balloon his company has submitted to the committee. Mr. Hein discussed and explained the language in the balloon. (See Attachment 3)

The Chairman opened the floor for discussion and amendments to: **Substitute Bill 2728**

Substitute Bill 2728: Statewide telecommunications network; use by nonprofit organizations.

Rep. Allen made a motion to adopt Sprint's amendment on page 6 (m), to add the last sentence, "The commission shall also recommend if and how the KUSF should be modified", Rep. Holmes seconded, discussion followed, motion passed. (See Attachment 4)

Rep. Allen made a motion to adopt Sprint's amendment on page 11 (d) to add a sentence, Rep. Bryant seconded, discussion followed, motion failed. (See Attachment 5)

Rep. Allen made a motion to adopt Sprint's amendment on page 13 (G) to strike date, July 1, 1997, change to "fifteen days", and "No later than December 31, 1996, the commission shall establish a percentage range within which individual services may be increased or decreased. Price changes within this range shall be presumed lawful unless it is determined that the price cap for the entire basket has been exceeded., Rep. Holmes seconded, discussion followed, motion failed. (See Attachment 6)

Rep. Packer made a motion to remove section C (1) (2) & (3) line 8 page 17, Rep. McClure seconded, discussion followed, motion passed.

Rep. McClure made a motion to change the word "costs to rates", page 1, (a), line 17, Rep. Holmes seconded, discussion followed, motion passed.

Rep. McClure made a motion to change language on page 18, (d), Rep. Krehbiel seconded, discussion followed, motion failed. (See Attachment 7)

The meeting adjourned at 3:15 p.m.

The next meeting is scheduled for March 14, 1996

HOUSE SELECT COMMITTEE ON
TELECOMMUNICATIONS COMMITTEE GUEST LIST

DATE: 3-13-96 P.M.

NAME	REPRESENTING
U. CLARKE SIMMONS	CLASSIC
R. HEIN	CLASSIC
Tom Gleason	Independent Telecom. Group
RICHARD VEACH	PIONEER TELEPHONE
Rob Hoops	KTA
Doug Smith	SITA
John D. Pungar	SITA
LENDALL MICESELL	SOUTHERN KANSAS TELEPHONE
Chris Miresell	Southern Kansas Telephone
Tyler Sterrett	Southern Kansas Telephone
George Barbee	RTMC
CARL KREHBIEL	MOUNDRI DGE TELEPHONE CO.
Randy Debenham	FCC
Eva Powers	MCI
Bill Drexel	SUBST
Patrick Shurley	AT&T
Mike Meadham	KLTA
JASON PITTSBERGER	RGC

TIMELINE FOR ACTIVITIES UNDER SUB. FOR H.B. 2728

(Representative Doug Lawrence's Proposal As Introduced)

SCHEDULE	ACTIVITY
On or before August 1, 1996	Kansas Corporation Commission (KCC) shall initiate a general investigation into, and adopt guidelines concerning, the application of the federal act to the certification of telecommunications carriers in service areas of rural telephone companies.
On or before September 1, 1996	KCC shall begin to authorize any requesting telecommunications carrier, if certificated, to provide local exchange or exchange access service.
No later than October 31, 1996	KCC shall provide preliminary findings on the general investigation, to be initiated on or before August 1, 1996.
No later than December 31, 1996	KCC shall issue a final order on the general investigation.
On or before January 1, 1997	KCC shall establish a competitively neutral mechanism to fund dual party relay services for Kansans who are speech and hearing impaired.
On or before January 1, 1997	KCC shall review services to be included in the definition of "enhanced universal service."
On or before January 1, 1997	KCC shall establish a Kansas Lifeline Service Fund.
On or before January 1, 1997	KCC shall establish a Kansas Universal Service Fund.
On or before January 1, 1997	Southwestern Bell must file with the KCC long-run incremental cost (LRIC) studies for any existing services requested by the KCC in its order of January 4, 1996.
On or before January 1, 1997	KCC shall initiate and complete a proceeding to establish minimum quality of service standards.
On or after January 1, 1997 and prior to January 1, 1998	Each local exchange carrier must file a network infrastructure plan with the KCC.
On or after January 1, 1997 and prior to January 1, 1998	Each local exchange carrier must file a regulatory reform plan with the KCC.
On March 1, 1997	A rural telephone company that has not elected price cap regulation must restructure its switched and access rates to bring its rates and rate structures into parity with its corresponding interstate rates and rate structures.

*House self-comm. Telecomm.
3-13-1996
Attachment 1*

SCHEDULE	ACTIVITY
Beginning March 1, 1997	Rural telephone companies shall be authorized to increase annually their monthly local residential and business rates by an amount not to exceed \$1.50 until such monthly rates reach an amount equal to statewide rural telephone company average rates for such services.
On March 1, 1997 and annually thereafter	The administrator of KUSF and KLSF shall determine the surcharge needed to recover all funding and administrative costs and notify the carriers and providers of the surcharge.
Beginning March 1, 1997	The administrator of Kansas Universal Service Fund (KUSF) and Kansas Lifeline Service Fund (KLSF) shall begin allocating funds in equal monthly installments.
By March 1, 1997	KCC shall implement a funding mechanism for dual party relay services.
On June 1, 1997	Any rural telephone company may request supplemental KUSF support.
On or before July 1, 1997	Any new service introduced after July 1, 1996 shall be placed in the miscellaneous service basket but shall be price deregulated after July 1, 1997.
On or before July 1, 1997	KCC shall continue to price regulate miscellaneous services until a local exchange carrier begins to offer 1+ intraLATA dialing parity or until July 1, 1997, whichever occurs first.
During the 1999 Session	KCC shall report to the 1999 Legislature on the implementation of Internet provisions.
After July 1, 1999	Dial-up access to the Internet shall be available to all customers requesting such service.
On January 1, 2000	KCC shall prepare and submit a report to the Legislature on the effectiveness of the regulatory framework.
On March 1, 2000	The funding of a rural telephone company will be reduced by the difference between the revenue which would have been generated by the statewide average rates of rural telephone companies for local businesses and residences multiplied by the respective number of residential and business access lines served by the company and the actual revenue from local business and residential rates for the individual rural telephone company.

Sprint

(m) On January 1, 2000, the commission shall prepare and submit a report to the legislature. The report shall include an analysis of the manner in which the regulatory framework has served to protect consumers, safeguard universal service, ensure that consumers have reaped the benefit of competition, maximize market forces and promote development of the telecommunications infrastructure throughout the state. The commission shall also recommend if and how the KUSF should be modified.

House sel/comm. Telecomm.
3-13-1996
Attachment 2

(d) A price cap is a maximum price for all services taken as a whole in a given basket. After the initial three years of rate rebalancing, and except for any subsequent authorized rate rebalancing, no adjustment to an individual service price within the residential and single-line business service basket shall increase more than the consumer price index. Prices for services may be reduced within a basket. An entire basket, if desired by the local exchange carrier, may be priced below the cap. No service shall be priced below fixed or volume-sensitive costs caused by the service. Access charges equal to those paid by telecommunications carriers to local exchange carriers shall be imputed as part of the price floor for toll services offered by such local exchange carriers on a total toll service basis. Any downward adjustment in the price of services within a price cap not otherwise reflected in existing tariff rates or rate charges shall become effective upon fifteen days notice, or such shorter time as the commission shall approve, if the commission finds that the tariff applicant has a good faith basis to believe the price reduction is necessary to meet the price offered by an alternate provider in the operating area for which the new price applies.

(g) The price cap for the basket of all miscellaneous regulated services other than residential and single-line business including touch-tone, and switched access shall be adjusted annually based on the change in consumer price index minus 1.5 percent. Such services shall continue to be priced regulated until the affected local exchange carrier begins to offer 1+ intraLATA dialing parity. The commission may price deregulate any individual service or service category upon a finding that the service or service category is nonessential for particular residential or business users or there is an alternate provider of the service. Changes in the price of services subject to this price cap shall be effective within fifteen days after a tariff is filed. Such filing shall include information demonstrating that the price cap for the entire basket will not be exceeded by the filing. No later than December 31, 1996, the commission shall establish a percentage range within which individual services may be increased or decreased. Price changes within this range shall be presumed lawful unless it is determined that the price cap for the entire basket has been exceeded.

(k) Any new service introduced after July 1, 1996, and prior to July 1, 1997, shall be placed in the miscellaneous service basket for any local exchange carrier that elected price cap regulation as part of its regulatory plan.

New Section 10. Within six months of the effective date of this act, the commission shall develop and implement a process for supporting universal service, including a definition thereof and a method for updating the definition periodically. Consistent with the provisions of this act, the commission shall determine the size of the fund that is necessary; if such fund can be transitional; who contributes to the fund and on what basis; who receives payments from the fund and on what basis; and to what extent the fund shall support infrastructure improvements. The commission may adopt any universal service plan that is agreed to by the commission staff, CURB, all telephone companies and all telecommunications companies certified prior to January 1, 1996.

CLASSIC

House Set/Comm. Telecom.
3-13-1996
ATTACHMENT 3

25 New Section 10. (a) Local exchange carriers that
 26 provided switched local exchange services in the state prior to
 27 January 1, 1996, or their successors, ~~shall serve as the carrier of~~
 28 ~~last resort in their exchanges and shall be eligible to receive~~
 29 ~~KUSF and KLSF funding. However, with respect to the Hill City~~
 30 ~~exchange area in which multiple carriers were certified prior to~~
 31 ~~January 1, 1996, the commission's determination, subject to court~~
 32 ~~appeals, of which authorized carrier shall serve as carrier of last~~
 33 ~~resort also shall govern which carrier is eligible for KUSF~~
 34 ~~support. The local exchange carrier serving as the carrier of last~~
 35 ~~resort shall remain the carrier of last resort and shall be~~
 1 ~~entitled to recover the costs of serving as carrier of last resort~~
 2 ~~until relieved of that obligation as set forth in subsection (b) of~~
 3 ~~this section.~~

4 (b) ~~A local exchange carrier shall be relieved of its~~
 5 ~~carrier of last resort obligations for its operating area and no~~
 6 ~~telecommunications or local exchange carrier shall receive KUSF~~
 7 ~~support for that operating area if the commission determines that:~~
 8 (1) ~~The revenue neutral rate restructuring that brings intrastate~~
 9 ~~access rates into parity with interstate access rates has occurred;~~
 10 (2) ~~one or more telecommunications carriers within that operating~~
 11 ~~area offer universal service to all inhabitants of that operating~~
 12 ~~area at least equal to and comparable to the service provided by~~
 13 ~~the local exchange carrier that has served as the carrier of last~~
 14 ~~resort; and (3) all telecommunications providers, including all~~
 15 ~~local exchange carriers, in that operating area are subject to the~~
 16 ~~same quality of service standards and have the same flexibility to~~
 17 ~~establish and change the price and other terms and conditions of~~
 18 ~~service.~~

19 (c) Beginning March 1, 1997, the amount of KUSF and KLSF
 20 funds owed to each local exchange carrier in the state, based upon
 21 the revenue requirements assigned to the funds for that local
 22 exchange carrier or that local exchange carrier's number of
 23 qualifying lifeline subscribers, shall be allocated by the fund
 24 administrator in equal monthly installments.

The commission shall determine the eligibility of telecommunications companies other than telephone companies to receive KUSF and KLSF funding. A telecommunications company shall be eligible to receive KUSF and KLSF funding only if the company offers the services supported by the KUSF and KLSF (i) using its own facilities in whole or in part and (ii) advertises the availability of such services and the charges for such services. If a telecommunications company applies for KUSF and KLSF funding in order to serve an area served by a rural telephone company, the commission shall first determine if grant of the application is in the public interest. A telecommunications company receiving KUSF and KLSF funding to serve an area served by a rural telephone company shall serve the entire study area of the rural telephone company.

11. To ensure consistency with federal law and to avoid federal preemption.

8 (1) The revenue neutral rate restructuring
 9 access rates into parity with interstate access rates has occurred;
 10 (2) one or more telecommunications carriers within that operating
 11 area offer universal service to all inhabitants of that operating
 12 area at least equal to and comparable to the service provided by
 13 the local exchange carrier that has served as the carrier of last
 14 resort; and (3) all telecommunications providers, including all
 15 local exchange carriers, in that operating area are subject to the
 16 same quality of service standards and have the same flexibility to
 17 establish and change the price and other terms and conditions of
 18 service.

19 (c) Beginning March 1, 1997, the amount of KUSF and KLSF
 20 funds owed to each local exchange carrier in the state, based upon
 21 the revenue requirements assigned to the funds for that local
 22 exchange carrier or that local exchange carrier's number of
 23 qualifying lifeline subscribers, shall be allocated by the fund
 24 administrator in equal monthly installments.

25 New Section 11. (a) ~~The aggregate funds and each~~
 26 ~~provider's funding obligation required for the KUSF and the KLSF~~
 27 ~~shall be recovered through a per-minute surcharge assessed to the~~
 28 ~~provider on all intrastate retail billed toll minutes, including~~
 29 ~~800 service billed minutes of telecommunications carriers, local~~
 30 ~~exchange carriers and wireless communications service providers.~~
 31 ~~The per-minute surcharge shall be collected from customers using~~
 32 ~~any such service provided by any telecommunications carrier, local~~
 33 ~~exchange carrier or wireless telecommunications provider operating~~
 34 ~~within the state. For purposes of this section, a call originated~~
 35 ~~and terminated on wireline facilities is an intrastate toll call~~

change

The commission shall require every telecommunications company that provides intrastate telecommunications services to contribute to the KUSF and the KLSF on an equitable and nondiscriminatory basis, which shall be calculated as a percentage of each telecommunications company's intrastate revenues, minus payments to intermediaries.

12. To ensure consistency with federal law and to avoid federal preemption.

1 ~~subject to this subsection if it terminates outside of the base~~
 2 ~~rate or extended local service area of the local exchange carrier~~
 3 ~~servicing the area where the call originates. For purposes of this~~
 4 ~~section, an intrastate retail billed toll minute for wireless~~
 5 ~~communications service providers shall mean each intrastate minute~~
 6 ~~billed by a wireless communications provider for wireless~~
 7 ~~originated calls that are terminated outside of the terminating~~
 8 ~~local exchange carrier's or telecommunications carrier's base rate~~
 9 ~~or extended service area.~~

10 ~~(b) Minutes for calls that would be classified as toll~~
 11 ~~minutes on the effective date of this act shall be considered toll~~
 12 ~~minutes irrespective of any future service repricing or~~
 13 ~~reclassification. Where minutes cannot be measured, surrogates~~
 14 ~~approved by the commission shall be used.~~

15 ~~(c) On March 1, 1997, and annually thereafter, the~~
 16 ~~administrator selected pursuant to subsection (a) of section 12~~
 17 ~~shall calculate the KUSF and KLSF surcharge needed to recover all~~
 18 ~~funding and administrative costs and shall notify all~~
 19 ~~telecommunications carriers, local exchange carriers and wireless~~
 20 ~~communications service providers in the state of the per-minute~~
 21 ~~surcharge. All such providers shall be authorized to collect the~~
 22 ~~surcharge. In the event that the amount collected is more or less~~
 23 ~~than the amount necessary to cover funding and administrative~~
 24 ~~costs, the surcharge in the following year shall be adjusted to~~
 25 ~~ensure that each contributor and recipient pays and receives its~~
 26 ~~appropriate share, including any amounts any recipient was entitled~~
 27 ~~to, but did not receive, in the prior year.~~

28 ~~New Section 12. (a) The commission shall utilize a~~
 29 ~~competitive bidding process to select a neutral, competent and~~
~~to administer the KUSF and KLSF.~~

SPRINT

(m) On January 1, 2000, the commission shall prepare and submit a report to the legislature. The report shall include an analysis of the manner in which the regulatory framework has served to protect consumers, safeguard universal service, ensure that consumers have reaped the benefit of competition, maximize market forces and promote development of the telecommunications infrastructure throughout the state. The commission shall also recommend if and how the KUSF should be modified.

House sel/comm. Telecomm
3-13-1996
Attachment 4

(d) A price cap is a maximum price for all services taken as a whole in a given basket. After the initial three years of rate rebalancing, and except for any subsequent authorized rate rebalancing, no adjustment to an individual service price within the residential and single-line business service basket shall increase more than the consumer price index. Prices for services may be reduced within a basket. An entire basket, if desired by the local exchange carrier, may be priced below the cap. No service shall be priced below fixed or volume-sensitive costs caused by the service. Access charges equal to those paid by telecommunications carriers to local exchange carriers shall be imputed as part of the price floor for toll services offered by such local exchange carriers on a total toll service basis. Any downward adjustment in the price of services within a price cap not otherwise reflected in existing tariff rates or rate charges shall become effective upon fifteen days notice, or such shorter time as the commission shall approve, if the commission finds that the tariff applicant has a good faith basis to believe the price reduction is necessary to meet the price offered by an alternate provider in the operating area for which the new price applies.

House Sel/comm. Telecomm.
3-13-1996
Attachment 5

5pr 12

(g) The price cap for the basket of all miscellaneous regulated services other than residential and single-line business including touch-tone, and switched access shall be adjusted annually based on the change in consumer price index minus 1.5 percent. Such services shall continue to be priced regulated until the affected local exchange carrier begins to offer 1+ intraLATA dialing parity. The commission may price deregulate any individual service or service category upon a finding that the service or service category is nonessential for particular residential or business users or there is an alternate provider of the service. Changes in the price of services subject to this price cap shall be effective within fifteen days after a tariff is filed. Such filing shall include information demonstrating that the price cap for the entire basket will not be exceeded by the filing. No later than December 31, 1996, the commission shall establish a percentage range within which individual services may be increased or decreased. Price changes within this range shall be presumed lawful unless it is determined that the price cap for the entire basket has been exceeded.

House self-comm. Telecomm.
3-13-1996
ATTACHMENT 6

McClure #1 On page 18, in line 7, after "(d)", by inserting "Unless more than 15% of subscribers subject to a proposed rate increase by a rural telephone company protest such proposed rate increase,";

Also on page 18, in line 22, after the period, by inserting "Such mailings shall include a post card bearing the address of the commission and a statement indicating the subscriber's desire to protest the proposed rate increase."; Also on page 18, in line 26, before the period, by inserting "including a provision specifically stating that protest by 15% of subscribers subject to the proposed rate increase would require the commission to initiate an investigation concerning the reasonableness of the proposed rate increase pursuant to this section.".

*House sel/comm. Telecomm.
3-13-1996
Attachment 7*