

Approved: January 27, 2010  
Date

## 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 Rarrick	CURB
Lon Stanton	NORTHERN NATURAL GAS
Nelson Krueger	U.S. Cellular
DAN JACOBSEN	AT&T
Dina Fisk	VERIZON
Bryan May	AT&T
Cyndy Gallagher	"
Diane Faldut	KEC
Scott Jones	KEPC
Mark Damm	ES Gas Service
JEAN MILLEN	CAPITOL STRATEGIES
Ron Gault	Sprint
Mark Schreiber	Western
John Idoux	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,

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:

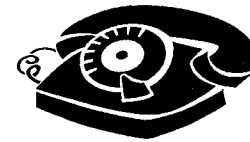
In any exchange in which there are fewer than 75,000 local exchange access lines served by all providers, the commission shall price deregulate all residential telecommunication services upon a demonstration by the requesting local telecommunications carrier that there are two or more nonaffiliated telecommunications 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

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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

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The Early Years



Senate Utilities Committee  
January 13, 2010  
Attachments 2-1



## Telecommunications Basics

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



## Telecommunications Basics

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- 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

### The Telephone Number

1 - NPA - NXX - XXXX

↓                      ↓                      ↓  
Toll Switch - Central Office - Desired Line

"1" indicates a toll call.

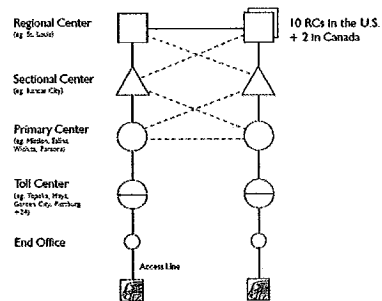
"N" = 2-9

"X" = 0-9

Total numbers per NPA=7.92 million

## Telecommunications Basics

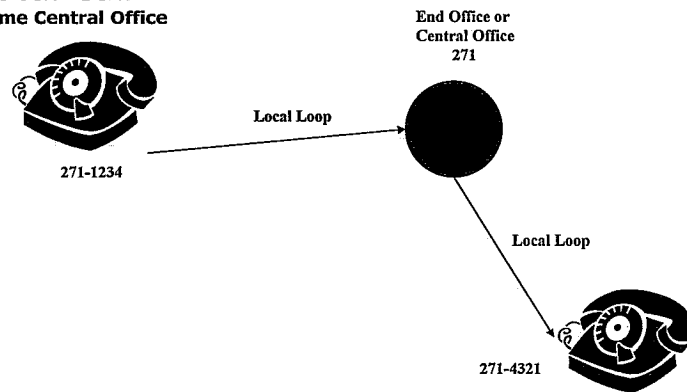
### The Public Switched Telephone Network (PSTN) Prior to 1984



Legend:  
— = Large (several hundred) "final" trunk groups of inter-office trunks.  
--- = Smaller "high usage" trunk groups sized to carry ~ 80% of the offered traffic.

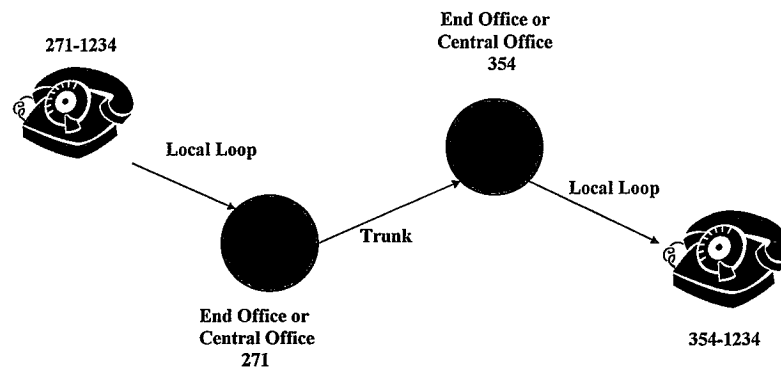
## Telecommunications Basics

### Local Call Same Central Office



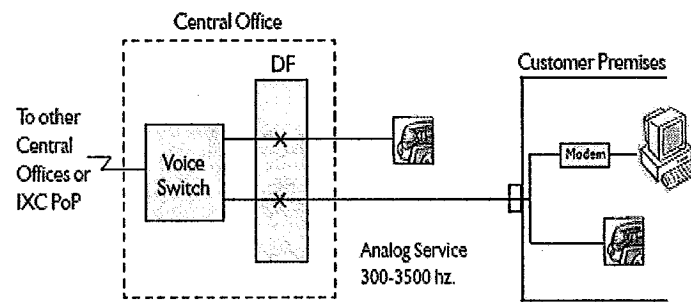
## Telecommunications Basics

### Local Call Multiple Central Office

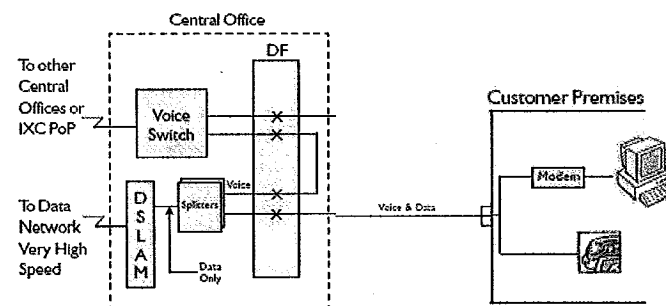




## Telecommunications Basics

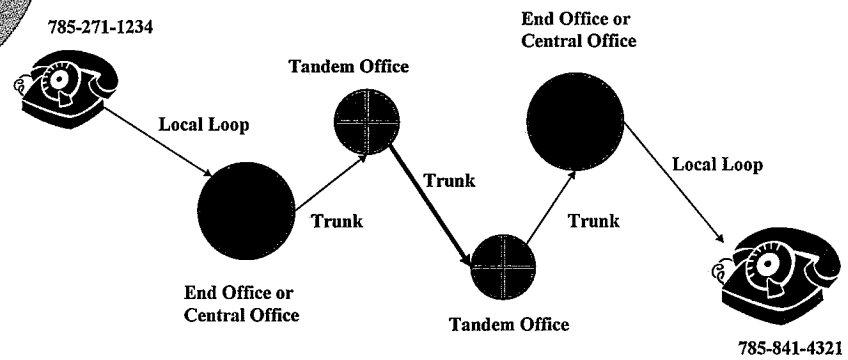


## Telecommunications Basics



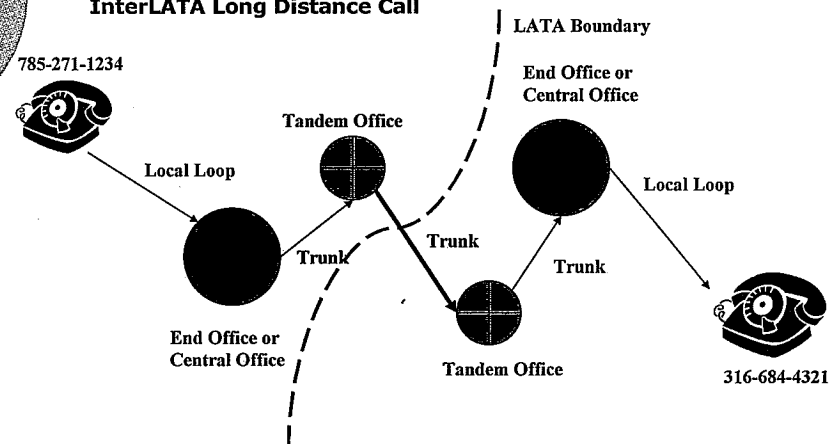
## Telecommunications Basics

### Long Distance Call IntraLATA Long Distance Call



## Telecommunications Basics

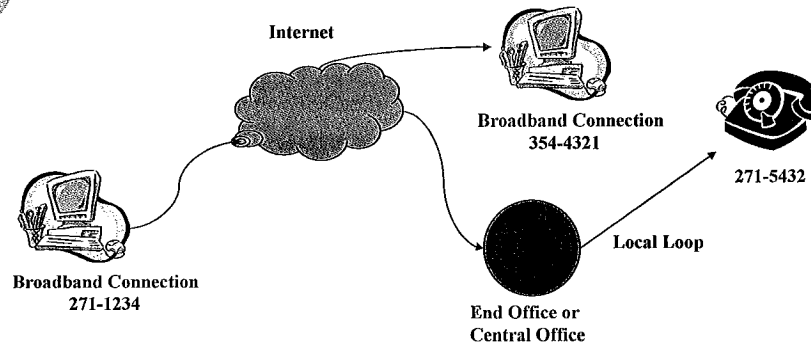
### Long Distance Call InterLATA Long Distance Call



## Telecommunications Basics

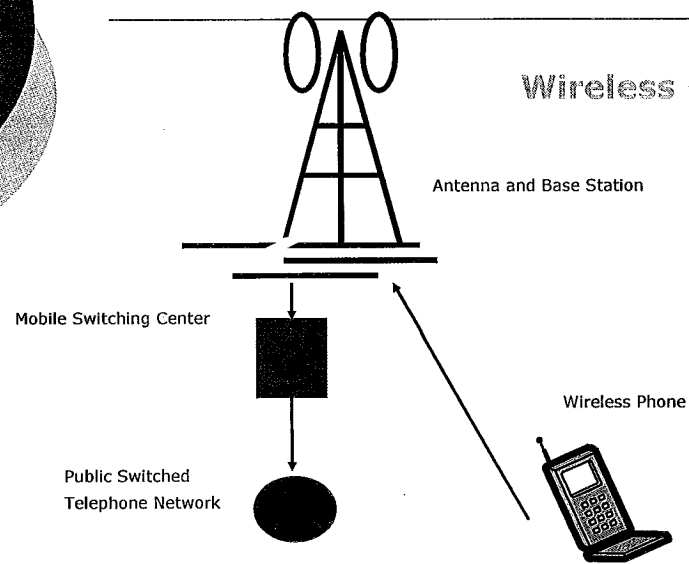
### VoIP Call

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



## Telecommunications Basics

### Wireless Call

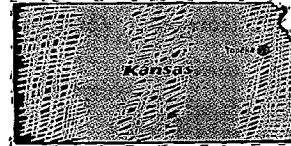


## Telecommunications Basics

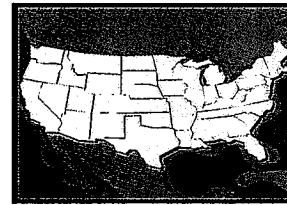
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### Jurisdictional Authority

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



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



## Telecommunications

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### o Types of Regulation

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

## Telecommunications Basics

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### o KCC Jurisdiction

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

## Telecommunications Basics

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### o **Rate-of-Return Regulation**

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

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- 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



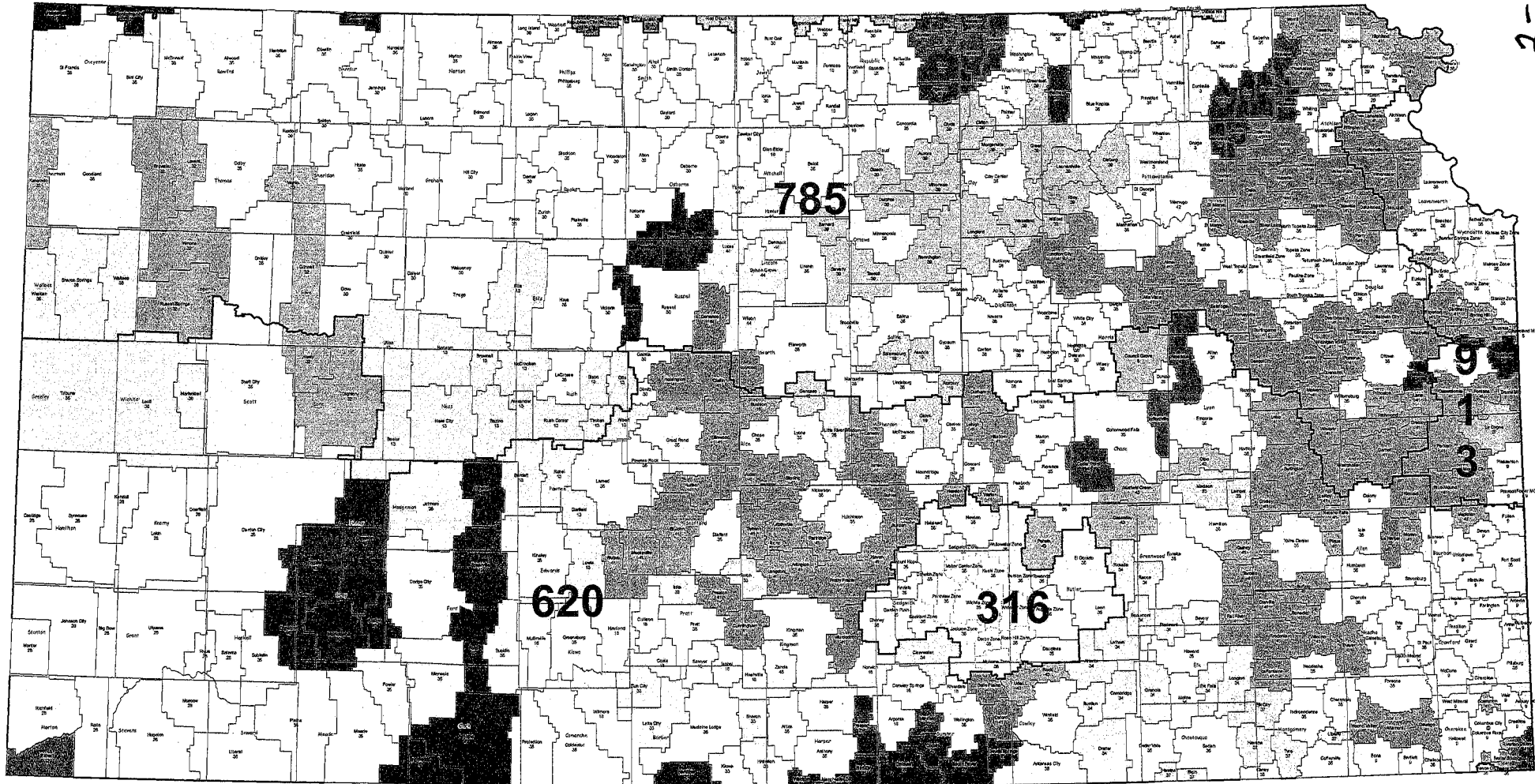
## Telecommunications Basics

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- 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.

2 BENKELMAN TELEPHONE COMPANY INC.

3 BLUE VALLEY TELE-COMMUNICATIONS, INC.

4 BLUSTEM TELEPHONE COMPANY, INC.

5 CASS COUNTY TELEPHONE COMPANY

6 COLUMBUS TELEPHONE CO. INC.

7 CONTINENTAL TELEPHONE COMPANY OF NB.

8 COUNCIL GROVE TELEPHONE COMPANY

9 CRAWFORD TELEPHONE COOPERATIVE, INC.

10 CUNNINGHAM TELEPHONE COMPANY, INC.

11 DILLER TELEPHONE COMPANY OF NB.

12 ELKHART TELEPHONE COMPANY, INC.

13 GOLDEN BELT TELEPHONE ASSOCIATION

14 GORHAM TELEPHONE COMPANY

15 GTE NORTH NB

16 H&B COMMUNICATIONS, INC.

17 HARTMAN TELEPHONE COMPANY OF NB.

18 HAVILAND TELEPHONE COMPANY, INC.

19 HOME TELEPHONE COMPANY, INC.

20 J.B.N. TELEPHONE COMPANY, INC.

21 KAN-OKLA TELEPHONE ASSN., INC.

22 LAHARPE TELEPHONE COMPANY, INC.

23 MADISON TELEPHONE LLC

24 MO-KAN DIAL, INC.

25 MOUNDRISE TELEPHONE COMPANY

26 MUTUAL TELEPHONE COMPANY

27 PEOPLES TELECOMMUNICATIONS, LLC

28 PIONEER TELEPHONE ASSN., INC.

29 RAINBOW TELECOMMUNICATIONS ASSOCIATION, INC.

30 RURAL TELEPHONE SERVICE COMPANY, INC.

31 S&A TELEPHONE COMPANY, INC.

32 S&T TELEPHONE COOPERATIVE ASSOCIATION, INC.

33 SOUTH CENTRAL TELEPHONE ASSN. INC.

34 SOUTHERN KANSAS TELEPHONE COMPANY, INC.

35 SOUTHWESTERN BELL TELEPHONE CO.

36 SUNFLOWER TELEPHONE COMPANY, INC.

37 TOTAH COMMUNICATIONS, INC.

38 TRI-COUNTY TELEPHONE ASSOCIATION, INC.

39 TWIN VALLEY TELEPHONE, INC.

40 UNITED TELEPHONE ASSN., INC.

41 UNITED TELEPHONE CO. OF KANSAS

42 WAMEGO TELECOMMUNICATIONS COMPANY, INC.

43 WHEAT STATE TELEPHONE COMPANY, INC.

44 WILSON TELEPHONE COMPANY, INC.

45 ZENDA TELEPHONE COMPANY, INC.

NO SERVICE

**CERTIFIED AREAS OF TELEPHONE EXCHANGES IN KANSAS**

