

Approved: February 3, 1998
date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on January 30, 1997 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Barone, Brownlee, Donovan, Feleciano, Gooch, Jordan, Ranson, Steffes and Umbarger.

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:
David N. Dittmore, Utilities Division Director, Kansas Corporation Commission
Jerry Lammers, Kansas Corporation Commission
Glenda Cafer, Legal Counsel, Kansas Corporation Commission
Karen Matson, Kansas Corporation Commission

Others attending: See attached list

Upon motion by Senator Ranson, seconded by Senator Barone, the Minutes of the January 29, 1998 Meeting were unanimously approved.

David N. Dittmore, Utilities Division Director, Kansas Corporation Commission (KCC), appeared before the Committee to answer questions relating to the Kansas Universal Service Fund (KUSF). Jerry Lammers, Karen Matson and Glenda Cafer, of the KCC were also available for questions.

Mr. Dittmore, responding to a question of whether the KCC has the authority to audit companies receiving amounts from the KUSF and to alter the amount of the Fund, stated the KCC believes it does have the authority to audit companies regarding the amount of the KUSF they should receive to ensure revenue neutrality. Southwestern Bell Telephone Company (SWBT) does not agree. SWBT is currently paying approximately \$49 million into the KUSF and receiving approximately \$40 million.

Mr. Lammers, responding to questions regarding the size of the KUSF, stated the KUSF was established initially at \$112 million and presently has a reserve of \$13 million plus any assessments currently held in escrow by cellular companies, an estimated \$5 million. Senator Brownlee challenged the accuracy of \$5 million in outstanding assessments, as testimony provided evidence of a larger amount currently held in escrow. Most of the cellular companies are paying their assessment into the KUSF and that amount is included in the \$13 million reserve. It is the KCC's position that if the cellular industry prevails in its suit, the money presently held in escrow and those assessments contributed to the KUSF should be returned to the cellular companies and, in turn, a refund be issued to the wireless customers.

Ms. Matson, in response to a question as to what is the status of enhanced universal service, stated the companies' infrastructure plans are required to be filed at their discretion but no later than December 30, 1997. The majority of the plans were received by that time, and companies' are now preparing financial plans. Immediately after the KCC receives all the financial plans, the KCC will commence its review and orders. The infrastructure plans must be in deployed by the year 2001.

Lynn Holt, Research Analyst, stated it was a consensus of the KCC that the biggest draw on the KUSF will come within the next several years. An increase would be the result, primarily, from changes in the Federal Universal Service Fund (FUSF), matching requirement from the FUSF, and enhanced service.

Mr. Lammers, responding to a question regarding the financial arrangements made with the KUSF, stated the National Exchange Carrier Association, Administrator, submitted bids to banks in the State. Commerce State Bank is the bank decided on and the monies are received and disbursed by the Bank. The Fund is receiving a 5% rate of interest and charges a 1% per month late charge.

Mr. Lammers stated the enhanced service is not required by the Federal Act, and he is not aware of any

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m.
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other state that requires such service. Mr. Lammers stated the KCC would provide the "Flow Chart" requested and also a list of all the telecommunication companies' basic charges. He noted the statewide average is based on two averages - one average for rural areas and one average for SWBT and Sprint. The SWBT and Sprint basic charges are higher.

Glenda Cafer, Counsel, KCC, responding to a question regarding legislation needed by the KCC, stated ideally the Commission would like to avoid litigation. The present statute is not clear regarding the authority of the Commission to conduct cost studies in order to adjust the KUSF.

Senator Steffes moved, seconded by Senator Jordan, that **RS 1940**, relating to the telemarketing law, be introduced as a Committee bill. The voice vote was in favor of the motion.

Senator Ranson moved, seconded by Senator Brownlee, that **RS 1904**, regarding KTEC and ad astra funds, be introduced as a Committee bill. The voice vote was in favor of the motion.

Senator Jordan moved, seconded by Senator Brownlee, that **RS 1724**, relating to eminent domain, be introduced as a Committee bill. The voice vote was in favor of the motion.

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for Tuesday, February 3, 1998.

