

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Senator Karin Brownlee at 8:30 a.m. on April 10, 2002 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Sherman Parks, Revisor of Statutes
Mary Ann Torrence, Revisor of Statutes
April Holman Legislative Research

Conferees appearing before the committee: Janet Buchanan, Kansas Corporation Commission
Tom Gleason, representing Rural Independent Telephone Companies

Others attending: See attached list

HB 2754—Telecommunication; affordable rates; quality of service; standards.

Chairperson Brownlee opened the meeting and briefed the committee that she had requested **HB 2754** be sent back to the Commerce Committee due to more information that has come forward which needs to be reviewed and possible amendments be made.

Janet Buchanan, Kansas Corporation Commission, briefed the committee that at the March 29, 2002 meeting she had failed to mention that the FCC had recently ordered access reductions for small carriers which were similar to access reductions that were ordered for large local exchange carriers. The KCC has refined its estimates of anticipated increases to the KUSF fund in 2003 and believes it would be a \$14M impact to reach parity with the FCC ordered access reductions (Attachment 1). Janet also briefed the committee that there will be some anticipated decreases to KUSF due to pending KUSF cost studies of rural phone companies.

The committee questioned Janet Buchanan regarding the \$14M revenue reduction that would be lost by the local exchange companies and would be made up from the KUSF fund.

Tom Gleason, proposed an amendment on behalf of the rural independent companies to address the concerns about the effect of the reduction in intrastate access rates and revenues and its implications for increase in the KUSF (Attachment 2). The amendment to the Substitute for **HB 2754** would be in lieu of the amendment that was created by the committee imposing a 5% cap on the provider's ability to recover from their customers their KUSF contributions. Subsection (d) (2) is new language that would place a targeted cap of .75% of intrastate retail revenue or \$10M which may be recovered from Kansas Telecommunications customers.

Senator Emler moved, seconded by Senator Jenkins to amend **HB 2754**, Page 2, Line 43 after the word "rates;" to strike "no such company shall be required at"; Page 3, strike Lines 1, 2, 3, 4; change the semicolon to a comma after the word "rates" and insert "subject to the following: (1) Any reduction of a rural telephone company's cost recovery due to reduction of its intrastate access revenue shall be recovered from the KUSF; (2) Any portion of rural company reductions in intrastate switched access rates which would result in an increase in KUSF recovery in a single year which exceeds .75% of intrastate retail revenues in the sums which may be recovered from Kansas telecommunications customers, pursuant to K.S.A. 66-2008 (b) and amendments thereto, shall be deferred until March 1 of the following odd-numbered year; (3) No rural company shall be required at any time to reduce its intrastate switched access rates below the level of its interstate switched access rates". Motion carried.

Senator Steineger moved, seconded by Senator Jenkins to amend **HB 2754**, Page 9, Line 22, to strike "except that no such carrier, provider or utility shall collect from customers an amount in excess of 5% of its intrastate retail revenues,". Motion carried.

Senator Emler moved, seconded by Senator Jenkins to move **HB 2754** as amended favorably for passage. Motion carried.

Meeting adjourned at 9:10 a.m.



Kansas Corporation Commission

Bill Graves, Governor John Wine, Chair Cynthia L. Claus, Commissioner Brian J. Moline, Commissioner

Anticipated Increases to the KUSF in 2003

Reaching parity with FCC ordered access reductions	\$14 million
KAN-ED funding	\$10 million *
Requests for Supplemental KUSF support	\$1.8 million **

*KAN-ED subject to passage of Substitute for Senate Bill No. 614 assuming

** Only one request for supplemental funding is before the Commission. It is currently under investigation. This is the amount that has been requested by the company. It may be adjusted.

Anticipated Decreases to the KUSF

Audit of Southern Kansas Telephone Company	\$2.7 million
Rural Company Rate increases	slightly less than \$2 million in 2003, \$7 million by 2005
Audits of four Independent Rural Companies	\$?? ***

*** The four companies for which audits are currently underway receive a combined total of \$4,474,743 in support from the KUSF. Staff cannot provide a reliable estimate of the results of these audits. However it is not likely that KUSF support for these companies will increase by a significant amount.

Senate Commerce Committee

April 10, 2002
Attachment 1-1

Possible Amendment - Substitute for House Bill 2754

Current statute as set forth at Page 2, lines 28-38:

(c) Subject to the Commission's approval, all local exchange carriers shall reduce intrastate access charges to interstate levels as provided herein. Rates for intrastate switched access, and the imputed access portion of toll, shall be reduced over a three-year period with the objective of equalizing interstate and intrastate rates in a revenue neutral, specific and predictable manner. The Commission is authorized to rebalance local residential and business service rates to offset the intrastate access and toll charge reductions. Any remaining portion of the reduction in access and toll charges not recovered through local residential and business service rates shall be paid out from the KUSF pursuant to K.S.A. 2001 Supp. 66-2008, and amendments thereto.

New subsection, replacing Page 2, line 41 through Page 3, line 4:

(d) Each rural telephone company shall adjust its intrastate switched access rates on March 1st of each odd-numbered year with the objective of equalizing interstate and intrastate rates in a revenue neutral, specific and predictable manner, subject to the following:

(1) Any reduction of a rural telephone company's cost recovery due to reduction of its intrastate access revenue shall be recovered from the KUSF;

(2) Any portion of rural company reductions in intrastate switched access rates which would result in an increase in KUSF recovery in a single year which exceeds {.75% of intrastate retail revenues} {\$10,000,000} in the sums which may be recovered from Kansas telecommunications customers, pursuant to K.S.A. 66-2008 (b) and amendments thereto, shall be deferred until March 1 of the following odd-numbered year;

(3) No rural company shall be required at any time to reduced its intrastate switched access rates below the level of its interstate switched access rates.

Re-letter following subsectins of K.S.A. 66-2005.

Prepared by the Kansas Rural Independent Telephone Companies for consideration by the Senate Commerce Committee April 10, 2002