

Approved: January 21, 2000
Date

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on January 19, 2000 in Room 123-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee:

Janette Luehring, Kansas Corporation Commission

Others attending: See attached list

Janette Luehring, Chief of Telecommunications, Kansas Corporation Commission, submitted a summary of the Kansas Corporation Commission (KCC) dockets which provides an overview that demonstrates the relationship between the dockets and how KCC decisions in some proceedings affect other proceedings. There are several dockets included in the docket summary that will affect the Kansas Universal Service Fund (KUSF) for year 4. Several other dockets relate to the implementation and development of competition. (Attachment 1)

Ms. Luehring testified that the overall KUSF fund will decrease in year four from approximately \$100 million to between \$65 and \$70 million. In October additional amounts will be rebalanced to Southwestern Bell Telephone's (SWBT) rates, and the fund will decrease an additional \$5 million. Due to the overall reduction in the KUSF, the assessment for year 4, effective March 1, 2000, should be in the range of 4-5%, a decrease of 3 - 4%.

In response to a question relating to the projected amount of the KUSF, Ms. Luehring stated that as a result of the 98-677 Docket Stipulation, SWBT permanently forgoes \$15 million of its current KUSF draw. The rebalancing of Baskets 1 and 3 will reduce the fund an additional \$35 - \$40 million. The 00-784 Docket increases the size of the KUSF by approximately \$14 million due to decreases in rural company access charges which are recovered through the KUSF. This accounts for the reduction of the fund to the projected \$65 - \$70 million.

Ms. Luehring reported competition issues considered by the KCC as follows: Docket 96-230, investigation into optional community call service; Docket 97-149, investigation into SWBT's prices for interconnection, unbundled network elements and wholesale discount for resold services; Docket 97-290, AT&T's request for arbitration with SWBT of interconnection agreement; Docket 97-411, SWBT's application to obtain section 271 approval to provide in-region interLATA toll services; Docket 98-712, implementation of intraLATA toll dialing parity and related cost recovery; Dockets 99-156 and 99-173, designation of additional eligible telecommunication carriers; Docket 99-326, modification of the KUSF portability of KUSF support; and Docket 99-706, investigation into long term contracts. The Western Wireless complaint filed with the FCC overlaps KUSF and competition issues.

Ms. Luehring distributed copies of the "*Telecommunications Report to the 2000 Legislature*". (A copy is on file in the Legislative Research Department). Ms. Luehring stated in preparation of the Report, the KCC conducted a roundtable discussion and sought to gather information and input from participants. Participants in the roundtable were Southwestern Bell, State Independent Alliance, Birch Telecom, CURB, Senator Brownlee, Kansas Consolidated Professional Resources, Sprint, Kansas Cable Telecommunications Association, AT&T, Gabriel Communications and the Independent Telecommunications Group. The roundtable discussion and comments addressed consumer issues,

CONTINUATION SHEET

including complaints and quality of service; competition - including the number of certified competitive local exchange carriers and barriers to entry; universal service - including subscribership percentage and lifeline; advanced services and infrastructure development - availability of advanced service and changes in infrastructure since passage of the 1996 Act; legislative action - including amendments to the Kansas Telecommunications Act.

The Legislative Report consists of nine sections: 1) introduction and summary of the report; 2) relevant state and federal statutory provisions; 3) consumer issues including quality of service standards, consumer complaints, including a chart reflecting the number of informal complaints handled by the public information office, grouped by subject of complaint; 4) subscribership rates and KUSF issues; 5) summary of consumer benefits of competition; 6) barriers to entry and use of market forces; 7) infrastructure development; 8) modifications to the KUSF mechanism; and 9) problems related to geographically averaged toll rates.

In response to a request of the Committee, copies of "The Number of Complaints filed against Local Telephone Companies and a copy against Long Distance Telephone Companies" were distributed. (A copy of each document is on file in the office of the Kansas Legislative Research Department)

Ms. Luehring requested on behalf of the KCC introduction of legislation to address issues identified in the "*Telecommunications Report to the 2000 Kansas Legislature*".

Senator Brownlee moved, seconded by Senator Steineger, that a Committee bill be introduced that reflects the suggested clarifications and modifications to the Kansas Universal Service Fund mechanism discussed in the "*Telecommunications Report to the 2000 Kansas Legislature*". The voice vote was unanimous in favor of the motion.

Senator Brownlee moved, seconded by Senator Steineger, that a Committee bill be introduced authorizing the KCC to impose a late fee if a telecommunications carrier fails to timely make payment into the Kansas Universal Service Fund. The voice vote was unanimous in favor of the motion.

Senator Steffes moved, seconded by Senator Donovan that a Committee bill be introduced deleting the requirement that Kansas, Inc., evaluate the Performance Review Board. The voice vote was in favor of the motion.

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for January 20, 2000.

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: January 19, 2000

NAME	REPRESENTING
John A. Pringer	SITA
Mike Reecht	AT&T
John Flanagan	AT&T
April J. Rodewald	SWBT
Charlie Cleek	"
Mike Moffet	"
Rose Mulvany	KCC
JANET BUCHANAN	KCC
JANETTE LUEHRING	KCC
TOM DAY	KCC
JEFF WAGAMAN	KCC
LARRY HOLLOWAY	KCC
Tom Gleason	Independent Telecom Group
DICK CATION, JR.	ENRON
Mike Murray	Sprint
Roger Franke	KGI
Bernie Koch	Wichita Area Chamber
Bill Sneed	SW Bell
D.S. Koch	" "

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: _____

NAME	REPRESENTING
Mark Caplinger	S I T A
Doug Smith	S I T A
Joe Lawton	Post Audit
Sandy Reams	BCC

1-19-2000

KUSF:

- 94-478: audits of the KUSF, no affect on size of the fund or assessment for year 4
- 98-677: SWBT cost to provide local service for KUSF purposes; reduces size of KUSF by \$15 million (amt forgone by SWBT) and the assessment rate for all end-users (rural and non-rural; wireline and wireless)
- 99-156&173: Western Wireless and Sprint PCS applications for eligible telecommunications carrier status; potential increase in size of fund if additional eligible telecommunications carriers are designated; also depends on future Commission decision regarding support for primary line only
- 00-326: modification of KUSF to make support cost based; decreases size of fund due to decrease in SWBT's and Sprint's KUSF draws
- 00-784: rural access charge reductions; increases size of fund approximately 14 million due to decreases in rural company access charges which are required to be recovered through the KUSF
- 00-236: the KUSF assessment for the fourth year of the fund will be established
- 00-448: Council Grove Telephone's request for supplemental KUSF funding; may increase fund approximately \$470,000
- 00-455: investigation into Sprint's cost to provide local service and consideration of rate-rebalancing

The overall KUSF fund will decrease in year four from approximately \$100 million to \$65 to \$70 million. In October additional amounts will be rebalanced to SWBT's rates and the fund will decrease an additional \$5 million. Due to the overall reduction in the KUSF, the assessment for year four, effective March 1, 2000, should be in the range of 4-5 %.

Competition issues:

- 96-230: continuation of OCCS
- 97-149: SWBT's prices for interconnection, unbundled network elements and wholesale discount for resold services
- 97-290: AT&T arbitration with SWBT
- 97-411: SWBT's application to obtain section 271 approval to provide in-region interLATA toll services
- 98-712: implementation of intraLATA toll dialing parity and related cost recovery
- 99-156 & 173: designation of additional eligible telecommunication carriers
- 99-326: portability of KUSF support
- 99-706: long term contracts

The Western Wireless complaint filed with the FCC overlaps KUSF and competition issues.

Senate Commerce Committee

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Attachment # 1