

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Pat Apple at 1:30 p.m. on January 13, 2010, in Room 548-S of the Capitol.

All members were present except
Senator Petersen - excused
Senator Taddiken - excused.

Committee staff present:
Kristen Kellems, Office of the Revisor of Statutes
Matt Sterling, Office of the Revisor of Statutes
Raney Gilliland, Kansas Legislative Research Department
Cindy Lash, Kansas Legislative Research Department
Ann McMorris, Committee Assistant
Jeannine Wallace, Sen. Apple's Office Assistant

Conferees appearing before the Committee:
Janet Buchanan, KCC

Others attending:
See attached list.

Introduction of Bills

Tom Day of KCC presented a request for introduction of legislation that amends those statutes dealing with a demonstration that there are two or more non affiliated telecommunications carriers or other entities, not affiliated with the requesting carrier, providing local telecommunications service to business or residential customers in the requested exchange. (Attachment 1)

Moved by Senator Emler, seconded by Senator Lee, to approve the introduction of legislation as proposed by KCC. Motion carried.

Overview of the telecommunications technology and issues

Janet Buchanan, Deputy Director, Utilities Division of Kansas Corporation Commission, provided a brief history on telecommunications. She explained the various services which include local service, long distance service, broadband service, wireless service and bundles of services. Her power point handout included illustrations of the calls and what entities are involved.. KCC jurisdiction and FCC jurisdiction were outlined. Rate of Return and price cap regulations were explained. (Attachment 2)

The next meeting is scheduled for January 14, 2010.

The meeting was adjourned at 2:25 p.m.

Respectfully submitted,

Ann McMorris
Committee Assistant

Attachments - 2

**SENATE UTILITIES
COMMITTEE GUEST LIST
JANUARY 13, 2010**

NAME	REPRESENTING
Shirley Allen	KRITC
Steve KARRICK	CURB
LON STANTON	NORTHERN NATURAL GAS
Nelson Knueger	U.S. Cellular
DAN JACOBSEN	AT&T
Dina Fisk	VERIZON
Bruce May	AT&T
Cyrus Gallagher	"
Alan Faldut	KEC
Scott Jones	KEPC
Mark Damm	ES Gas Service
SEAN MILLER	CAPITOL STRATEGIES
Ron Gault	Sprint
Mark Scherba	Western
John Ideux	Century Link
Conroy Mohr	KDOC



*Kathleen Sebelius, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner*

January 13, 2010

Honorable Pat Apple, Chairman
Senate Utilities Committee
Statehouse, Room 224-E
Topeka, Kansas 66612

Dear Senator Apple:

The Kansas Corporation Commission would respectfully request the Senate Utilities Committee to introduce the following legislation. The proposal amends KSA 66-2005(q)(1)(C) and (D) dealing with a demonstration that there are two or more nonaffiliated telecommunications carriers or other entities, not affiliated with the requesting carrier, providing local telecommunications service to business or residential customers in the requested exchange. (Draft language attached)

The Corporation Commission respectfully seeks introduction of this proposal through the Senate Utilities Committee. Should you have questions, please feel free to call me at 271-3190.

Thank You,

A handwritten signature in black ink, appearing to read "Tom Day", written over a horizontal line.

Thomas A. Day
Legislative Liaison

**Senate Utilities Committee
January 13, 2010
Attachments 1-1**

K.S.A. 66-2005(q)(1)(C) states:

In any exchange in which there are fewer than 75,000 local exchange access lines served by all providers, the commission shall price deregulate all business telecommunication services upon a demonstration by the requesting local telecommunications carrier that there are two or more nonaffiliated telecommunications carriers or other entities, that are nonaffiliated with the local exchange carrier, providing local telecommunications service to business customers, regardless of whether the entity provides local service in conjunction with other services in that exchange area. One of such nonaffiliated carriers or entities shall be required to be a facilities-based carrier or entity and not more than one of such nonaffiliated carriers or entities shall be a provider of commercial mobile radio services in that exchange. A requesting local telecommunications carrier shall not be required to demonstrate that the nonaffiliated commercial mobile radio services provider provides service to business customers specifically, a demonstration that the commercial mobile radio services provider provides local telecommunications service to customers in the exchange area is sufficient.

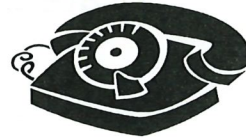
K.S.A. 66-2005(q)(1)(D) states:

In any exchange in which there are fewer than 75,000 local exchange access lines served by all providers, the commission shall price deregulate all residential telecommunication services upon a demonstration by the requesting local telecommunications carrier that there are two or more nonaffiliated telecommunications carriers or other entities, that are nonaffiliated with the local exchange carrier, providing local telecommunications service to residential customers, regardless of whether the entity provides local service in conjunction with other services in that exchange area. One of such nonaffiliated carriers or entities shall be required to be a facilities-based carrier or entity and not more than one of such nonaffiliated carriers or entities shall be a provider of commercial mobile radio services in that exchange. A requesting local telecommunications carrier shall not be required to demonstrate that the nonaffiliated commercial mobile radio services provider provides service to residential customers specifically, a demonstration that the commercial mobile radio services provider provides local telecommunications service to customers in the exchange area is sufficient.

Telecommunications Basics

Presentation
for
Senate Utilities Committee
January 13, 2010

Janet Buchanan
Deputy Director, Utilities Division
Kansas Corporation Commission
1500 SW Arrowhead Road, Topeka, KS 66604
j.buchanan@kcc.ks.gov



Telecommunications Basics

The Early Years



Senate Utilities Committee
January 13, 2010
Attachments 2-1



Telecommunications Basics

- Brief History
- Types of Service
- Local Call
- Long-distance Call
- VoIP Call
- Jurisdiction
- Rate Structure



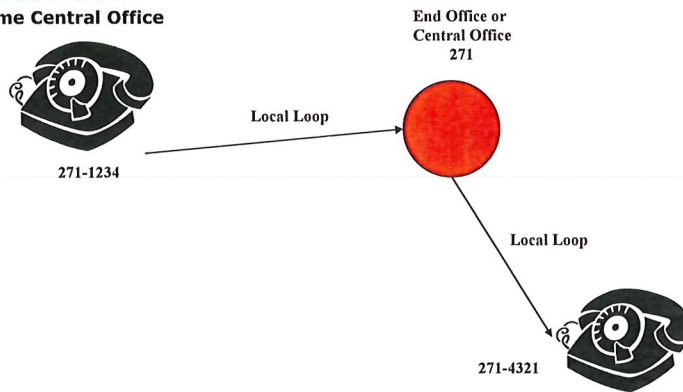
Telecommunications Basics

- Types of Service
 - Local Service
 - Basic Voice Service
 - Discretionary Services
 - Long distance Service
 - Broadband Service
 - Internet Access
 - Voice Over Internet Protocol
 - Wireless Service
 - Bundles of Services

Telecommunications Basics

Local Call

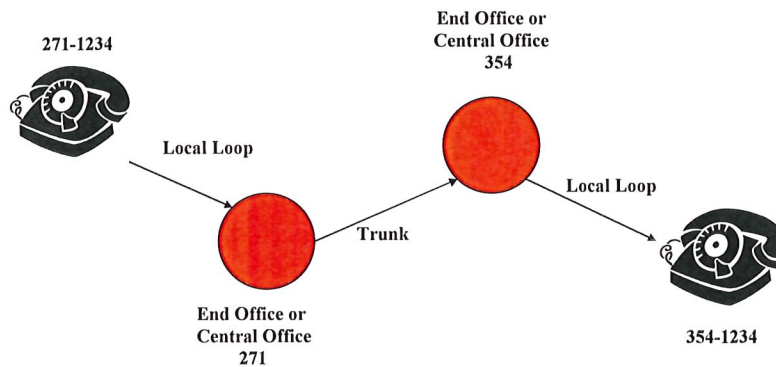
Same Central Office



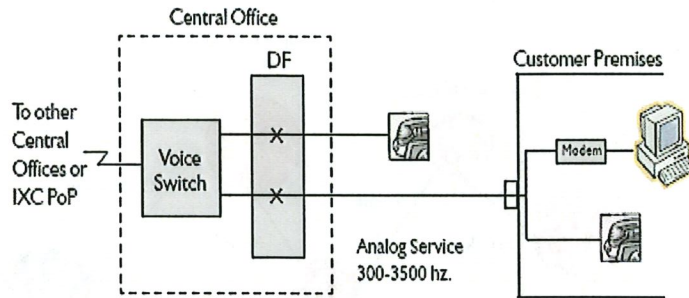
Telecommunications Basics

Local Call

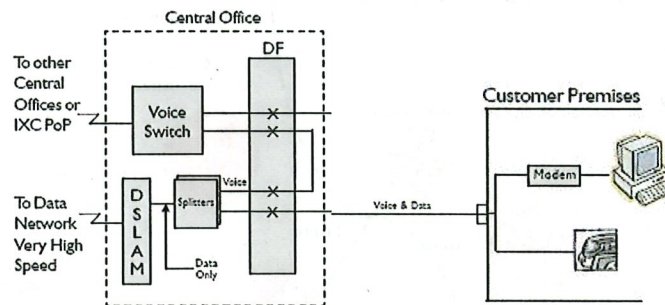
Multiple Central Office



Telecommunications Basics



Telecommunications Basics



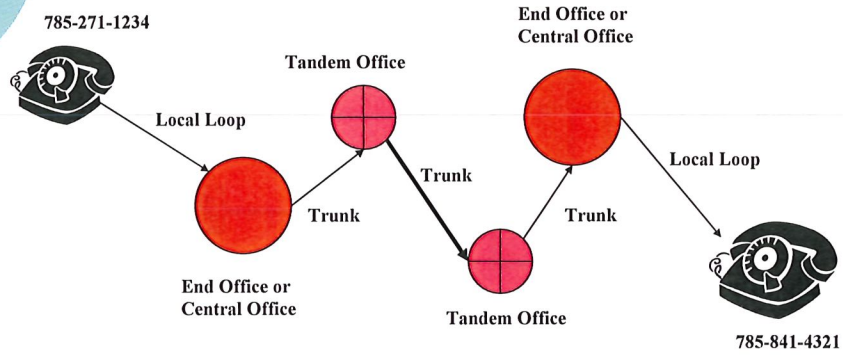
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Telecommunications Basics

Long Distance Call

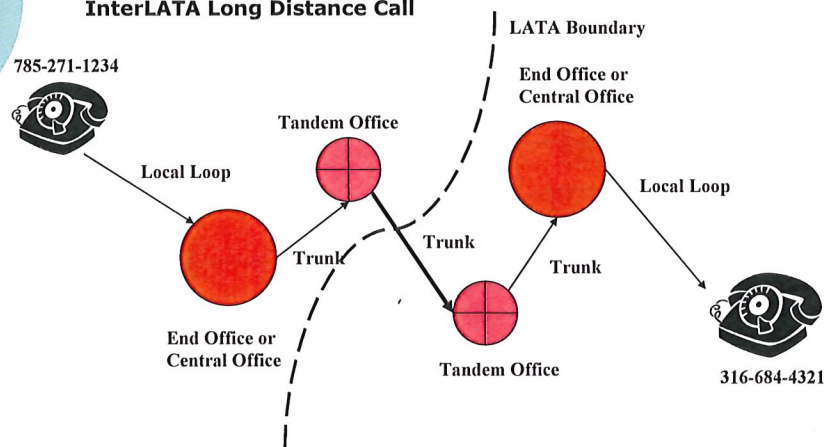
IntraLATA Long Distance Call



Telecommunications Basics

Long Distance Call

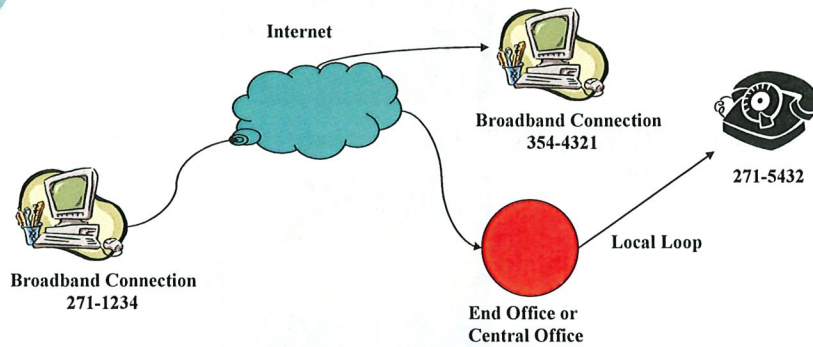
InterLATA Long Distance Call



Telecommunications Basics

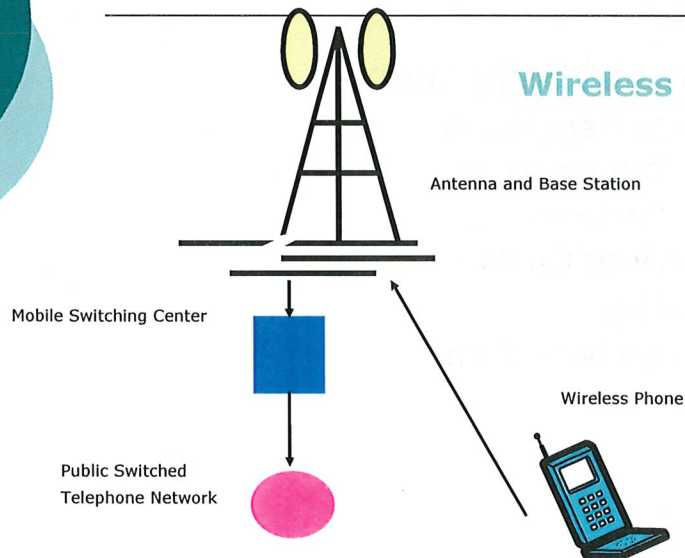
VoIP Call

Voice Over Internet Protocol to Landline
Voice Over Internet Protocol to Voice Over Internet Protocol



Telecommunications Basics

Wireless Call



8-5

2-7
7

Telecommunications Basics

Jurisdictional Authority

The KCC has jurisdiction over **intrastate** calls and carriers.



The FCC has jurisdiction over **interstate** calls and carriers.



Telecommunications

- Types of Regulation
 - Rate Regulation
 - Rate-of-return
 - Price-cap
 - Service Quality
 - Billing
 - Interconnection

Telecommunications Basics

- KCC Jurisdiction
 - Incumbent Local Exchange Carriers (ILEC)
 - Competitive Local Exchange Carriers (CLEC)
 - Long-distance Carriers (IXC)
 - Wireless Carriers
 - VoIP Carriers

Telecommunications Basics

- **Rate-of-Return Regulation**
 - There are two steps to implementing rate of return regulation:
 - First, determine the economically appropriate revenue requirement. This is based on prudently incurred expenses and a "fair" return on invested capital, and
 - Second, set prices for individual services so revenue earned from all the regulated services is not greater than the revenue requirement.
 - The revenue requirement is generally calculated using the following formula:

$$\text{Revenue Requirement} = \text{Operating Expenses} + \text{Depreciation} + \text{Taxes} + (\text{Net Book Value} * \text{Rate of Return})$$



Telecommunications Basics

- Price-cap Regulation

- Prices are adjusted using an index rather than through an examination of cost of service.
 - In most instances, price-cap regulation begins after a traditional rate of return review of the cost of providing service.
 - In some applications, there are periodic rate of return reviews to rebase the rates to match the cost of providing service if necessary.
- The Price Cap formula utilized by the KCC is:
Price Cap Index = Inflation - Productivity Offset +
Extraordinary Event Adjustment

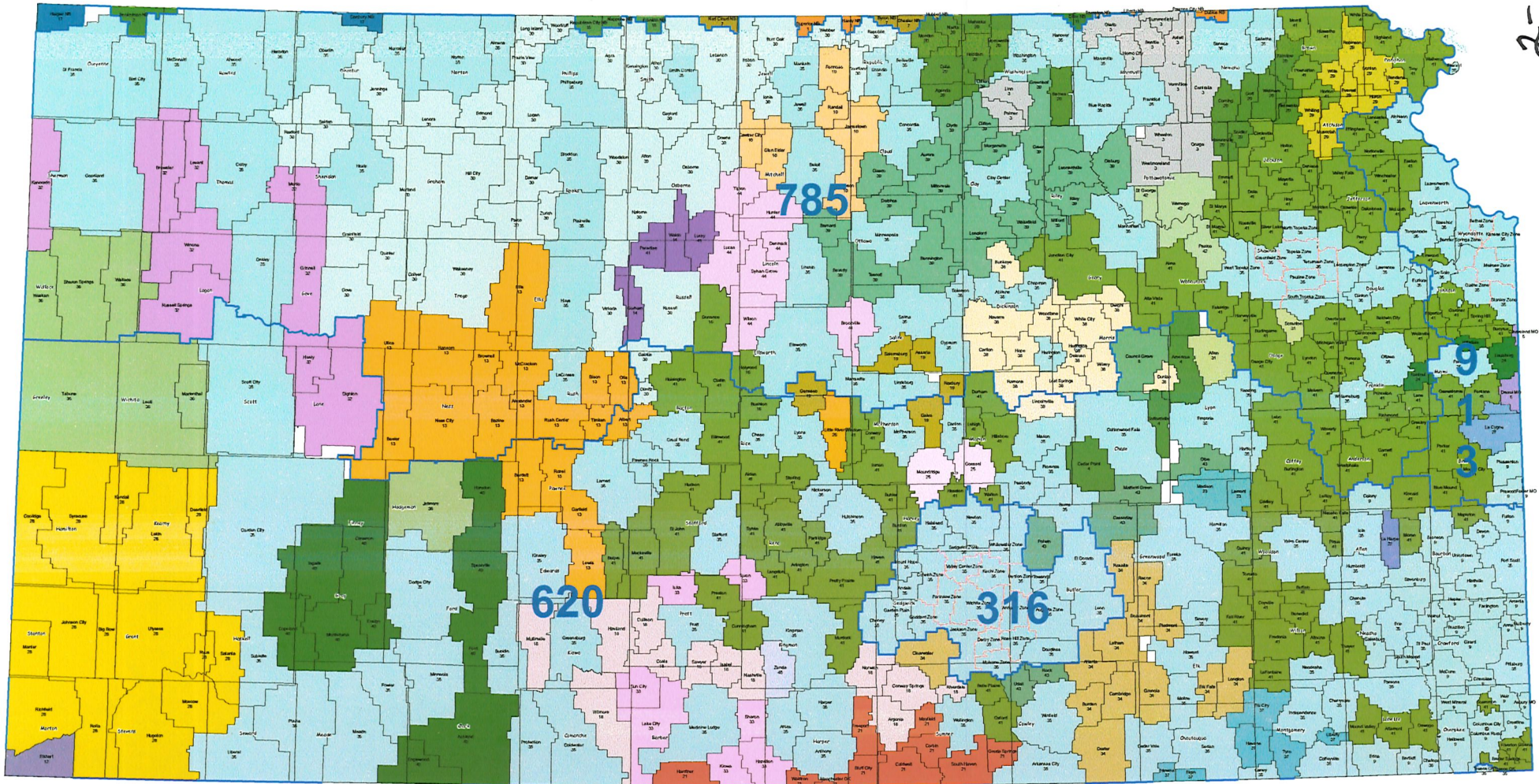


Telecommunications Basics

- Interconnection

- Review Carrier to Carrier Agreements
- Arbitrate or Mediate Agreements
- Complaints

2-11



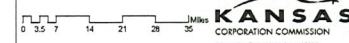
Boundary Type

- Area Code
- Zone
- Exchange

Company Name

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

CERTIFIED AREAS OF TELEPHONE EXCHANGES IN KANSAS



KANSAS
CORPORATION COMMISSION
Information Technology, August 2005