

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Senator Karin Brownlee at 8:30 a.m. on March 25, 2002 in Room 123-S of the Capitol.

All members were present except: Senator Brungardt (Excused)
Senator Jordan (Excused)

Committee staff present: Sherman Parks, Revisor of Statutes
April Holman, Legislative Research
Debra Hollon, Legislative Research
Lea Gerard, Committee Secretary

Conferees appearing before the committee: Richard Veach, Pioneer Communications
Mike Murray, Sprint
Nelson Krueger, Western Wireless
Janet Buchanan, KCC
John Federico, Cable Industry

Others attending: See attached list

John Federico, representing the Cable Industry, briefed the Committee on deployment of Broadband by the Kansas Cable (Attachment 1). From 1996 through 2000, Kansas cable companies made capital investments totaling over \$250M. This is all private capital with no guaranteed rate of return and no subsidies. Cable is provided to about 64% of the available homes in Kansas with 10% of the 64% subscribing to high-speed internet.

HB 2754–Telecommunications; affordable rates; quality of services; standards.

Mary Torrence, Legislative Research, briefed the committee on **HB 2754** stating that on Page 2 intrastate access rates would be adjusted every two years to match interstate access rates and the reduction in the rural telephone companies revenue for intrastate rates will be recovered from KUSF. The bulk of amendments for the bill begin on Page 3 and relate to determination of what is an affordable rate for a rural telephone company. An affordable rate is used for the purposes of determining support that is available from KUSF money and if a company's costs are above what is determined to be an affordable rate then that company can receive KUSF money in order to subsidize the service so consumers can afford the service. The provisions provide for a residential rate that is based on current rate by exchange and is weighted by the number of access lines for the corresponding exchanges.

Richard Veach, General Manager, Pioneer Communications, testified in support of **HB 2754** (Attachment 2).

The Committee asked Richard Veach what is the benefit of maintaining parity with regard to interstate/intrastate switched access rates for the consumer. Richard Veach stated that in the original act it was requested by the interexchange carriers that the access charges they pay in the interstate jurisdiction be the same as they are in the intrastate jurisdiction so that long distance pricing would be the same.

Mike Murraray, Director of Governmental Affairs, Sprint, testified in support of **HB 2754** (Attachment 3).

Nelson Krueger, representing Western Wireless, testified in support of **HB 2754** (Attachment 4).

Janet Buchanan, Kansas Corporation Commission, testified that the commission wanted to acknowledge the cooperation the rural companies offered in reaching a settlement of a docket that was related to this legislation. The KCC does not oppose **HB 2754**.

Chairperson Brownlee asked Janet Buchanan if the KCC supports the bill. Janet Buchanan stated there is some hesitation to codify something that was agreed to in a stipulation and agreement. The KCC has approved the stipulation and agreement and does not have any opposition to the bill. The KCC believes they will maintain, even with this bill, the flexibility they need to regulate rural telephone companies.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE at on March 25, 2002 in Room 123-S of the Capitol.

Senator Barone stated **HB 2754** tends to codify a stipulation and if the bill passes, then how would that codification be changed in the future. Janet Buchanan stated there is still some flexibility for the KCC in the future to determine affordable rates should this bill in the future be viewed as not a reasonable way to determine affordable rates. There is still some flexibility in the language that would allow the Commission to look at it again. This is a reasonable way to move rural rates toward those that are in the rural areas for Sprint or Southwestern Bell.

Senator Barone requested Janet Buchanan to provide a chart with rates across the state.

There being no further conferees wishing to testify on **HB 2754**, the hearing was closed.

Meeting adjourned.

Next meeting is scheduled for Tuesday, March 26, 2002 at 8:30 a.m.