

Approved: March 31, 2006
Date

MINUTES OF THE HOUSE UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 A.M. on March 6, 2006 in Room 231-N of the Capitol.

All members were present.

Committee staff present:

Mary Galligan, Kansas Legislative Research
Dennis Hodgins, Kansas Legislative Research
Mary Torrence, Revisor's Office
Renaë Hansen, Committee Secretary

Conferees appearing before the committee:

Mary Galligan, Kansas Legislative Research
Athena Andaya, Kansas Legislative Research

Others attending:

See attached list.

Background on:

SB 350 **Regulation of telecommunications.**

Mary Galligan, Kansas Research Staff, presented background information, on **SB 350**, (Attachment 1). Included with this information was a list of terms and their definitions (Attachment 2).

Ms. Galligan also included an outline of what **SB 350** specifically attempts to change in the current climate of regulation and a map with Kansas exchange number coverage areas, (Attachment 3).

Questions were then asked by Representatives: Melody Miller, Tom Sloan, Carl Krehbiel, and Carl Holmes.

Athena Andaya, Kansas Legislative Research, (Attachment 4) spent a considerable amount of time detailing what **SB 350** would do for the state of Kansas and how this bill compares to other states that are close to the State of Kansas geographically.

Questions were asked and comments were made by Representatives: Carl Holmes, Tom Sloan, and Annie Kuether.

Proponents will be heard tomorrow on **SB 350** and opponents on Thursday.

The next meeting is scheduled for March 7, 2006.

Meeting Adjourned.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: March 6, 2006

NAME	REPRESENTING
Tom Day	KCC
Don Low	KCC
Jeff Wick	NEX-TECH
Paul Snider	ATT
David Kerr	ATT
Tim Pickering	ATT
Linda Yehon	RURAL TELEPHONE
Jim Grackner	at&t
Wade Haggood	Sprint
David Springs	Carb
Andy Swan	alltel
Anne Spoor	AT&T

66-1,187

Chapter 66.--PUBLIC UTILITIES

Article 1.--POWERS OF STATE CORPORATION COMMISSION

66-1,187. Telecommunications public utility; definitions. As used in this act:

(a) "Broadband" means the transmission of digital signals at rates equal to or greater than 1.5 megabits per second.

(b) "CLASS services" means custom local area signaling services, which include automatic callback, automatic recall, calling number identification, selective call rejection, selective call acceptance, selective call forwarding, distinctive ringing and customer originated trace.

(c) "Commission" means the state corporation commission.

(d) "Dialing parity" means that a person that is not an affiliate of a local exchange carrier is able to provide telecommunications services in such a manner that customers have the ability to route automatically, without the use of any access code, their telecommunications to the telecommunications carrier of the customer's designation from among two or more telecommunications carriers, including such local exchange carrier.

(e) "Federal act" means the federal telecommunications act of 1996, P.L. 104-104 (amending the communications act of 1934, 47 U.S.C. 151, et seq.)

(f) "ISDN" means integrated services digital network which is a network and associated technology that provides simultaneous voice and data communications over a single communications channel.

(g) "LATA" has the meaning ascribed to it in the federal act.

(h) "Local exchange carrier" means any telecommunications public utility or its successor providing switched telecommunications service within any local exchange service area, as approved by the commission on or before January 1, 1996. However, with respect to the Hill City exchange area, in which multiple carriers were certified by the commission prior to January 1, 1996, the commission's determination, subject to any court appeals, of which authorized carrier shall serve as the carrier of last resort will determine which carrier shall be deemed the local exchange carrier for that exchange.

(i) "Number portability" has the meaning ascribed to it in the federal act.

(j) "1+ intraLATA dialing parity" means the ability of a local exchange service customer to specify the telecommunications or local exchange carrier that will carry the intraLATA long distance messages when that customer dials either "1" or "0" plus a 10-digit number.

(k) "Operating area" means:

(1) In the case of a rural telephone company, operating area or service area means such company's study area or areas as approved by the federal communications commission;

(2) in the case of a local exchange carrier, other than a rural telephone company, operating area or service area means such carrier's local exchange service area or areas as approved by the commission.

(l) "Rural telephone company" has the meaning ascribed to it in the federal act, excluding any local exchange carrier which together with all of its affiliates has 20,000 or more access lines in the state.

(m) "Telecommunications carrier" means a corporation, company, individual, association of persons, their trustees, lessees or receivers that provides a telecommunications service, including, but not limited to, interexchange carriers and competitive access providers, but not including local exchange carriers certified before January 1, 1996.

(n) "Telecommunications public utility" means any public utility, as defined in K.S.A. 66-104, and amendments thereto, which owns, controls, operates or manages any equipment, plant or generating machinery, or any part thereof, for the transmission of telephone messages, as defined in K.S.A. 66-104, and amendments thereto, or the provision of telecommunications services in or throughout any part of Kansas.

(o) "Telecommunications service" means the provision of a service for the transmission of telephone messages, or two-way video or data messages.

(p) "Universal service" means telecommunications services and facilities which include: single party, two-way voice grade calling; stored program controlled switching with vertical service capability; E911 capability; tone dialing; access to operator services; access to directory assistance; and equal access to long distance services.

(q) "Enhanced universal service" means telecommunications services, in addition to those included in universal service, which shall include: Signaling system seven capability, with CLASS service capability; basic and primary rate ISDN capability, or the technological equivalent; full-fiber interconnectivity, or the technological equivalent,

between central offices; and broadband capable facilities to: All schools accredited pursuant to K.S.A. 72-1101 et seq., and amendments thereto; hospitals as defined in K.S.A. 65-425, and amendments thereto; public libraries; and state and local government facilities which request broadband services.

History: L. 1985, ch. 225, § 2; L. 1996, ch. 268, § 2; July 1.

66-2001. Telecommunications; declaration of public policy. It is hereby declared to be the public policy of the state to:

(a) Ensure that every Kansan will have access to a first class telecommunications infrastructure that provides excellent services at an affordable price;

(b) ensure that consumers throughout the state realize the benefits of competition through increased services and improved telecommunications facilities and infrastructure at reduced rates;

(c) promote consumer access to a full range of telecommunications services, including advanced telecommunications services that are comparable in urban and rural areas throughout the state;

(d) advance the development of a statewide telecommunications infrastructure that is capable of supporting applications, such as public safety, telemedicine, services for persons with special needs, distance learning, public library services, access to internet providers and others; and

(e) protect consumers of telecommunications services from fraudulent business practices and practices that are inconsistent with the public interest, convenience and necessity.

History: L. 1996, ch. 268, § 1; July 1.

66-2002. Duties of the corporation commission. The commission shall:

(a) Adopt a definition of "universal service" and "enhanced universal service," pursuant to subsections (p) and (q) of K.S.A. 66-1,187;

(b) authorize any requesting telecommunications carrier to provide local exchange or exchange access service pursuant to subsection (a) of K.S.A. 66-2003;

(c) on or before July 1, 1996, the commission shall initiate a proceeding to adopt guidelines to ensure that all telecommunications carriers and local exchange carriers

preserve and enhance universal service, protect the public safety and welfare, ensure the continued quality of telecommunications services and safeguard the rights of consumers;

(d) review, approve and ensure compliance with network infrastructure plans submitted by local exchange carriers pursuant to K.S.A. 66-2005;

(e) review, approve and ensure compliance with regulatory plans submitted by local exchange carriers pursuant to K.S.A. 66-2005;

(f) on or before January 1, 1997, establish, pursuant to K.S.A. 66-2006, the Kansas lifeline service program, hereinafter referred to as the KLSP;

(g) initiate and complete a proceeding by January 1, 1997, to establish a competitively neutral mechanism or mechanisms to fund: dual party relay services for Kansans who are speech or hearing impaired; telecommunications equipment for persons with visual impediments; and telecommunications equipment for persons with other special needs. This funding mechanism or mechanisms shall be implemented by March 1, 1997;

(h) on or before January 1, 1997, establish the Kansas universal service fund pursuant to K.S.A. 66-2008, hereinafter referred to as the KUSF, and make various determinations relating to the implementation of such fund;

(i) authorize all local exchange carriers to provide internet access as outlined in K.S.A. 66-2011 and report on the status of the implementation provisions to specified legislative committees;

(j) review the federal act and adopt additional standards and guidelines as necessary for enforcing slamming restrictions;

(k) commencing on June 1, 1997 and periodically thereafter, review and, to the extent necessary, modify the definition of universal service and enhanced universal service, and KUSF, taking into account advances in telecommunications and information technology and services;

(l) on or before January 1, 1997, initiate and complete a proceeding to establish minimum quality of service standards which will be equally applicable to all local exchange carriers and telecommunications carriers in the state; any local exchange carrier or telecommunications carrier violating such standards, for each occurrence, shall forfeit and pay a penalty of not less than \$100, nor more than \$5,000; violations of such standards shall be enforced in accordance with provisions of K.S.A. 66-138 and 66-177, and amendments thereto; and

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(m) on January 1, 2000, 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 benefits of competition; maximize the use of market forces; and promote development of the telecommunications infrastructure throughout the state. The commission also shall recommend if and how the KUSF should be modified.

History: L. 1996, ch. 268, § 3; July 1.

The statute that would be amended by SB 350 was enacted in 1996 when Kansas moved with the rest of the country toward a deregulated telecommunication services marketplace. The 1996 act set up a "transition" from a tightly regulated monopoly phone services market to one in which telephone companies compete with one another under a significantly lighter regulatory structure.

A few concepts of telecommunication service are considered key to the rationale for continued regulation. The opening section of the 1996 Kansas act set out a number of public policy goals that can be summarized as promoting consumer access to a full range of telecommunications services, including advanced telecommunications services, that are comparable in urban and rural areas throughout the state, advancing development of infrastructure capable of supporting public safety, telemedicine, distance learning, access to the Internet, and similar services; and promoting protection of consumers from fraudulent business practices. A guiding principle in achieving those goals is provision of universal service. In the context of telephone service regulation, universal service is the public policy goal of having quality telephone service available to as many people as possible. Both the state and federal acts of 1996 recognized quality of service as a legitimate focus of public policy.

In the Federal Communications Act of 1934, Congress established the goal of universal service to, "make available, so far as possible, to all the people of the United States a rapid, nation-wide, and world-wide wire and radio communications service with adequate facilities at reasonable charges." The 1996 amendments to that act, which created the federal legal environment in which telecommunication services are currently operated, expanded the concept of universal service to encompass the technological environment of the time. The 1996 federal act established the following universal service principles: (1) quality services should be available at just, reasonable and affordable rates; (2) access to advanced telecommunications and information services should be provided in all regions of the nation; (3) consumers in all regions, including low-income and rural, high cost areas, should have access to telecommunications services that are reasonably comparable to service provided in urban areas and at rates that are reasonably comparable for similar services in urban areas; (4) all telecommunication service providers should make an equitable and non-discriminatory contribution to the preservation and enhancement of universal service; (5) there should be specific, predictable and sufficient federal and state mechanisms to preserve and enhance universal service; and (6) elementary and secondary schools, health care providers and libraries should have access to advanced services. You hear the parallels between these federal principles and the public policy declarations in the Kansas law (K.S.A. 66-2001)

The 1996 Kansas law refers to universal service capabilities which are defined as "telecommunications services and facilities which include: single party, two-way voice grade calling; stored program controlled switching with vertical service capability; E911 capability; tone dialing; access to operator services; access to directory assistance; and equal access to long distance services." The Kansas law also refers to "enhanced universal service capabilities", which were to be in place by July 1, 2003 as part of universal service protection. Those services are defined in Kansas law to include higher speed services and services capable of transmitting data as well as voice signals. The Kansas law specifically includes in the definition of enhanced universal service the provision of ". . . broadband capable facilities to: All schools accredited [under Kansas law]; hospitals [and ambulatory surgical centers as defined by state law]; public libraries; and state and local government facilities which request broadband services." (K.S.A. 66-1,187(p) and (q))."

SENATE BILL No. 350

By Committee on Utilities

1-11

10 AN ACT relating to telecommunications; concerning regulation thereof;
11 amending K.S.A. 2005 Supp. 66-2005 and repealing the existing
12 section.
13

14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. K.S.A. 2005 Supp. 66-2005 is hereby amended to read as
16 follows: 66-2005. (a) Each local exchange carrier shall file a network in-
17 frastructure plan with the commission on or after January 1, 1997, and
18 prior to January 1, 1998. Each plan, as a part of universal service protec-
19 tion, shall include schedules, which shall be approved by the commission,
20 for deployment of universal service capabilities by July 1, 1998, and the
21 deployment of enhanced universal service capabilities by July 1, 2003, as
22 defined pursuant to subsections (p) and (q) of K.S.A. 66-1,187, and
23 amendments thereto, respectively. With respect to enhanced universal
24 service, such schedules shall provide for deployment of ISDN, or its tech-
25 nological equivalent, or broadband facilities, only upon a firm customer
26 order for such service, or for deployment of other enhanced universal
27 services by a local exchange carrier. After receipt of such an order and
28 upon completion of a deployment plan designed to meet the firm order
29 or otherwise provide for the deployment of enhanced universal service,
30 a local exchange carrier shall notify the commission. The commission shall
31 approve the plan unless the commission determines that the proposed
32 deployment plan is unnecessary, inappropriate, or not cost effective, or
33 would create an unreasonable or excessive demand on the KUSF. The
34 commission shall take action within 90 days. If the commission fails to
35 take action within 90 days, the deployment plan shall be deemed ap-
36 proved. This approval process shall continue until July 1, 2000. Each plan
37 shall demonstrate the capability of the local exchange carrier to comply
38 on an ongoing basis with quality of service standards to be adopted by
39 the commission no later than January 1, 1997.

40 (b) In order to protect universal service, facilitate the transition to
41 competitive markets and stimulate the construction of an advanced tel-
42 ecommunications infrastructure, each local exchange carrier shall file a
43 regulatory reform plan at the same time as it files the network infrastruc-

The 1996 Kansas Act outlined a number of tasks for the Corporation Commission in regard to approving plans developed by local exchange carriers for preserving universal services. "Local exchange carriers" (LECs) are defined by the act to be those KCC-approved telephone companies, or their successors, that were providing switched telecommunication service in a local exchange area, on or before January 1, 1996.

Among those duties was approval of network infrastructure plans for deployment of enhanced universal services in order to ensure that the proposed new service deployment was necessary, appropriate, and cost effective. The KCC's approval of those plans also was to protect the Kansas Universal Service Fund. As soon as the Act became effective, the Commission was required to begin the process of developing guidelines " . . . to ensure that all telecommunications carriers and local exchange carriers preserve and enhance universal service, protect the public safety and welfare, ensure the continued quality of telecommunications services and safeguard the rights of consumers;" (K.S.A. 66-2002(c)).

The Commission also was charged with developing quality of service standards for telephone services by the start of 1997.

Along with the infrastructure plans, phone companies were required to file "regulatory reform plans" in which they were to elect to continue to be regulated by the Commission under the traditional rate of return approach or to go to "price cap" regulation.

1 ture plan required in subsection (a). As part of its regulatory reform plan,
 2 a local exchange carrier may elect traditional rate of return regulation or
 3 price cap regulation. Carriers that elect price cap regulation shall be ex-
 4 empt from rate base, rate of return and earnings regulation. However,
 5 the commission may resume such regulation upon finding, after a hearing,
 6 that a carrier that is subject to price cap regulation has: violated minimum
 7 quality of service standards pursuant to subsection (l) of K.S.A. 66-2002,
 8 and amendments thereto; been given reasonable notice and an oppor-
 9 tunity to correct the violation; and failed to do so. Regulatory reform plans
 10 also shall include:

11 (1) A commitment to provide existing and newly ordered point-to-
 12 point broadband services to: Any hospital as defined in K.S.A. 65-425,
 13 and amendments thereto; any school accredited pursuant to K.S.A. 72-
 14 1101 et seq., and amendments thereto; any public library; or other state
 15 and local government facilities at discounted prices close to, but not be-
 16 low, long-run incremental cost; and

17 (2) a commitment to provide basic rate ISDN service, or the tech-
 18 nological equivalent, at prices which are uniform throughout the carrier's
 19 service area. Local exchange carriers shall not be required to allow retail
 20 customers purchasing the foregoing discounted services to resell those
 21 services to other categories of customers. Telecommunications carriers
 22 may purchase basic rate ISDN services, or the technological equivalent,
 23 for resale in accordance with K.S.A. 66-2003, and amendments thereto.
 24 The commission may reduce prices charged for services outlined in pro-
 25 visions (1) and (2) of this subsection, if the commitments of the local
 26 exchange carrier set forth in those provisions are not being kept.

27 (c) Subject to the commission's approval, all local exchange carriers
 28 shall reduce intrastate access charges to interstate levels as provided
 29 herein. Rates for intrastate switched access, and the imputed access por-
 30 tion of toll, shall be reduced over a three-year period with the objective
 31 of equalizing interstate and intrastate rates in a revenue neutral, specific
 32 and predictable manner. The commission is authorized to rebalance local
 33 residential and business service rates to offset the intrastate access and
 34 toll charge reductions. Any remaining portion of the reduction in access
 35 and toll charges not recovered through local residential and business serv-
 36 ice rates shall be paid out from the KUSF pursuant to K.S.A. 66-2008,
 37 and amendments thereto. Each rural telephone company shall adjust its
 38 intrastate switched access rates on March 1 of each odd-numbered year
 39 to match its interstate switched access rates, subject to the following:

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

43 (2) any portion of rural telephone company reductions in intrastate

Price cap regulated companies are exempt from rate base, rate of return and earnings regulation. Price cap regulated companies must meet minimum quality of service standards. If those standards are not met, the KCC may impose fines ranging from \$100 to \$5,000. In addition to being fined, a company that fails to meet minimum quality of service standards may be subject again to traditional economic regulation.

Currently, two LECs in Kansas, ATT (until recently, SBC) and Sprint are regulated under the price cap regimen.

Companies were required to include in their regulatory reform plans commitments to provide broadband services to hospitals and accredited schools as defined in state law, to public libraries, and to state and local government facilities at discounted prices that are close to, but not less than, cost.

Interstate and intra state access charges were to be equalized, *i.e.*, "rebalanced" within three years. Rate rebalancing is the adjustment of rates charged for different telephone services, in this instance, local and long distance access charges. The state law established a mechanism by which revenue in the Kansas Universal Service Fund is used to offset revenue declines that result from rebalancing. The goal of rebalancing is ensure that rates charged more closely reflect the cost of providing the service in question. The telecommunication industry had been going through rate rebalancing in some form or another since 1982. That exercise resulted in lower domestic long-distance rates as cross-subsidies to local service were removed from long distance tolls.

A specific mechanism for allocating KUSF funds to rural phone companies was established in the act. A "rural telephone company" under Kansas law is a company that was under KCC regulation as a local service provider when the law became effective, and that has fewer than 20,000 access lines in the state, including those served by all affiliates.

1 switched access rates which would result in an increase in KUSF recovery
2 in a single year which exceeds .75% of intrastate retail revenues used in
3 determining sums which may be recovered from Kansas telecommuni-
4 cations customers pursuant to subsection (a) of K.S.A. 66-2008, and
5 amendments thereto, shall be deferred until March 1 of the next following
6 odd-numbered year; and

7 (3) no rural company shall be required at any time to reduce its in-
8 trastate switched access rates below the level of its interstate switched
9 access rates.

10 (d) Beginning March 1, 1997, each rural telephone company shall
11 have the authority to increase annually its monthly basic local residential
12 and business service rates by an amount not to exceed \$1 in each 12-
13 month period until such monthly rates reach an amount equal to the
14 statewide rural telephone company average rates for such services. The
15 statewide rural telephone company average rates shall be the arithmetic
16 mean of the lowest flat rate as of March 1, 1996, for local residential
17 service and for local business service offered by each rural telephone
18 company within the state. In the case of a rural telephone company which
19 increases its local residential service rate or its local business service rate,
20 or both, to reach the statewide rural telephone company average rate for
21 such services, the amount paid to the company from the KUSF shall be
22 reduced by an amount equal to the additional revenue received by such
23 company through such rate increase. In the case of a rural telephone
24 company which elects to maintain a local residential service rate or a local
25 business service rate, or both, below the statewide rural telephone com-
26 pany average, the amount paid to the company from the KUSF shall be
27 reduced by an amount equal to the difference between the revenue the
28 company could receive if it elected to increase such rate to the average
29 rate and the revenue received by the company.

30 (e) For purposes of determining sufficient KUSF support, an afford-
31 able rate for local exchange service provided by a rural telephone com-
32 pany subject to traditional rate of return regulation shall be determined
33 as follows:

34 (1) For residential service, an affordable rate shall be the arithmetic
35 mean of residential local service rates charged in this state in all exchanges
36 served by rural telephone companies and in all exchanges in rate groups
37 1 through 3 as of February 20, 2002, of all other local exchange carriers,
38 weighted by the number of residential access lines to which each such
39 rate applies, and thereafter rounded to the nearest quarter-dollar, subject
40 to the following provisions:

41 (A) If a rural telephone company's present residential rate, including
42 any separate charge for tone dialing, is at or above such weighted mean,
43 such rate shall be deemed affordable prior to March 1, 2007.

Rural telephone companies adjust their rates annually and had to meet particular
deadlines for having retail rates at the state average for the service in question.

Provisions of the act found on pages 3 and 4 of the bill address the manner used by
rural telephone companies for setting their rates. Those provisions are directly
connected to the public policy goal of universal, affordable access.

1 (B) If a rural telephone company's present residential rate, including
2 any separate charge for tone dialing, is below such average: (i) Such rate
3 shall be deemed affordable prior to March 1, 2003; (ii) as of March 1,
4 2003, and prior to March 1, 2004, a rate \$2 higher than the company's
5 present residential monthly rate, but not exceeding such weighted mean,
6 shall be deemed affordable; (iii) as of March 1, 2004, and prior to March
7 1, 2005, a rate \$4 higher than the company's present residential monthly
8 rate, but not exceeding such weighted mean, shall be deemed affordable;
9 and (iv) as of March 1, 2005, and prior to March 1, 2006, a rate \$6 higher
10 than the company's present residential monthly rate, but not exceeding
11 such weighted mean, shall be deemed affordable.

12 (C) As of March 1, 2007, and each two years thereafter, an affordable
13 residential service rate shall be the weighted arithmetic mean of local
14 service rates determined as of October 1 of the preceding year in the
15 manner hereinbefore specified, except that any increase in such mean
16 exceeding \$2 may be satisfied by increases in a rural telephone company's
17 residential monthly service rate not exceeding \$2 per year, effective
18 March 1 of the year when such mean is determined, with the remainder
19 applied at the rate of \$2 per year, but not to exceed the affordable rate.

20 (2) For single line business service at any time, an affordable rate
21 shall be the existing rate or an amount \$3 greater than the affordable rate
22 for residential service as determined under provision (1) of this subsec-
23 tion, whichever is higher, except that any increase in the business service
24 affordable rate exceeding \$2 may be satisfied by increases in a rural tel-
25 ephone company's business monthly service rate not exceeding \$2 per
26 year, effective March 1 of the year when such rate is determined, with
27 the remainder applied at the rate of \$2 per year, but not to exceed the
28 affordable rate.

29 (3) Any flat fee or charge imposed per line on all residential service
30 or single line business service, or both, other than a fee or charge for
31 contribution to the KUSF or imposed by other governmental authority,
32 shall be added to the basic service rate for purposes of determining an
33 affordable rate pursuant to this subsection.

34 (4) Not later than March 1, 2003, tone dialing shall be made available
35 to all local service customers of each rural telephone company at no
36 charge additional to any increase in the local service rate to become ef-
37 fective on that date. The amount of revenue received as of March 1, 2002,
38 by a rural telephone company from the provision of tone dialing service
39 shall be excluded from reductions in the company's KUSF support oth-
40 erwise resulting pursuant to this subsection.

41 (5) A rural telephone company which raises one or more local service
42 rates on application made after February 20, 2002, and pursuant to sub-
43 section (b) of K.S.A. 66-2007, and amendments thereto, shall have the

1 level of its affordable rate increased by an amount equal to the amount
2 of the increase in such rate.

3 (6) Upon motion by a rural telephone company, the commission may
4 determine a higher affordable local residential or business rate for such
5 company if such higher rate allows the company to provide additional or
6 improved service to customers, but any increase in a rural telephone
7 company's local rate attributable to the provision of increased calling
8 scope shall not be included in any subsequent recalculation of affordable
9 rates as otherwise provided in this subsection.

10 (7) A uniform rate for residential and single line business local service
11 adopted by a rural telephone company shall be deemed an affordable rate
12 for purposes of this subsection if application of such uniform rate gen-
13 erates revenue equal to that which would be generated by application of
14 residential and business rates which are otherwise deemed affordable
15 rates for such company under this subsection.

16 (8) The provisions of this subsection relating to the implementation
17 of an affordable rate shall not apply to rural telephone companies which
18 do not receive KUSF support. When recalculating affordable rates as
19 provided in this subsection, the rates used shall include the actual rates
20 charged by rural companies that do not receive KUSF support.

21 (f) For regulatory reform plans in which price cap regulation has been
22 elected, price cap plans shall have three baskets: Residential and single-
23 line business, including touch-tone; switched access services; and miscel-
24 laneous services. The commission shall establish price caps at the prices
25 existing when the regulatory plan is filed subject to rate rebalancing as
26 provided in subsection (c) for residential services, including touch-tone
27 services, and for single-line business services, including touch-tone serv-
28 ices, within the residential and single-line business service basket. The
29 commission shall establish a formula for adjustments to the price caps.
30 The commission also shall establish price caps at the prices existing when
31 the regulatory plan is filed for the miscellaneous services basket. The
32 commission shall approve any adjustments to the price caps for the mis-
33 cellaneous service basket, as provided in subsection (g).

34 (g) On or before January 1, 1997, the commission shall issue a final
35 order in a proceeding to determine the price cap adjustment formula that
36 shall apply to the price caps for the local residential and single-line busi-
37 ness and the miscellaneous services baskets and for sub-categories, if any,
38 within those baskets. In determining this formula, the commission shall
39 balance the public policy goals of encouraging efficiency and promoting
40 investment in a quality, advanced telecommunications network in the
41 state. The commission also shall establish any informational filing require-
42 ments necessary for the review of any price cap tariff filings, including
43 price increases or decreases within the caps, to verify such caps would

Provisions regarding the regulatory reform plans of companies that elected price cap regulation established a generalized approach to setting prices for services. That approach involved defining three "baskets" that contain different services. Those three baskets are: residential and single-line business services, including touch-tone dialing in "basket 1"; switched access services in "basket 2"; and miscellaneous services in "basket 3." Basket 3 includes multiline business service access lines, other access lines for large business (Plexar, Digiline, etc), and call management features for both residential and business subscribers (call waiting, caller ID, etc).

The law required the KCC to establish price caps for those baskets of services at the prices that existed when the new regulatory plan was filed by the companies. The KCC was required to develop formulae for adjusting the price caps.

In its price cap adjustment formulae, the KCC must balance the policy goals of encouraging efficiency and promoting investment in a quality, advanced telecommunication network. The law requires the Commission to review price increases or decreases within the established caps to ensure that the caps are not exceeded. Thus, price caps are ceilings below which companies establish prices for services. The Commission is required to review its formulae every five year, but is specifically not to review prices.

1 not be exceeded by any proposed price change. The adjustment formula
 2 shall apply to the price caps for the local residential and single-line busi-
 3 ness basket after December 31, 1999, and to the miscellaneous services
 4 basket after December 31, 1997. The price cap formula, but not actual
 5 prices, shall be reviewed every five years.

6 (h) The price caps for the residential and single-line business service
 7 basket shall be capped at their initial level until January 1, 2000, except
 8 for any increases authorized as a part of the revenue neutral rate rebal-
 9 ancing under subsection (c). The price caps for this basket and for the
 10 categories in this basket, if any, shall be adjusted annually after December
 11 31, 1999, based on the formula determined by the commission under
 12 subsection (g).

13 (i) The price cap for the switched access service basket shall be set
 14 based upon the local exchange carrier's intrastate access tariffs as of Jan-
 15 uary 1, 1997, except for any revenue neutral rate rebalancing authorized
 16 in accordance with subsection (c). Thereafter, the cap for this basket shall
 17 not change except in connection with any subsequent revenue neutral
 18 rebalancing authorized by the commission under subsection (c).

19 (j) The price caps for the miscellaneous services basket shall be ad-
 20 justed annually after December 31, 1997, based on the adjustment for-
 21 mula determined by the commission under subsection (g).

22 (k) A price cap is a maximum price for all services taken as a whole
 23 in a given basket. Prices for individual services may be changed within
 24 the service categories, if any, established by the commission within a
 25 basket. An entire service category, if any, within the residential and single-
 26 line business basket or miscellaneous services basket may be priced below
 27 the cap for such category. Unless otherwise approved by the commission,
 28 no service shall be priced below the price floor which will be long-run
 29 incremental cost and imputed access charges. Access charges equal to
 30 those paid by telecommunications carriers to local exchange carriers shall
 31 be imputed as part of the price floor for toll services offered by local
 32 exchange carriers on a toll service basis.

33 (l) A local exchange carrier may offer promotions within an exchange or
 34 group of exchanges. All promotions shall be approved by the commis-
 35 sion and may not be unjust, unreasonably discriminatory or unduly
 36 preferential.

37 (m) Unless the commission authorizes price deregulation at an earlier
 38 date, intrastate toll services within the miscellaneous services basket shall
 39 continue to be regulated until the affected local exchange carrier begins
 40 to offer 1+ intraLATA dialing parity throughout its service territory, at
 41 which time intrastate toll will be price deregulated, except that prices
 42 cannot be set below the price floor.

43 (n) On or before July 1, 1997, the commission shall establish guide-

Price caps for residential and single-line business services (basket 1) and miscellaneous services (basket 3) are adjusted annually based on the Commission's formulae.

The only allowable change in the price cap for switched access services is in connection with rebalancing intra- and interstate rates in a revenue neutral manner.

As mentioned earlier, a price cap is a maximum price. It is based on all services, taken as a whole, in a given basket. Individual service prices may be changed and may be priced below the cap, but not below the floor set at "long-run incremental costs and imputed access charges" attributable to the service. In general, long run incremental costs include those changing costs that a company can foresee as applied to production of an additional unit of service. For example, raw materials price increases, rent increases, and expansion and maintenance costs.

Local exchange carriers may offer KCC-approved promotions within an exchange or group of exchanges, as long as those promotions are just and not unreasonably discriminatory or unduly preferential. This subsection was amended last year by a bill requested by SBC and supported by Sprint. The 2005 bill repealed a provision requiring that promotions offered by a local exchange carrier must apply to all customers in an exchange or group of exchanges in a nondiscriminatory manner.

1 lines for reducing regulation prior to price deregulation of price cap reg-
 2 ulated services in the miscellaneous services basket, the switched access
 3 services basket, and the residential and single-line business basket.

4 (o) Subsequent to the adoption of guidelines pursuant to subsection
 5 (n), the commission shall initiate a petitioning procedure under which the
 6 local exchange carrier may request rate range pricing. The commission
 7 shall act upon a petition within 21 days, subject to a 30-day ~~suspension~~
 8 ~~extension~~. The prices within a rate range shall be tarified and shall apply
 9 to all customers in a nondiscriminatory manner in an exchange or group
 10 of exchanges.

11 (p) A local exchange carrier may petition the commission to designate
 12 an individual service or service category, if any, within the miscellaneous
 13 services basket, the switched access services basket or the residential and
 14 single-line business basket for reduced regulation. The commission shall
 15 act upon a petition for reduced regulation within 21 days, subject to a
 16 ~~suspension~~ ~~an extension~~ period of an additional 30 days, and upon a good
 17 cause showing of the commission in the ~~suspension~~ ~~extension~~ order, or
 18 within such shorter time as the commission shall approve. The commis-
 19 sion shall issue a final order within the 21-day period or within a 51-day
 20 period if a ~~suspension~~ ~~an extension~~ has been issued. Following an order
 21 granting reduced regulation of an individual service or service category,
 22 the commission shall act on any request for price reductions within seven
 23 days subject to a 30-day ~~suspension~~ ~~extension~~. The commission shall act
 24 on other requests for price cap adjustments, adjustments within price cap
 25 plans and on new service offerings within 21 days subject to a 30-day
 26 ~~suspension~~ ~~extension~~. Such a change will be presumed lawful unless it is
 27 determined the prices are below the price floor or that the price cap for
 28 a category, if any, within the entire basket has been exceeded.

29 ~~(q) The commission may price deregulate within an exchange area,~~
 30 ~~or at its discretion on a statewide basis, any individual service or service~~
 31 ~~category upon a finding by the commission that there is a telecommuni-~~
 32 ~~cations carrier or an alternative provider providing a comparable product~~
 33 ~~or service, considering both function and price, in that exchange area.~~
 34 ~~The commission shall act upon a petition for price deregulation within~~
 35 ~~21 days, subject to a suspension an [extension] period of an additional 30~~
 36 ~~days, and upon a good cause showing of the commission in the suspension~~
 37 ~~[extension] order, or within such shorter time as the commission shall~~
 38 ~~approve, provided that no such petition shall be filed prior to July 1997,~~
 39 ~~unless the commission otherwise authorizes. The commission shall issue~~
 40 ~~a final order within the 21-day period or within a 51-day period if a sus-~~
 41 ~~pension [extension] has been issued.~~

42 (q) (1) *Beginning July 1, 2006, price regulation of telecommunica-*
 43 *tions services in the residential and single-line business service basket and*

Amendatory language on lines 7-28 is technical.

LECs may currently petition the Commission for rate range pricing as an interim step prior to price deregulation. The Commission must act on those petitions within a maximum of 51 days.

LECs also may currently petition the KCC to designate an individual service or category of services for reduced regulation. The Commission would have to act on such a petition within 51 days. After reduced regulation of a service or service category has been approved, the Commission must act on any request for price reductions within a maximum of 37 days, including a 30 day extension. The Commission must act on requests for price cap adjustments, adjustments within price cap plans on on new services within a maximum of 51 days. Under current law those adjustments are presumed to be legal unless they are below the price floor or over the price cap.

The bill would repeal a subsection that authorizes the Commission to price deregulate an individual service or service category in an exchange or statewide, if it finds that there is a competitor selling a comparable product or service, considering both function and price. The Commission has a total of 51 days, 21 days initially with the possibility of a 30 day extension, to make a decision regarding price deregulation. The language of the statute makes the existence of competition a question of fact to be determined by the KCC in an evidentiary proceeding in which interested parties may participate.

A new subsection would be enacted that would change the regulatory regimen for baskets 1 and 3 by removing the KCC's role in determining the existence of competition in certain circumstances.

1 the miscellaneous services basket for local exchange carriers subject to
2 price cap regulation shall be as follows:

3 (A) Packages or bundles of services shall be price deregulated state-
4 wide, however the individual telecommunication service components of
5 such packages or bundles shall remain available for purchase on an in-
6 dividual basis at prices subject to price cap regulation in any exchange in
7 which the standards in subsections (q)(1)(B), (C) or (D) have not been
8 met. **If standards in subsection (q)(1)(B), (C) or (D) have been met,**
9 **prices for packages or bundles shall not exceed the sum of the high-**
10 **est prices of the ala carte components of the package or bundle;**

11 (B) in any exchange in which there are 75,000 or more local exchange
12 access lines served by all providers, rates for all telecommunications serv-
13 ices shall be price deregulated;

14 (C) in any exchange in which there are fewer than 75,000 local
15 exchange access lines served by all providers, the commission shall price
16 deregulate all business telecommunication services upon a demonstration
17 by the requesting local telecommunications carrier that there are two or
18 more nonaffiliated telecommunications carriers or other entities, **one of**
19 **which must be a facilities based carrier or entity**, providing local
20 telecommunications service to business customers, regardless of whether
21 the entity provides local service in conjunction with other services in that
22 exchange area, no more than one of which may be a nonaffiliated radio
23 communication services provider licensed by the federal communications
24 commission to provide commercial mobile radio services in that exchange;

25 (D) in any exchange in which there are fewer than 75,000 local
26 exchange access lines served by all providers, the commission shall price
27 deregulate all residential telecommunication services upon a demonstra-
28 tion by the requesting local telecommunications carrier that there are two
29 or more nonaffiliated telecommunications carriers or other entities, **one**
30 **of which must be a facilities based carrier or entity**, providing local
31 telecommunications service to residential customers, regardless of
32 whether the entity provides local service in conjunction with other services
33 in that exchange area, ~~using, in whole or in part, facilities in which it or~~
34 ~~one of its affiliates has an ownership interest~~, no more than one of which
35 may be a nonaffiliated radio communication services provider licensed by
36 the federal communications commission to provide commercial mobile
37 radio services in that exchange;

38 (E) rates for lifeline services shall remain subject to price cap
39 regulation;

40 (F) rates for the initial residential local exchange access line and
41 up to four business local exchange access lines at one location shall
42 remain subject to price cap regulation; and

43 (G) local exchange carriers shall offer a uniform price through-

Packages or bundles (bundles) of services would be price deregulated state-wide. (See definition of bundles, pg. 10) With three exceptions: 1) lifeline services (In 38-39), 2) the initial local access line for residences, and 3) up to four business lines at a single location (In.40-42), individual components of service bundles would be price deregulated in any exchange where 75,000 or more local exchange lines are served by all providers (In 11-13). Currently, only the Kansas City, Topeka, and Wichita exchanges have more than 75,000 local lines.

The deregulated price for services would have to be uniform throughout each exchange in which it is offered (beginning on In 43). Deregulated prices of individual services included in a bundle could not exceed the sum of the highest price of the individual components of the bundle In.8-10).

Note: The bill would not affect areas served by rate of return regulated companies. SBC and Sprint cannot serve in those areas unless they formed a CLEC and applied to the Commission to waive the rural exemption from providing interconnection to competitors.

Individual services comprising deregulated bundles would continue to be subject to price cap regulation in exchanges where fewer than 75,000 local access lines are served by all providers unless two or more non-affiliated companies provide local service (Ins 14-38). Of those competitors, one would have to be facilities-based, and only one of the two could be a wireless carrier. (The bill would define "facilities based carrier" to be a telecommunications carrier or entity providing local telephone service either wholly or partially over its own network. The term specifically would not include wireless providers.) Services that require use of an unaffiliated third party Internet network and carriers that only offer prepaid phone service would not be considered competitors for purposes of meeting the deregulation threshold.

The bill would require SBC or Sprint to demonstrate to the KCC that the required number and type of competitive companies is present in the exchange area. The Commission would have a maximum of 51 days to determine whether the company had demonstrated that the required conditions exist for deregulation.

Subsection (r) of the statute (pg. 10, In. 35) would be amended to limit the KCC's authority to investigate a deregulated service and to resume price regulation. Under the bill, that authority would only apply to business and residential services in exchanges with fewer than 75,000 local access lines. Reregulation would be the outcome if the Commission found that the area no longer met the conditions described in paragraphs C and D. The only other basis for resuming price cap regulation would be failure to meet quality of service standards (pg. 9, In. 29).

1 **out each such exchange for services subject to price deregulation,**
 2 **under this subsection, including packages or bundles of services.**

3 (2) For the purposes of this subsection:

4 (A) Any entity providing voice service shall be considered as a local
 5 telecommunications service provider regardless of whether such entity is
 6 subject to regulation by the commission;

7 (B) a provider of local telecommunications service that requires the
 8 use of a third party, unaffiliated broadband network or dial-up internet
 9 network for the origination of local voice service shall not be considered
 10 a local telecommunications service provider;

11 (C) telecommunications carriers offering only prepaid telecommuni-
 12 cations service shall not be considered entities providing local telecom-
 13 munications service.

14 (3) If the services of a local exchange carrier are classified as price
 15 deregulated under this subsection, the carrier may thereafter adjust its
 16 rates for such price deregulated services upward or downward as it de-
 17 termines appropriate in its competitive environment, with tariffs for such
 18 services deemed effective upon filing with the commission. **Price dereg-**
 19 **ulated services shall be subject to the price floor in subsection (k),**
 20 **and shall not be unreasonably discriminatory or unduly preferen-**
 21 **tial within an exchange.**

22 (4) The commission shall act upon a petition filed pursuant to sub-
 23 sections (q)(1)(B), (C) or (D) within 21 days, subject to an extension pe-
 24 riod of an additional 30 days, and upon a good cause showing of the
 25 commission in the extension order, or within such shorter time as the
 26 commission shall approve. The commission shall issue a final order within
 27 the 21-day period or within a 51-day period if an extension order has
 28 been issued.

29 (5) The commission may resume price cap regulation of a local
 30 exchange carrier, deregulated under this subsection upon finding,
 31 after a hearing, that such carrier has: Violated minimum quality of
 32 service standards pursuant to subsection (1) of K.S.A. 66-2002, and
 33 amendments thereto; been given reasonable notice and an oppor-
 34 tunity to correct the violation; and failed to do so.

35 (6) Prior to January 1, 2007, the commission shall determine
 36 the weighted, statewide average rate of nonwireless basic local tel-
 37 ecommunications service as of July 1, 2006. Prior to January 1,
 38 2009, and every three years thereafter, the commission shall deter-
 39 mine the weighted, average rate of nonwireless basic local telecom-
 40 munications services in exchanges that have been price deregulated
 41 pursuant to subsection (q)(1)(B), (C) or (D). The commission shall
 42 report its findings on or before February 1, 2009, and every three
 43 years thereafter to the governor and to the legislature. If the com-

("broadband network" means a connection that delivers services at speeds exceeding two hundred kilobits per second in at least one direction; For other purposes in existing law, "broadband" is transmission of digital signals at a minimum rate of 1.5 megabits per second.)

Companies could raise or lower deregulated service prices at the company's discretion, subject to the price floor set in subsection k, and to requirements that deregulated prices could not be unreasonably discriminatory or unduly preferential within an exchange. Tariffs for those services would be effective when filed with the KCC.

The Commission would be required to act on a request for deregulation within a maximum of 51 days. Note that the paragraph refers to a petition being filed pursuant to subsection q(1)(B), but the latter subsection does not require Commission action on a petition.

1 *mission finds that the weighted, average rate of nonwireless basic*
 2 *local telecommunications service, in exchanges that have been price*
 3 *deregulated pursuant to subsection (q)(1)(B), (C) or (D) in any*
 4 *three year period is greater than the weighted, statewide average*
 5 *rate of nonwireless basic local telecommunications service as of July*
 6 *1, 2006, multiplied by one plus the percentage increase in the con-*
 7 *sumer price index for goods and services for the study periods, the*
 8 *commission shall recommend to the governor and the legislature*
 9 *such changes in state law as the commission deems appropriate.*

10 ~~(5)~~ (7) For the purposes of this subsection:

11 (A) "Packages or bundles of services" means the offering of a local
 12 telecommunications service with one or more of the following, subscribed
 13 together, as one service option offered at one price, one or more call man-
 14 agement services, ~~intraLATA long distance service, interLATA long dis-~~
 15 ~~tance service, internet access, video services or wireless services. Pack-~~
 16 ~~ages or bundles of services shall not include intraLATA and~~
 17 ~~interLATA long distance service;~~

18 (B) "local telecommunications service" means two-way voice service
 19 capable of being originated and terminated within the exchange of the
 20 local exchange telecommunications company seeking price deregulation
 21 of its services, regardless of the technology used to provision the voice
 22 service;

23 (C) "broadband network" means a connection that delivers services
 24 at speeds exceeding two hundred kilobits per second in at least one direc-
 25 tion; ~~and~~

26 (D) "prepaid telecommunications service" means a local service for
 27 which payment is made in advance that excludes access to operator as-
 28 sistance and long distance service; ~~and~~

29 (E) "facilities based carrier" means a telecommunications car-
 30 rier or entity providing local telephone service either wholly or par-
 31 tially over its own network. Facilities based carrier shall not include
 32 any radio communication services provider licensed by the federal
 33 communications commission to provide commercial mobile radio
 34 services.

35 (r) Upon complaint or request, the commission may investigate a
 36 price deregulated service. The commission shall resume price regulation
 37 of a service provided in any exchange area by placing it in the appropriate
 38 service basket, as approved by the commission, upon a determination by
 39 the commission that ~~there is no longer a telecommunications carrier or~~
 40 ~~alternative provider providing a comparable product or service, consid-~~
 41 ~~ering both function and price, the conditions in subsections (q)(1) (C) or~~
 42 ~~(D) are no longer satisfied in that exchange area.~~

43 (s) The commission shall require that for all local exchange carriers

Beginning in 2009, and every subsequent three years, the Commission would be required to report the findings of a rate study. That study would compare the average rate of local wireline basic services in exchanges where bundle components have been price deregulated to the average rate of those services on July 1, 2006, as inflated by the percentage increase in the consumer price index for the study periods. If the study period rate exceeds the baseline average, as adjusted for inflation, the Commission would be required to recommend to the Governor and the Legislature any changes in law that the Commission determines to be appropriate. The Commission's reports would have to be made by February 1, 2009, and every subsequent third year. The baseline for those studies would be determined by the Commission prior to January 1, 2007.

The bill would define some terms only as used in subsection q:

"Packages or bundles of services" would be the offering of a local, two-way voice service, regardless of the technology used, along with one or more call management services (caller ID, call forwarding, for example), Internet access, video services or wireless services. In order to be a package or bundle, the services would have to be subscribed together as a single service option at one price. Long distance services specifically could not be considered part of a package or bundle that would be deregulated under the bill. (LATA is the acronym for Local Access and Transport Area. Kansas has three LATAs: Wichita -- 316 and 620 area codes; Topeka 785 area code; Kansas City -- 913, 816, and 660 area codes. See the map.) IntraLATA refers to a telephone call or circuit which does not cross a LATA boundary. IntraLATA communications require the use of an LEC, but not an IXC (InterExchange Carrier.) IntraLATA telephone calls can still be long-distance calls.

The remainder of the bill is existing law.

1 all such price deregulated basic intraLATA toll services be geographically
 2 averaged statewide and not be priced below the price floor established
 3 in subsection (k).

4 (t) Cost studies to determine price floors shall be performed as re-
 5 quired by the commission in response to complaints. In addition, not-
 6 withstanding the exemption in subsection (b), the commission may re-
 7 quest information necessary to execute any of its obligations under the
 8 act.

9 (u) A local exchange carrier may petition for individual customer pric-
 10 ing. The commission shall respond expeditiously to the petition within a
 11 period of not more than 30 days subject to a 30-day ~~suspension~~ extension.

12 (v) No audit, earnings review or rate case shall be performed with
 13 reference to the initial prices filed as required herein.

14 (w) Telecommunications carriers shall not be subject to price regu-
 15 lation, except that: Access charge reductions shall be passed through to
 16 consumers by reductions in basic intrastate toll prices; and basic toll prices
 17 shall remain geographically averaged statewide. As required under K.S.A.
 18 66-131, and amendments thereto, and except as provided for in subsec-
 19 tion (c) of K.S.A. 66-2004, and amendments thereto, telecommunications
 20 carriers that were not authorized to provide switched local exchange tel-
 21 ecommunications services in this state as of July 1, 1996, including cable
 22 television operators who have not previously offered telecommunications
 23 services, must receive a certificate of convenience based upon a dem-
 24 onstration of technical, managerial and financial viability and the ability
 25 to meet quality of service standards established by the commission. Any
 26 telecommunications carrier or other entity seeking such certificate shall
 27 file a statement, which shall be subject to the commission's approval,
 28 specifying with particularity the areas in which it will offer service, the
 29 manner in which it will provide the service in such areas and whether it
 30 will serve both business customers and residential customers in such ar-
 31 eas. Any structurally separate affiliate of a local exchange carrier that
 32 provides telecommunications services shall be subject to the same regu-
 33 latory obligations and oversight as a telecommunications carrier, as long
 34 as the local exchange carrier's affiliate obtains access to any services or
 35 facilities from its affiliated local exchange carrier on the same terms and
 36 conditions as the local exchange carrier makes those services and facilities
 37 available to other telecommunications carriers. The commission shall
 38 oversee telecommunications carriers to prevent fraud and other practices
 39 harmful to consumers and to ensure compliance with quality of service
 40 standards adopted for all local exchange carriers and telecommunications
 41 carriers in the state.

42 Sec. 2. K.S.A. 2005 Supp. 66-2005 is hereby repealed.

The KCC is authorized to conduct cost studies to determine price floors, below which certain services may not be priced.

LECs may petition for individual customer pricing. The KCC is required to respond in a maximum of 60 days, including one extension, to such petitions.

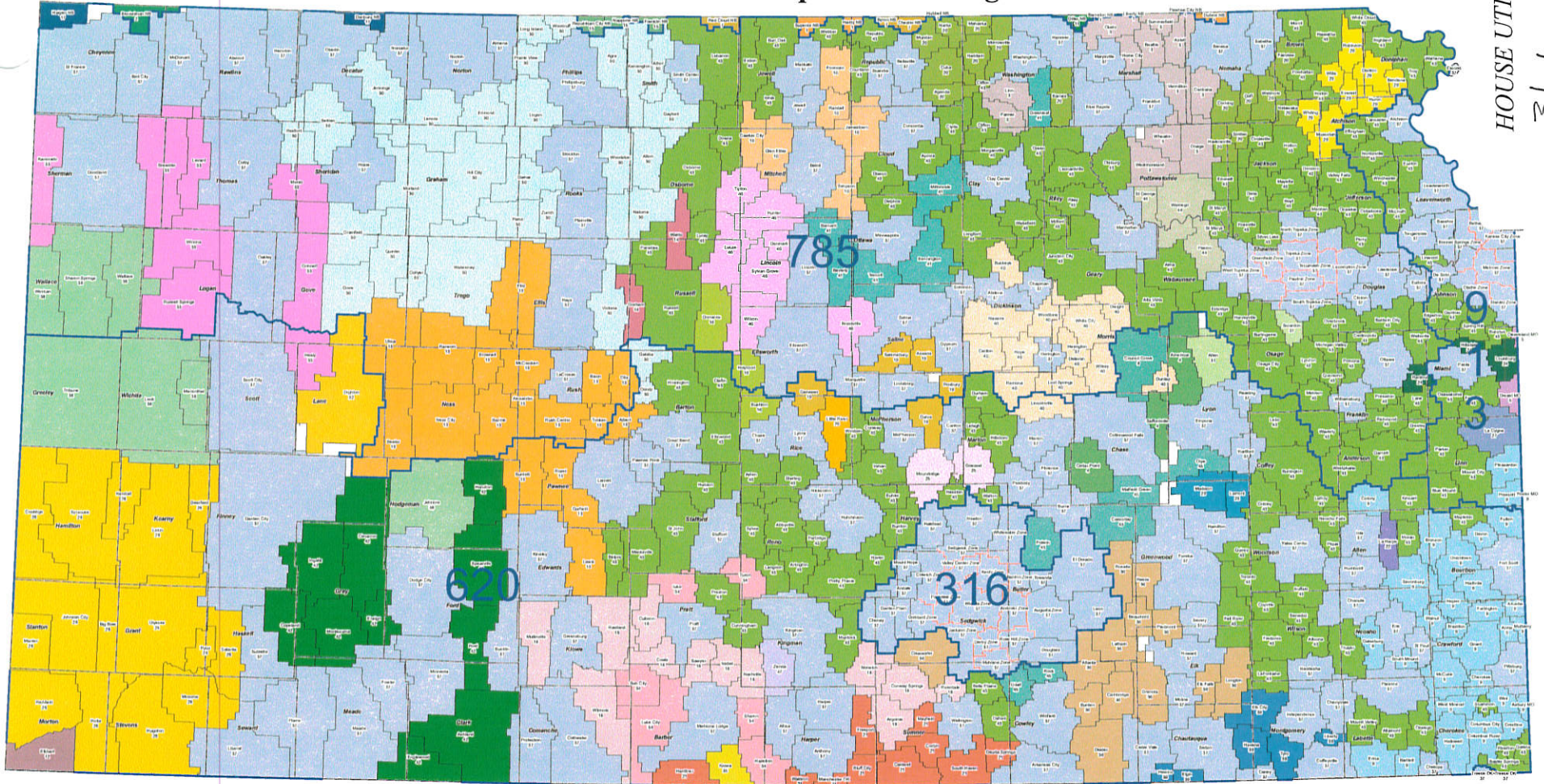
Companies other than LECs are essentially not price regulated under the act. However, some of the key policy principles are seen in requirements imposed on those carriers.

Companies that were not providing switched local exchange services in 1996 -- including cable operators -- are required to be certified by the Commission. That certification is based on a demonstration of technical, managerial and financial viability and the ability to meet the Commission's quality of service standards. In general, structurally separate affiliates of LECs are subject to the same regulation as other competitors. The KCC also oversees competitors to prevent fraud and other practices harmful to consumers and to ensure compliance with quality of service standards.

1 Sec. 3. This act shall take effect and be in force from and after its
2 publication in the statute book.

2-13


The State of Kansas Telephone Exchange Areas



- | | | | | |
|---|--------------------------------------|---|--|--|
| 1 ALLIANT TELEPHONE COMPANY OF NB. | 11 DILLER TELEPHONE COMPANY OF NB. | 21 KAN-OKLA TELEPHONE ASSN., INC. | 31 S&A TELEPHONE COMPANY, INC. | 41 TWIN VALLEY TELEPHONE, INC. |
| 2 BENKELMAN TELEPHONE COMPANY INC. | 12 ELKHART TELEPHONE COMPANY, INC. | 22 LAHARPE TELEPHONE COMPANY, INC. | 32 S&T TELEPHONE COOPERATIVE ASSOCIATION (DIGHTON) | 42 UNITED TELEPHONE ASSN., INC. |
| 3 BLUE VALLEY TELE-COMMUNICATIONS, INC. | 13 GOLDEN BELT TELEPHONE ASSOCIATION | 23 MADISON TELEPHONE LLC | 33 S&T TELEPHONE COOPERATIVE ASSOCIATION, INC. | 43 UNITED TELEPHONE CO. OF KANSAS |
| 4 BLUESTEM TELEPHONE COMPANY, INC. | 14 GORHAM TELEPHONE COMPANY | 24 MO-KAN DIAL, INC. | 34 SOUTH CENTRAL TELEPHONE ASSN. INC. | 44 WAMEGO TELECOMMUNICATIONS COMPANY, INC. |
| 5 CASS COUNTY TELEPHONE COMPANY | 15 GTE NORTH NB | 25 MOUNDRIIDGE TELEPHONE COMPANY | 35 SOUTH CENTRAL TELECOMM. OF KIOWA | 45 WHEAT STATE TELEPHONE COMPANY, INC. |
| 6 COLUMBUS TELEPHONE CO. INC. | 16 H&B COMMUNICATIONS, INC. | 26 MUTUAL TELEPHONE COMPANY | 36 SOUTHERN KANSAS TELEPHONE COMPANY, INC. | 46 WILSON TELEPHONE COMPANY, INC. |
| 7 CONTINENTAL TELEPHONE COMPANY OF NB. | 17 HARTMAN TELEPHONE COMPANY OF NB. | 27 PEOPLES TELECOMMUNICATIONS, LLC | 37 SOUTHWESTERN BELL TELEPHONE CO. | 47 ZENDA TELEPHONE COMPANY, INC. |
| 8 COUNCIL GROVE TELEPHONE COMPANY | 18 HAVILAND TELEPHONE COMPANY, INC. | 28 PIONEER TELEPHONE ASSN., INC. | 38 SUNFLOWER TELEPHONE COMPANY, INC. | NO SERVICE |
| 9 CRAW-KAN TELEPHONE COOPERATIVE, INC. | 19 HOME TELEPHONE COMPANY, INC. | 29 RAINBOW TELECOMMUNICATIONS ASSOCIATION, INC. | 39 TOTA-H COMMUNICATIONS, INC. | |
| 10 CUNNINGHAM TELEPHONE COMPANY, INC. | 20 J.B.N. TELEPHONE COMPANY, INC. | 30 RURAL TELEPHONE SERVICE COMPANY, INC. | 40 TRI-COUNTY TELEPHONE ASSOCIATION, INC. | |


Boundary Type
 - Zone Boundary
 - Exchange
 - Area Code

Map of Kansas Telephone Exchange Areas



KANSAS CORPORATION COMMISSION

Information Resources
 GIS Section
 27 January 2005



HOUSE UTILITIES
 DATE: 3/6/04
 ATTACHMENT 3

**SB 350
REVISED COMPARISON CHART OF PRICE DEREGULATION OF CERTAIN STATES**

HOUSE UTILITIES
DATE: 3/6/06
ATTACHMENT 34

STATE	YEAR/METHOD	COMPETITION	BASIC BUSINESS LINES	BASIC RESIDENTIAL LINES	CALL MANAGEMENT	PACKAGES/BUNDLES	CLEC/CABLE REGULATION	AUTHORITY TO RE-REGULATE
Kansas	1996 State Law (KSA 66-2001 <i>et seq.</i>) 2005 Regulatory Order (Docket No. 05-SWBT-997-PDR)	<p>There is no automatic deregulation provision.</p> <p>The commission may price deregulate within an exchange area, or at its discretion on a statewide basis, any individual service or service category upon a finding by the commission that there is a telecommunications carrier or an alternative provider providing a comparable product or service, considering both function and price, in that exchange area. KSA 66-2005(q).</p> <p>KCC did not find sufficient competition to discipline prices for single-line business service and to protect consumers of the stand-alone residential access line in the Kansas City, Topeka, and Wichita exchanges.</p>	<p>All small business lines under price cap regulation.</p> <p>KCC found sufficient and sustainable competition in Wichita exchange (but not in the Kansas City or Topeka exchanges) to justify deregulation of multi-line business service, Plexar business service and Digital Loop business service.</p> <p>KCC price deregulated flat rate trunk business service, Smart Trunk business service, and Digital Loop business services with the Super Trunk option in all three exchanges.</p>	All residential lines under price cap regulation.	All call management features under price cap regulation, except for those features associated with price deregulated lines or trunks.	Most packages/bundles under price cap regulation. Packages /bundles in Kansas City and Wichita exchanges granted "pricing flexibility" in 2005 if there was at least one facilities-based provider currently offering service in the exchange.	No price regulation of competitors. CLECs are required to file a one-page annual report with the Commission.	<p>The commission shall resume price regulation of a service provided... upon a determination by the commission that there is no longer a telecommunications carrier or alternative provider providing a comparable product or service, considering both function and price, in that exchange area. KSA 66-2005(r).</p> <p>Pursuant to Docket 997, the KCC determined that in those instances where price deregulation was granted, AT&T is still obligated to price its services in a manner that is not "unjust or unreasonably discriminatory or unduly preferential (KSA 66-1,187).</p>

4-2

STATE	YEAR/METHOD	COMPETITION	BASIC BUSINESS LINES	BASIC RESIDENTIAL LINES	CALL MANAGEMENT	PACKAGES/BUNDLES	CLEC/CABLE REGULATION	AUTHORITY TO RE-REGULATE
Arkansas (Deregulated)	1997 State Law (Ark. Code Ann. 23-17-401 <i>et seq.</i>)	23-17-407(d) requires only one other telecommunications provider in an exchange in order to be considered competitive. Telecommunications provider is broadly defined by 23-17-403(24) to be any person, firm, partnership, corporation, association, or other entity that offers telecommunications services to the public for compensation.	Basic lines capped at existing levels until 2000; afterwards could increase by 75 percent of inflation (GDP-PI) until competitive test is met. All other business lines are price deregulated. Now, over 90 percent of all business lines in the state are in competitive exchanges and are price deregulated.	Basic lines capped at existing levels until 2000; afterwards could increase by 75 percent of inflation (GDP-PI) until competitive test is met. Now, over 90 percent of all residential lines in the state are in competitive exchanges and are price deregulated.	All call management services were price deregulated in 1997.	All packages/bundles were price deregulated in 1997.	No price regulation of competitors.	Did not find any provision for Commission to assume re-regulation.
Colorado	2005 Regulatory Order (Docket No. 04A-411T)	The Colorado Commission issued a survey of telecommunications competition in response to Qwest's filing to deregulate the Commission oversight of all retail services.	Small business lines under price cap (five or fewer lines); all other lines are price deregulated.	Single lines under price cap; additional lines are price deregulated in five largest exchanges.	Most call management services are price deregulated.	All packages/bundles are price deregulated; residential telecom packages may be reviewed if price exceeds total of a <i>la carte</i> pricing.	Basic single residential line rate capped at ILEC level unless bundled.	Did not find any provision for Commission to assume re-regulation.
Iowa	2005 State Law (Iowa Code Section 476.1D)	There is no automatic deregulation provision. The Iowa Utilities Board (IUB) determines whether there is competition by considering if there is comparable service offered and whether the market forces in that market are sufficient to keep rates reasonable and just. Wireless, cable, VoIP and economic barriers are specifically identified to be considered. [478.1D Section 1(b)] IUB initiated a deregulation proceeding on its own motion as a result of the IUB survey report, issued in January of 2004, on the extent of competition in local exchange services.	Single lines may increase by \$2 per month, per year, until 2008 (2010 if regulatory order) not to exceed \$38 per month; thereafter, single lines are price deregulated. Also, 19 exchanges now deemed competitive and price deregulated. Multi-line business lines are price deregulated. (Increases cannot be banked).	Single lines may increase by \$1 per month, per year, until 2008 (2010 if regulatory order) not to exceed \$19 per month; thereafter, single lines are price deregulated. Also, 19 exchanges now deemed competitive and price deregulated. DSL deployment required within 18 months in area if either business or residential rate increases. (Increases cannot be banked).	All call management services are price deregulated.	All packages/bundles are price deregulated.	No price regulation of competitors.	IUB has the power to reimpose rate regulation if there is no longer competition or if a competitor uses anti-competitive practices to gain unfair market power. IUB may extend its authority over rate regulation for two more years if it is in the public interest. IUB continues to regulate service. Commission retains authority to resolve antitrust disputes among carriers and to conduct discovery to obtain information from providers to determine if there is effective competition.

4-3

STATE	YEAR/METHOD	COMPETITION	BASIC BUSINESS LINES	BASIC RESIDENTIAL LINES	CALL MANAGEMENT	PACKAGES/BUNDLES	CLEC/CABLE REGULATION	AUTHORITY TO RE-REGULATE
Michigan	2005 State Law (HB 5237)	Michigan Telecommunications Act directs the Michigan Public Service Commission (Commission) to submit an annual report describing the status of competition in telecommunications service in Michigan. The study impacted the decision to deregulate business service in the Detroit area.	All business lines are price deregulated.	Only one "stand alone" line per customer is regulated under price cap, and increases indexed to Detroit consumer price index (CPI) minus 1 percent are permitted.	All call management services are price deregulated.	All packages/bundles are price deregulated.	Competitors have same regulation as incumbents; also must offer one "stand alone" line per customer under index (Detroit CPI-1 percent).	Legislation empowered the Commission to establish quality of service standards for the provision of basic local service, provision of unbundled network elements (UNEs) and interconnection in furtherance of providing local service.
Missouri	2005 State Law (RSMo. Sections 392.200 and 245)	The Missouri General Assembly evaluates the success of price deregulation based upon the report by the Missouri Public Service Commission (Commission). Changes standards by which services are deemed competitive, i.e., if there are two non-affiliated providers in addition to the incumbent providing basic local service to both business and residential customers.	In exchanges with two or more business service providers, all services are price deregulated.	In exchanges with two or more residential service providers, all services are price deregulated.	In exchanges with two or more residential or business providers, all services are price deregulated.	All bundles are price deregulated provided that each service included in the bundle is available separately from the bundle.	No price regulation of competitors.	At least every two years or upon a rate increase, the Commission shall review competition in the exchange to ensure that conditions continue to exist to support the deregulation classification. If deregulation is no longer appropriate, the law provides that the Commission shall bring the company back under price cap regulation.
Nebraska (Deregulated)	1986 State Law (Nebraska Statute 86-101 et seq.)	Commission may limit, remove, or waive regulatory requirements when it will serve the same purpose of public interest regulation and may revoke any waivers if such would protect the public interest, upon a finding that the telecommunications company is restricting market output, impairing customer interest, or engaging in anti-competitive activity (86-126).	All business services subject to reduced regulation in 1986. Automatic state review if basic local service rate increases over 10 percent within a 12-month consecutive period or with a ratepayer petition. State USF support set to benchmark rate (\$27.50 business).	All residential services subject to reduced regulation in 1986. Automatic state review if basic local service rate increases over 10 percent within a 12-month consecutive period or with a ratepayer petition. State USF support set to benchmark rate (\$17.50 residential).	All call management services are price deregulated.	All packages/bundles are price deregulated.	No price regulation of competitors.	Commission's role is primarily related to consumer protection; monitoring tariffs and interchange carriers' (IXC) filings; and reviewing and approving new applications, boundary changes, rate center consolidation, and numbering resources.

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STATE	YEAR/METHOD	COMPETITION	BASIC BUSINESS LINES	BASIC RESIDENTIAL LINES	CALL MANAGEMENT	PACKAGES/BUNDLES	CLEC/CABLE REGULATION	AUTHORITY TO RE-REGULATE
Oklahoma	2005 Regulatory Order (Cause No. PUD 200500042)	The Oklahoma Legislature adopted SCR 74 in May 2004 and created a Task Force on Deregulation, which it advises the Legislature on the necessity and feasibility of abolishing certain state laws relating to telecommunications.	All business lines are price deregulated.	All residential lines are price deregulated, except in rural exchanges (20,000 lines or less) rates may not increase by more than \$2 per month, per year, until 2011.	All call management services are price deregulated.	All packages/bundles are price deregulated.	No price regulation of competitors.	The Commission retains the ability to modify its regulation of SBC Oklahoma if the decision in PUD 200500042 leads to any market failure. OAC 165:55-5-10.1(g) provides, "the Commission, may, at any time, revoke the competitive designation of a service, after notice of hearing, if the Commission determines that the service is no longer a competitive service."
Texas	2001 and 2005 State Laws (Public Utility Regulatory Act Chapters 58 and 65)	Prohibits establishment of retail rates that are anti-competitive, prejudicial, or discriminatory. Prohibits predatory or attempts at predatory pricing. [52.156(1) and (2)] Prohibits the Texas Public Service Commission (Commission) from determining which regulation should continue where a market's population is at least 100,000 or, if the population in a market is at least 30,000 and there are three competitors in addition to the incumbent, at least one must be facilities based; at least one certificated telecommunications provider; and at least one provider of commercial mobile radio services (CMRS) provided by an entity not affiliated with the incumbent. [65.0252(b)] Establishes legislative committee to conduct joint oversight with Public Utility Commission of competitiveness issues (65.252).	All business lines were price deregulated in 2001.	On 1/1/06, residential lines in exchanges over 100,000 lines are price deregulated by law. Most lines in exchanges over 30,000 lines were price deregulated by Commission order. "Stand alone" single lines capped to 2007 or later.	All call management services are price deregulated, except Caller ID is capped for customers age 65 and over, and residential call waiting is capped until 7/1/06.	All packages/bundles are price deregulated.	No price regulation of competitors.	Commission may re-regulate if necessary, and small companies may elect to remain regulated. Commission retains authority to adjust universal service funds, but deregulated carriers may only receive lifeline services funding. Deregulated companies exchange certificate of convenience and necessity for operating certificate. Establishes extensive wholesale code of conduct to be enforced by the Commission.